

North of Tyne Combined Authority, Cabinet

Tuesday 25 January 2022 at 2.00 pm

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

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AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

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

Note: Members of Cabinet have been granted dispensations so that they may participate in decisions which relate to the constituent authority which appointed them.

3. **Any announcements from the Mayor and/or the Managing Director**

4. **Minutes of the Previous Meeting** 1 - 8

5. **NTCA Response to NTCA Citizens' Assembly Recommendations on Energy, Skills and Housing** 9 - 18

6.	North of Tyne Rural Economy - Northumberland Stewardship and Rural Growth	19 - 26
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	(a) Audit Completion Report, year ending 31 March 2021	
	(b) Annual Governance Statement	113 - 142
	(c) NTCA 2020-21 Statement of Accounts	143 - 310
10.	2021/22 Quarter 3 NTCA Budget Monitor Report	311 - 318
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	(a) 2022-2026 NTCA Budget Proposals	319 - 328
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	(c) North of Tyne Combined Authority 2022-2026 Budget Proposals - Overview and Scrutiny Committee Report to Cabinet	341 - 344
	(d) North East Local Enterprise Partnership Budget	
	Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985	
	(e) 2021/22 North East Local Enterprise Partnership and 2021/22 Invest North East England	
	Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985	

12. **Decision to opt-in to National Scheme for Auditor Appointments from April 2023** 345 - 348
13. **Date and Time of the Next Meeting**

Tuesday, 22 March 2022 at 2pm. Venue to be confirmed.

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North of Tyne Combined Authority, Cabinet

30 November 2021

(2.00 - 3.22 pm)

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

Minutes

Present:

Chair: Mayor J Driscoll

Councillors P Earley, N Forbes, K Kilgour, J Riddle and R Wearmouth and Ms L Winskell

Also: Mr R Fry (Observer)

43 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors C Johnson and G Sanderson and North Tyneside Council's Elected Mayor Redfearn.

44 **DECLARATIONS OF INTEREST**

Councillor J Riddle declared an interest in agenda item 13 (North East Local Enterprise Partnership – Funding Decisions Update) due to being a Director of Advance Northumberland. He remained at the meeting during the consideration of the agenda item and took part in the decision-making.

45 **ANY ANNOUNCEMENTS FROM THE MAYOR AND/OR THE MANAGING DIRECTOR**

The Mayor, on behalf of Cabinet, thanked all teams for their efforts to eliminate damage after the recent storm.

46 **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 22 September 2021 were approved as a correct record and signed by the Chair.

47 **ADULT EDUCATION BUDGET – FIRST YEAR UPDATE AND LOOK AHEAD TO YEAR TWO**

Submitted: A report of the Head of Inclusive Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on the first academic year 2020-21 of the North of Tyne Combined Authority (NTCA) devolved Adult Education Budget (AEB). The report set out the adult education opportunities that had been created for the NTCA residents during the first academic year and outlines next steps in terms of AEB delivery. The report was introduced by Councillor K Kilgour. She thanked L Mills and the team for their work.

L Mills delivered a Power Point presentation (copy of the slides are attached to Official Minutes) to support the report.

The Cabinet welcomed the report. Amongst the matters discussed at the meeting were:

- the success of the work to date;
- the value of the AEB devolution to the Combined Authority of enabling these outcomes;
- the successful outcomes of the programme of achieving improved skills and enabling employment;
- the scale of the work being carried out and the wide coverage area;
- the data set out in the report and the opportunity to analyse it further to explore trends and extract proportions;
- the continuing learning as the programme developed;
- the welcome outcome of the programme of enabling all providers within the coverage area to have access to funding;
- the welcome involvement of the hard-to-reach groups;
- the success of the collaborative approach to working, including a joined-up approach to enable quicker access to learning provision;
- the success in reducing waiting times for access of the provision of English for Speakers of Other Languages (ESOL), through an additional dedicated funding provided by central government for this work;
- the welcome engagement with various sectors, including the voluntary, community and social enterprise sector (VCSE);
- the importance of appropriate leading time when engaging with the VCSE sector to allow capacity for an effective engagement;
- the North East Local Enterprise Partnership (North East LEP) offering to support this work;
- the value and opportunities for fine-tuning of this work for even closer matching employers' needs; and
- the importance of continuing this important work.

All teams involved in this programme were congratulated for their achievements.

RESOLVED – That:

- i. the progress which had been made in terms of Adult Education Budget (AEB) delivery for the first academic year (1 August 2020 to 31 July 2021) of devolution be noted; and

the approach to managing AEB delivery for the second academic year (1 August 2021 to 31 July 2022), as proposed in the report, be endorsed.

48 **FUTURE HIGH STREETS CHALLENGE**

Submitted: A joint report of the Director of Regeneration North Tyneside Council and Chief Economist (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which invited it to support the work to transform historic town centres and high streets and allocate a ring-fenced “Future High Streets Challenge” technical capacity fund. The report was introduced by H Kippin, the Managing Director of the Combined Authority.

The Cabinet welcomed the report. Amongst the matters discussed by the Cabinet were the good progress achieved; the scale of work being carried out; the collaborative approach used and the involvement of a range of partners; the importance of readiness for the forthcoming funding opportunities; the importance of involvement of universities in the context of their student business start-ups; the welcomed maximised use of the devolved powers by the Combined Authority; and the endorsement of the proposed approach.

The Mayor, on behalf of Cabinet, thanked everyone involved in this work.

RESOLVED – That:

- i. The development and launch of the North of Tyne Future High Street Challenge, which would work with partners and local communities to develop new ways of working and unlock investment to transform our historic town centres and high streets, be supported.
- ii. An allocation of up to £500,000 from the North of Tyne Investment Fund to establish a Technical Capacity Fund, subject to the development of a business case, to support this work be agreed.
- iii. The Managing Director be authorised, in consultation with the Investment Panel, the Mayor and the Cabinet Member for Housing, Land and Development, to consider and approve the business case for the technical capacity fund; and authorised the Managing Director to agree how the Fund would be deployed and how the next steps of this project would be brought forward.

49 **INVESTMENT FUND UPDATE AND FUNDING APPROVALS**

Submitted: A report of the Chief Economist (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on progress with the North of Tyne Investment Fund, including the launch of the NTCA's flagship Green New Deal Fund, progress of the Access to Finance programme and an increase in the NTCA Events programme, to further support economic recovery. The report was introduced by Councillor P Earley.

The Cabinet welcomed the report. Amongst the matters discussed were:

- the amount of work being carried out;
- the scale of the progress achieved, and the impact made, despite the ongoing challenges;
- NTCA's work to create and safeguard jobs and opportunities;
- an unemployment rate for the NTCA area that was currently lower than its comparators, to which the NTCA work had made a contribution;
- the welcome launch of the Green New Deal Fund and the opportunities and innovation it represented for the NTCA area;
- the leading role of the Combined Authority within the Green Economy;
- the continuous work by NTCA to allocate funding it received to drive economic improvement for the area;
- the importance of continuing to work to create jobs and develop skills to match with the job opportunities;
- the importance of continuing to work collaboratively;
- the need to continue to support constituent councils and other partners' economic plans;
- the need to jointly support events to promote areas and bring visitors; and
- the importance of continuing to work to support the area's reputation of a great place to live and the "quality of life and quality of work" agenda.

Everyone involved in this work were thanked for their commitment and the progress achieved.

RESOLVED – That:

- i. The progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of the creation of new jobs for residents as a direct result of the NTCA investments, be noted.
- ii. The launch of the Green New Deal Fund be noted.
- iii. The next steps for the £15m Access to Finance programme, including the objectives set out in the report and proposals to start formal engagement with potential delivery partners, be approved.
- iv. An additional funding of £1m for the North of Tyne Events Programme, to develop the pipeline for post 2023, establish an events' scale up programme and develop the existing pipeline to maintain pace. This would be implemented using the existing Events Programme arrangements, be approved.
- v. The Managing Director be authorised to finalise the conditions to be attached to the above funding award; and authorised the Interim Monitoring Officer to complete the necessary documentation.

50 **GOOD WORK PLEDGE – UPDATE AND NEXT STEPS**

Submitted: A report of the Head of Inclusive Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which outlined how NTCA had been working creatively to raise the profile of Good Work Pledge (GWP) amongst the region's businesses and their associated networks. The report also set out the next steps, including the creation of the "Good Work Community". The report was introduced by Councillor K Kilgour.

The Cabinet welcomed the report. Amongst the matters discussed were the value of the programme; the role of a positive and caring employment environment and good communication between the employer and employees; the impact of Coronavirus pandemic; the advantages and disadvantages of flexible working arrangements; plans to look closer at these impacts in due course; the changing labour market; and the encouragement of all employers to sign up to the Pledge.

Councillor K Kilgour and the Officer team were thanked for their commitment to this work and the achievements.

RESOLVED – That the progress made by the Good Work Pledge scheme in Year 1 be noted; and the plans for Year 2 be endorsed.

51 **2021/22 QUARTER 2 NTCA BUDGET MONITOR REPORT**

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the second quarter monitoring report on the 2021/22 financial position. The report brought together the forecasted financial position for the Corporate, Investment Fund, Brownfield Housing Fund and Adult Education budget and provided an indication of the potential position of the Combined Authority at 31 March 2022. It reflected a six-month detailed budget review undertaken for the Combined Authority and the potential position on reserves at the year end. The report also presented the Treasury Management Mid-Year Review up to and including 30 September 2021. The report was introduced by J Gillespie, Chief Finance Officer.

The Mayor, on behalf of Cabinet, thanked J Gillespie and the team for their work.

RESOLVED – That Cabinet noted the forecast budget monitoring position for the Combined Authority as set out in paragraphs 1.2 – 1.6 of the report and the reserves position as set out in paragraph 1.7 of the report.

52 **2022-2026 NTCA BUDGET PROPOSALS**

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which invited it to consider the initial draft budget for the North of Tyne Combined Authority (NTCA) for 2022/23, and the medium-term financial plan for the period 2023/24 to 2025/26. The report outlined the draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the new Brownfield Housing Fund. It also outlined the context within which the budget proposals had been prepared in relation to the Comprehensive Spending Review (CSR). The report included proposals for the North East LEP accountable body budget. The report was introduced by J Gillespie, Chief Finance Officer.

RESOLVED – That:

- i. Agreed the draft Corporate Budget for 2022/23 as set out in paragraph 2.1 of the report, which would then be subject to consultation with Overview and Scrutiny Committee.
- ii. Agreed the draft Investment Fund as set out in paragraph 2.2 of the report, which would then be subject to consultation with Overview and Scrutiny Committee.
- iii. Agreed the draft Adult Education Budget as set out in paragraph 2.3 of the report, which would then be subject to consultation with Overview and Scrutiny Committee.
- iv. Agreed the Brownfield Land Programme Budget as set out in paragraph 2.4 of the report, which would then be subject to consultation with Overview and Scrutiny Committee.
- v. Noted that the Tyne and Wear levies would be issued on the 15 February 2022.
- vi. Agreed to hold the reserves set out in paragraph 2.5 of the report and noted that the Chief Finance Officer continued to keep the level of resources under review as the Authority developed and new information became available about the financial risks facing authority arrangements for managing risks.
- vii. Noted the North East LEP Accountable Body Budget, paragraph 2.6 of the report.

53 NTCA BORROWING POWERS AND DEBT CAP AGREEMENT 2021-2022

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which sought approval for the necessary steps to acquire statutory borrowing powers for non-transport related functions. The report was introduced by J Gillespie, Chief Finance Officer.

RESOLVED – That:

- i. the completion of an agreement with central government as to the maximum borrowing permitted (debt cap) for 2021/22 of nil be authorised;

- ii. consent be given to the making of the necessary regulations by central government; and
- iii. the Managing Director, Chief Finance Officer and Monitoring Officer be authorised, in consultation with the Mayor, to take all necessary steps to give effect to the recommendations above.

54 **IN-YEAR APPOINTMENTS TO THE HOUSING AND LAND BOARD**

Submitted: A report of the Monitoring Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which set out proposed in-year changes to the membership of the Housing and Land Board and also proposed that the power to agree future in-year changes to this Board be delegated to the Managing Director. The report was introduced by J Softly, the Monitoring Officer.

RESOLVED – That:

- i. The in-year appointments to the Housing and Land Board as set out in paragraph 1.1.2 of the report be agreed; and
- ii. Authority be delegated to the Managing Director, in consultation with the Housing and Land Board Chair (i.e. the Cabinet Member for Housing, Land and Development), to agree future in-year changes to the membership of the Housing and Land Board.

55 **IN YEAR APPOINTMENTS – CHAIR OF INCLUSIVE ECONOMY BOARD**

Submitted: A report of the Monitoring Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which recommended that Baroness Tanni Grey-Thompson be appointed as Chair of the Inclusive Economy Board. The report was introduced by J Softly, the Monitoring Officer.

Thanks were offered to the Right Reverend Bishop Christine Hardman who had previously chaired the Board.

RESOLVED – That Baroness Tanni Grey-Thompson be appointed as Chair of the Inclusive Economy Board.

The Mayor, on behalf of Cabinet, welcomed Baroness Tanni Grey-Thompson to the North of Tyne Combined Authority.

56 **NORTH EAST LOCAL ENTERPRISE PARTNERSHIP – FUNDING DECISIONS UPDATE**

Submitted: A report of the Chief Executive Officer of the North East Local Enterprise Partnership previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on the work and decisions of the North East Local Enterprise Partnership (North East LEP). It was confirmed that the report was no longer exempt from publication.

Councillor J Riddle declared an interest in this agenda item due to being a Director of Advance Northumberland. He remained at the meeting during the consideration of this agenda item and took part in the decision-making.

L Winskell of the North East LEP thanked Janice Gillespie, the Chief Finance Officer of the Combined Authority and the team for their continued support of the North East LEP.

RESOLVED – That the report, which provided information on the work and funding decisions of the North East Local Enterprise Partnership (North East LEP) over the last four months, be noted.

57 **DATE AND TIME OF THE NEXT MEETING**

Tuesday, 25 January 2022 at 2pm.

The Mayor, on behalf of Cabinet, wished everyone a happy Christmas.



**Subject: NTCA Response to NTCA Citizens' Assembly
Recommendations on Energy, Skills and Housing**

Report of: Chief Economist

**Portfolios: Social Economy and Communities
Jobs, Innovation and Growth
Education, Inclusion and Skills
Clean Energy and Connectivity**

Report Summary

Reducing carbon emissions and creating green jobs are key priorities for the NTCA. The Citizens' Assembly has played an important role in shaping our work programme, and this report summarises current progress and next steps around their recommendations relating to energy, skills and housing.

Investments by the NTCA in green energy have included the £18m Green New Deal Fund to improve access to finance for projects which will reduce carbon emissions and create green jobs; over £5m of support for energy and wider low-carbon innovation; and £10m to develop sites and infrastructure for the offshore wind sector.

The NTCA is working with skills providers to increase the number of green skills opportunities. This includes funding more placements through the Adult Education Budget, while an accompanying Cabinet Report on this agenda outlines proposals for an additional £4m of funding to support employer-led investment in green skills.

This report also highlights new work undertaken to build the evidence base for addressing the huge challenge of retrofitting domestic housing – critical for the transition to net zero and tackling fuel poverty – and which has the potential to creating up to 3500 more jobs by 2030.

Of course, meeting the great challenge of moving towards Net Zero, and implementing the Assembly's recommendations in full, will require ongoing investment and collaboration by national Government, NTCA and Local Authorities, businesses and residents over many years. The NTCA's work programme will evolve to respond to new opportunities and this report recommends additional work to develop the business case for housing retrofit and to develop a programme of tailored advice and support for SMEs, building on existing initiatives by the local authorities, to help businesses increase their uptake of low carbon technologies and energy efficiency measures.

Recommendations

The Cabinet is recommended to:

- i. Note the contents of this report and agree the approach NTCA is taking to responding to the Citizens' Assembly's recommendations around energy, housing and skills.
- ii. Receive future Cabinet reports, proposing how the Combined Authority should respond to other recommendations from the Citizens' Assembly.
- iii. Approve an allocation of up to £1million to support the initiatives described in this paper, indicatively comprising £0.8m for a programme of advice and support for businesses to help them reduce their carbon emissions and £0.2m for the development of a business case for a major housing retrofit programme.

- iv. Authorise the Managing Director, in consultation with the Mayor, lead Cabinet Members and Investment Panel to agree the appropriate delivery mechanisms for this programme and consider and approve the business case(s) for this activity.
- v. Authorise the Interim Monitoring Officer to finalise the conditions to be attached to subsequent funding awards and to complete the necessary documentation.
- vi. Approve the continuation of the work of the Citizens' Assembly Oversight Panel, to provide ongoing technical input into the Combined Authority's work programme.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 In July, Cabinet received a report from the Citizens' Assembly which considered '*What should we do in the region to address climate change and its causes fairly, effectively and quickly?*'. The Assembly produced 30 recommendations across several themes (see Appendix 1 for ones relevant to this report). Officers across NTCA, its constituent authorities, Transport NE and the North East LEP have reviewed all recommendations and considered how to respond to them, identifying alignment with existing activities and areas where more can be done. There are recommendations that NTCA and constituent authorities can implement now, but also ones that require wider collaboration (being beyond local powers and resources) and involve influencing Government. There is also a small number of recommendations which do not, at least at present, seem likely to be high priorities and/or do not have strong support from the Assembly members themselves.
- 1.2 Cabinet has previously agreed that the Combined Authority should respond to the climate emergency and work of the Assembly by focussing on delivery. This report provides an update on progress around the Assembly's recommendations around energy, skills and housing. Cabinet is asked to receive future reports on other recommendations from the Assembly, including on transport, nature, planning/decision making and citizen engagement.
- 1.3 In addition, Cabinet is asked to approve the continuation of the work of the Citizens' Assembly Oversight Panel, which provided technical expertise and support for the work of the Assembly. The members of the panel have agreed to continue to support NTCA's work, including by providing input into the Combined Authority's low carbon and green growth agenda, and by helping to link this to the recommendations of the Citizens' Assembly.

2. NTCA's response to the Assembly's recommendations around: investing and utilising new low carbon and renewable technologies and community energy schemes

- 2.1 The Assembly identified the need for the region to invest in and use new technologies, drawing upon the spatial and geological attributes of the North of Tyne area. They suggested that this should include exploring the use of ground-based thermal energy from mine water, increasing the use of solar generation, and supporting the development of Community Energy Schemes.
- 2.2 NTCA welcomes these recommendations and is already making a significant contribution to the introduction of new low carbon technologies and schemes, including by supporting project development, reducing the costs of energy innovation, and making it easier for projects to secure the funding they need. Examples of how NTCA is supporting this work include:
 - Project development - directly supporting the development of individual business cases and also funding for 'Energy Accelerator Programme'. Delivered in partnership with the North East LEP, the Energy Accelerator is helping accelerate energy projects which in turn will speed up the North East's journey towards decarbonisation, bringing jobs and investment to the region. The Accelerator is currently supporting five North of Tyne local authority-led low carbon heating projects, which include heat networks, heat pumps, and energy from mine water. These projects have a potential value of over £70m and will contribute to significant carbon savings and create both long and short-term employment.
 - Supporting innovation – bringing forward the [Technology, Innovation & Green Growth for Offshore Renewables \(TIGGOR\) programme](#) – a £3.5m programme designed to boost supply

chain growth and productivity in the North of Tyne and wider North East England region's offshore wind and subsea sectors. Following a successful first call, where five innovative North East companies were awarded a share of £1.7m funding decisions on a second call are expected in February. NTCA has also directly supported other projects, including the innovation project led by P&G to reduce energy and water usage.

- Improving access to finance - establishing the Green New Deal Fund. In November, NTCA launched its flagship £18m [Green New Deal Fund \(GNDF\)](#), which will catalyse investment in low carbon technologies and support the development of green jobs and skills across both the private and public sectors. NTCA encourages organisations to get in touch with Amber Capital to discuss their projects and how the fund could support them.

2.3 As set out by the Assembly, Community Energy Schemes can play a key role in achieving net zero goals, by bringing together communities to generate and manage their own energy. NTCA is working with colleagues across the North East to look at how best to support the development of community energy schemes and commissioned the Centre for Sustainable Energy (CSE) to undertake research and produce a report on enabling community energy in the North East. NTCA is now working with partners, including the North East LEP and North East and Yorkshire Energy Hub, to establish how best to implement the report's recommendations and accelerate community energy projects.

3. NTCA's response to the Assembly's recommendations around green skills

- 3.1 The Assembly identified green skills as a priority, highlighting the importance of practical and technical skills and experience, and the need to encourage a culture that values and respects this knowledge. The Assembly emphasised the need to work with businesses and academic institutions to develop and promote modern, green apprenticeships and to create opportunities for citizens to develop or share skills, learning and best practice.
- 3.2 Skills gaps are widely recognised as a major bottleneck to the growth of many low carbon sectors, such as renewable energy, energy and resource efficiency, renovation of existing buildings and low-carbon construction and fabrication. Through NTCA's skills investment, convening role and broader partnership work, NTCA can play a positive role in helping ensure the skills system is equipping our citizens with the right skills to build an inclusive and competitive low carbon economy. Utilising strong relationships with educational institutions, NTCA will advocate that a stronger premium be placed on developing green skills.
- 3.3 NTCA has directly supported the development of green skills through courses funded by the devolved £23m Adult Education budget (AEB). This provision includes opportunities for citizens to work in low-carbon industries and to develop green construction skills and environmental awareness. NTCA intends to expand provision in this area further and to explore opportunities through the Lifetime Skills Guarantee, which offers adults without an A-Level or equivalent qualification a free, Level 3 fully-funded college course.
- 3.4 During Autumn 2021, NTCA launched open calls for Expressions of Interest (EOI) for innovative skills projects, including the Green Growth Skills programme, which is a bold programme of investment targeted at employee-led proposals for upskilling, re-skilling, and transition from traditional to 'green growth' industries. As discussed further in an accompanying report on this Cabinet Agenda, four Green skills delivery projects, plus the Energy Central Learning Hub (which will enable delivery of education, training and skills which are directly informed by sector employers in offshore renewables) have been asked to develop full business cases. In total, these projects are expected to add a further £4m of NTCA investment into Green Skills, demonstrating NTCA's commitment to ensuring there is a North of Tyne workforce equipped with the right skills which in turn will enable local businesses to take advantage of the opportunities the green economy provides.

4. NTCA's response to Assembly's recommendations around housing

4.1 The Assembly produced several recommendations on housing. These centred around improving the energy efficiency of new and existing housing, exploring co-housing schemes, and prioritising brownfield sites for new housing development. National emissions data shows that domestic emissions account for around a third of all carbon emissions in the North of Tyne, and that urgent action needs to be taken to tackle this. Housing retrofit also presents an opportunity to drive local economic development.

i. Housing retrofit

- 4.2 NTCA agrees with the Assembly that a targeted approach to developing a cost effective and emission-reducing retrofitting programme for the North of Tyne, with a structured plan developed and implemented, needs to be a priority. Developing a Business Case for such a complex project requires significant collaboration, planning and a detailed evidence base. NTCA commissioned the Energy Savings Trust (EST), in partnership with Accelar and Frontier Economics, to develop a robust evidence base to inform the business case for a large-scale housing retrofit programme. NTCA has also commissioned Narec, on behalf of the three constituent authorities, to develop a delivery framework for climate change improvements across domestic and non-domestic properties across the North of Tyne.
- 4.3 The EST work is ongoing but has identified that a primary focus of a regional retrofit programme should be on enhancing the thermal efficiency of the housing stock through traditional building fabric measures. Not only will this reduce fuel bills and improve comfort levels in homes, but it will also help get homes 'heat pump ready', so that in the next five to ten years, when the economic and environmental scales tip in favour of heat pumps, more homes will be ready. This aligns with the approach of Government's Heat and Buildings Strategy published in October 2021.
- 4.4 In addition, the work has highlighted that the scheme will need to respond to the specific features of NTCA's housing market, including: higher levels of Social housing than the national average; relatively high numbers of flats (which pose a unique financial and logistical challenges to the uptake of low carbon heating systems) and more properties in rural areas.
- 4.5 One of the major inhibiting factors to retrofit at scale is affordability and availability of funding. Levels of deprivation in the North of Tyne are higher than the national level: 27% of homes are in the top 20% most deprived areas; net income in the North of Tyne is 9% lower than the national levels; and more homes are in fuel poverty. The evidence report has assessed various funding models, but the key challenge remains lower levels of available household income to support this work and the need for aligned major Government investment.
- 4.6 The economic benefits from a large-scale retrofit programme in the North of Tyne are significant. Initial findings from Frontier Economics are that activity to reach net zero by 2050 has the potential to support between 1,500 and 3,500 full-time equivalents (FTEs) in the retrofitting sector in the North of Tyne from 2022 up to 2030, increasing further between 2030 and 2050. If the target to reach net zero is brought forward to 2030, the jobs would be higher still. Scenarios demonstrate that to achieve net zero, a high level of investment is required to train additional workers with the necessary skills to carry out the scale of retrofits consistent with policy targets.
- 4.7 Given the size and complexity of retrofitting properties in the region, a flexible, collaborative approach is required, with a goal to finding longer term funding solution that will encourage and scale up private sector investment. This is the focus for NTCA moving forward and immediate next steps will include:
- Establishing how a fabric-first retrofit at scale across tenures policy could look in practice, with a specific focus on finance.
 - Undertaking work to identify scalable strategies for retrofitting flats.
 - Identifying those properties with the highest CO2 saving per £ invested, where heat pumps and other measures could be installed and examine how this could be funded.

- Developing a delivery and financial model to accelerate retrofit in the North of Tyne area.
- 4.8 Cabinet is asked to endorse this approach and agree the continued development of a business case and delivery model which will seek, in partnership with Government and regional partners, to deliver on the retrofit challenge and enable the achievement of national net zero targets.

ii. Regulatory issues

- 4.9 The Assembly makes a number of recommendations relating to the regulations around the energy efficiency requirements of new and existing properties. Government regulation and local housing markets drive the standards of new build homes. The Government has recently updated the Building Regulations for England, including the standard for the energy performance of new and existing buildings. The Government is also planning on bringing in measures for housing, such as the Future Homes Standard, which will ensure new homes built from 2025 will produce 75-80% less emissions than homes delivered under current regulations.
- 4.10 NTCA intends to work with other organisations to push for positive change and will work with the Oversight Panel, constituent authorities and other partners to define a locally appropriate policy approach towards standards for the energy efficiency of new homes and improving the energy efficiency of rented properties.
- 4.11 NTCA fully supports the Assembly's recommendation that brownfield sites should be used first for new housing development. NTCA is delivering the Brownfield Housing Fund (see: [July Cabinet report](#)), which aims to remediate and revitalise brownfield sites across the North of Tyne area to support the delivery of at least 1500 new homes.

5. Helping businesses to decarbonise

- 5.1 The Assembly highlighted the need to have a 'we can do this together approach' to tackling climate change. To achieve Net Zero emissions in the UK by the year 2050, major transformation will be needed across all parts of society, and everyone has an important role to play in the transition. The British Business Bank found that: "Smaller businesses often have relatively low emission footprints at an individual level, but ... collectively they account for around half (43-53%) of greenhouse gas emissions by UK businesses".¹ This suggests that smaller businesses are likely to account for around 10% of total carbon emissions in the North of Tyne area.
- 5.2 Many smaller businesses are looking for better information to understand how they can decarbonise their operations and what the transition to Net Zero means for them. A recent national survey by the British Chambers of Commerce found that only one in seven businesses has set targets to reduce their emissions;² while over 120 local businesses responded to a recent survey conducted by NGI and NE1 to state that they were interested in receiving energy saving advice and/or an energy audit.
- 5.3 The transition to Net Zero also provides opportunities for SMEs, with the supply of goods and services to enable the global net-zero transition estimated to be worth £1 trillion to UK businesses by 2030³. Businesses can also see benefit from reduced energy costs.
- 5.4 NTCA is already supporting the transition of SMEs to a lower-carbon economy through the provision of loan finance through the Green New Deal programme. But there is the opportunity to complement this through a programme which ensures that more businesses have access to appropriate and individually-tailored support and guidance. This can reduce the exposure of SMEs to rapidly increasing energy bills, supporting the financial as well as environmental sustainability of our SMEs. It is therefore recommended that Cabinet approves the development of a programme, in conjunction with the local authorities, to provide SMEs with expert energy and wider environmental sustainability advice, together with small-scale financial support to help meet upfront costs. This

¹ <https://www.british-business-bank.co.uk/research/smaller-businesses-and-the-transition-to-net-zero/>

² <https://www.britishchambers.org.uk/news/2021/08/carbon-footprint-a-mystery-to-9-out-of-10-small-businesses>

³ [Opportunities for UK businesses in the net-zero transition | McKinsey](#)

work should also consider opportunities to strengthen local supply chains and skills development in the low carbon sector.

6. Potential Impact on Objectives

6.1 The activity and recommendations detailed in this paper directly contribute towards NTCA's Corporate Plan and the North of Tyne Economic Vision.

7. Key Risks

7.1 Risks associated with each funding application will be considered as part of the application and appraisal process. The conditions associated with funding approvals relate to the mitigation of risks.

7.2 There is a risk that the recommendations are not adequately addressed and that the appropriate stakeholders are not engaged. To mitigate this risk, NTCA has worked with partners to carefully consider each recommendation and translate through these update reports the actions being taken to implement them.

8. Financial and Other Resources Implications

8.1 The financial implications are for the development of a programme of up to £1million to support the programme of work described in this paper, including helping businesses to reduce their carbon emissions through a programme of advice and grants. This will include up to £600k of new funding from the Business Growth allocation and the remaining £400k of the allocation made previously as part of the Green New Deal project development. A financial profile will be agreed as part of the delivery arrangements which will subsequently be considered by Investment Panel.

9. Legal Implications

9.1 The comments of the Monitoring Officer have been incorporated in this report.

10. Equalities Implications

10.1 NTCA seeks to actively narrow inequality under the terms of Equality Act 2010. The Citizens' Assembly demonstrates our commitment to co-design and co-production, specifically people whose voices are rarely heard in decision making.

10.2 This programme of investment, collaboration and change in clean energy, green growth and action to address the climate emergency aligns our zero carbon, zero poverty ambition and reflects our commitment to our Public Sector Equalities Duty, with particular reference to socio-economic disadvantage. Our commitment to a 'just transition' aims to create an equitable and prosperous future for our residents and communities as we build a low-carbon economy.

11. Inclusive Economy Implications

11.1 The Inclusive Economy Impact of the projects listed in this report has been considered. The Combined Authority believes that the projects will positively contribute to creating a more inclusive economy in the North of Tyne. Further support for SMEs would provide an opportunity to promote our Good Work Pledge.

12. Climate Change Implications

12.1 This report outlines NTCA's response to the North of Tyne Citizens' Assembly recommendations, outlining the progress in delivering NTCA's Energy, Green Growth and Climate Change Blueprint, and identifying further areas of development to deliver net zero goals. Although it is not yet possible to fully quantify the carbon impact of all the activities outlined in this report, the development of further work to support the delivery of climate emergency plans will have a positive impact on tackling climate change across the region.

13. Consultation and Engagement

- 13.1 NTCA has consulted with its constituent authorities, North East LEP and Transport North East to respond to the recommendations. The Citizens' Assembly involved over 30 hours of engagement with 49 Assembly members. The three constituent authorities have been consulted on the proposals in this report.

14. Appendices

Appendix 1: North of Tyne Combined Authority Citizens' Assembly Recommendations: Energy, Skills and Housing

15. Background Papers

NTCA Cabinet 22 September 2021: [Low Carbon and Green Jobs: An Update](#)

NTCA Cabinet 27 July 2021: [Citizens' Assembly Report and update on progress in delivering the North of Tyne Energy, Green Growth and Climate Change Blueprint](#)

[NTCA Cabinet 27 July 2021: Investment Fund Update: https://www.northoftyne-ca.gov.uk/wp-content/uploads/2021/07/Agenda-Pack-Cabinet-27-July-2021.pdf](https://www.northoftyne-ca.gov.uk/wp-content/uploads/2021/07/Agenda-Pack-Cabinet-27-July-2021.pdf)

[NTCA Cabinet 23 March 2021: Supplement Agenda 1: Investment Fund Update and Funding Approvals](#)

NTCA 1st April 2020: [Delegated Decision Report: Part B: Energy, Green Growth and Climate Change – a North of Tyne Blueprint](#)

[CSE, Enabling Community Energy Report: https://www.cse.org.uk/projects/view/1384](https://www.cse.org.uk/projects/view/1384)

[Committee on Climate Change: The role of business in delivering the UK's Net Zero ambition - The role of business in delivering the UK's Net Zero ambition.pdf \(theccc.org.uk\)](#)

[Committee on Climate Change: Local Authorities and the Sixth Carbon Budget: Local-Authorities-and-the-Sixth-Carbon-Budget.pdf](#)

[LGA, Local Green Jobs - https://www.local.gov.uk/local-green-jobs-accelerating-sustainable-economic-recovery](https://www.local.gov.uk/local-green-jobs-accelerating-sustainable-economic-recovery)

[UKGBC and partners - The Retrofit Playbook - https://www.ukgbc.org/ukgbc-work/driving-retrofit-of-existing-homes/](https://www.ukgbc.org/ukgbc-work/driving-retrofit-of-existing-homes/)

16. Contact Officers

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17. Glossary

AEB- Adult Education Budget
CSE – Centre for Sustainable Energy
EOI – Expression of Interest
EST – Energy Saving Trust
EPC – Energy Performance Certificate
LEP – Local Enterprise Partnership
NTCA – North of Tyne Combined Authority
Transport NE – Transport North East

North of Tyne Combined Authority Citizens' Assembly Recommendations: Energy, Skills and Housing

Theme	Citizens' Assembly Recommendations
ENERGY	The North of Tyne region must invest in and use new technologies that best suit its unique nature. This should specifically consider ground based thermal energy (mine water, district heating and geothermal).
ENERGY	Solar energy: There should be further exploration of solar generation in the area, starting with the potential of large commercial roofs (large areas and smaller number of owners e.g. business parks) as well as domestic housing including student housing before looking to green field options. All options should be considered e.g. outer walls of high rise buildings as well as floating solar on Kielder Reservoir. Support needs to be put in place to assist those who are unable to afford the upfront costs of installation. A baseline should be established now in conjunction with National Grid in order to carefully monitor future progress.
ENERGY	<p>We believe that community energy schemes which bring together communities to generate and manage their own energy have a vital role to play. The North of Tyne Combined Authority should support (including funding) the creation of a community energy resource hub for the region. This hub would be composed of an elected and accountable body of citizens together with community groups, staff of the relevant authorities and technical and commercial expertise, supported by paid staff time. We suggest the role of the hub should include the following.</p> <ul style="list-style-type: none"> a) Sharing ideas and best practice with community energy groups in other parts of the country, including taking up the offer made of a 'twinning' opportunity with Orkney Community Energy organisation. b) Creation of an online 'resource bank' of information c) Provide a route for small and medium renewable energy enterprises to promote what they can offer d) Council to signpost anyone involved in the planning process (residential and commercial) to the hub to encourage consideration of small-scale renewable energy potential as part of their planning application e) Provide a support service to small scale developments to encourage coordination between nearby households (new developments or retrofits) e.g. shared ground source heat pumps or solar installations <p>This support for community energy in our region must be developed as quickly as possible. We anticipate other ideas may come forward as the hub is developed and would like to see major progress within five years.</p>
SKILLS	<p>Skills: We must make sure that the skills are available in the region to address the climate emergency. Practical and technical skills and experience are equally or perhaps more important than academic skills and experience in terms of the fight against climate change. We would like the North of Tyne Combined Authority and associated authorities to encourage a culture that values and gives more respect to practical and technical skills than is currently the case. This could be done by:</p> <ul style="list-style-type: none"> a) Developing and promoting more modern apprenticeships in renewable energy generation, retrofitting business and domestic buildings for energy efficiency, sustainable building practices, developing green spaces with climate change in mind b) Requiring academic institutions to consider the greater inclusion of practical applications within theoretical courses in subjects such as engineering c) Providing opportunities for citizens to develop or share skills, from repairing items that would otherwise be replaced to learning how to undertake DIY retrofitting <p>In order to meet urgent climate change needs we require significant progress within five years.</p>
HOUSING	We must have more energy efficient housing . All new housing must have an EPC (Energy Performance Certificate) rating of at least B from 2023.

HOUSING	The North of Tyne Combined Authority and the three local authorities need to have a plan in place to improve all existing housing to EPC (Energy Performance Certificate) level B or above by 2030. We need a targeted approach to retrofitting . The local authorities must lead a cost effective and emission reducing retrofitting programme of work on a street by street/estate by estate basis to all houses. This should be done at the same time to ensure a cost effective, fair and efficient process. A structured plan should be carried out by reputable companies, as follows: a) All properties in the area to have energy efficiency assessment & rating, which also identifies improvement needs b) a focus on the least energy efficient homes first, with a particular focus on fuel poverty.
HOUSING	Brownfield sites should be used first for new housing development. We must ensure the efficient use of land and sustainable allocation of greenfield sites.
HOUSING	All new housing to work towards the Passivhaus standard (where the loss of heat from a building is so small that it hardly needs any heating at all).
HOUSING	There should be a financially incentivised legal requirement for private landlords to improve the energy efficiency (the Energy Performance Certificate rating) of the properties they let.
HOUSING	We see an important role for co-housing schemes – where each household has a self-contained private home as well as a shared community space and facilities. More co-housing schemes should be explored and developed in the area. Information and advice should be available for communities that are interested in exploring the set up/development of their own co-housing scheme.

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Subject:	North of Tyne Rural Economy - Northumberland Stewardship and Rural Growth Investment Plan
Joint Report of:	Interim Director of Regeneration, Northumberland County Council and Principal Economy and Strategy Manager, North of Tyne Combined Authority
Portfolio:	Culture, Creative and Rural

Report Summary

Rural growth and productivity are fundamental to the North of Tyne Combined Authority. Our original Devolution Deal commits us to achieving ‘rural exemplar’ status – working in-step with local, regional and national partners to maximise the economic and social potential of our unique geography and natural assets.

The rural growth agenda is cross-regional: a huge part of the Northumberland economy, but also relevant to rural-facing parts of Newcastle and, through the coastal connection, to North Tyneside. Urban-costal-rural connectivity not only defines our region geographically, but it is also important in economic terms, to people’s jobs and livelihoods, and to our quality of life across the region.

Sustainable rural growth is already an important part of our delivery programme. Examples include our £12m programme to connect rural broadband sites, our £8m Rural Business Growth Fund, and support for the Rural Design Centre which will help small businesses to innovate. Region-wide schemes like our Culture and Creative Fund, Tourism investments, employment and skills, and £18m Green New Deal will all support rural initiatives.

This paper asks Cabinet to recognise and build on these initial steps, going further in developing a bold, long-term approach and corresponding investment plan – working in collaboration with local communities.

The Northumberland Stewardship and Rural Growth Investment Plan will put our natural capital and assets at the heart of the approach – recognising the major economic and net-zero opportunity from the rural ‘stewardship’ agenda (including re-wilding, tree-planting and sustainable rural infrastructure), whilst also considering the opportunities for improving existing livelihoods, communities and food security.

Brexit, COVID-19 and the Net Zero agenda are shifting the context for rural economies – creating new challenges, but also opening up real opportunities. This NTCA programme – set alongside the Borderlands Growth Deal and other existing initiatives – will create a coherent, strategic plan to ensure that we are on the front foot in realising these opportunities. It shows how can lead the way in bringing together rural growth ambition with the intelligent stewardship of our unique natural assets.

Recommendations

The Cabinet is recommended to

- i. Note the contents of the report;
- ii. Agree an allocation of up to £500k from the North of Tyne Investment fund to develop the Northumberland Stewardship and Rural Growth Investment Plan and related interventions; and
- iii. Authorise the Managing Director, in consultation with the Investment Panel, the Mayor and the Portfolio Holder, to consider and approve the business case and to then make subsequent funding awards.

1. Background

- 1.1. The North of Tyne Devolution Deal, agreed between UK Government and the North of Tyne local authorities in April 2018, includes a clear commitment to invest in improving growth and productivity in the area's rural economy. The Deal commits Government and the North of Tyne Combined Authority (NTCA) to work together to establish the area as a 'national exemplar for rural growth and stewardship' and to 'drive improvements to rural growth and productivity, through a North of Tyne Rural Productivity Plan', delivering on the Government's long-term, national ambitions for rural communities and the environment.
- 1.2. The North of Tyne rural area is centred primarily on Northumberland, one of the largest rural counties in England, including a diverse farming and forestry industry, significant rural upland areas, remote coastal communities, and market towns and villages providing service centres for large rural hinterlands. The agenda is also important to rural-facing parts of Newcastle, and through the coastal connection to North Tyneside. Urban-costal-rural connectivity is a characteristic of our regional geographically, but it is also important to the way our economic model works. The Plan will therefore need to recognise this interconnectivity.
- 1.3. The North of Tyne rural area faces a number of distinct challenges including low productivity and barriers to effective networking and scaling up of good practice, enterprise and innovation; a low density of medium and large businesses; high unemployment and lower skill levels; lagging and fragmented investment in essential infrastructure and lack of access to local services; decline of some town and village centres; and deprivation, poverty and poor health outcomes in some communities.
- 1.4. However, the North of Tyne's rural economy also presents significant opportunities for future growth and productivity improvement through, for example: accelerating innovation in agricultural and forestry technologies; opportunities to grow the rural low carbon economy and contribute to climate change goals by leveraging the region's natural assets; growing the business base and productivity enabled by homeworking and digital technology; capitalising on the growing visitor economy; and building a wealthier, higher skilled population, and bringing new residents into the area seeking attractive surroundings and an affordable cost of living.
- 1.5. Brexit, COVID-19 and the Net Zero agenda are thus shifting the context for rural economies – creating new challenges, but also opening up real opportunities. This NTCA programme – set alongside the Borderlands Growth Deal and other existing initiatives – will create a coherent, strategic plan to ensure that we are on the front foot in realising these opportunities at scale. It will also take a balanced view of the implications – for example on existing livelihoods, communities, food security and land use.

2. Current Investment

- 2.1. A lot is happening already at the North of Tyne level, with a robust programme of investment and activity delivered through Northumberland County Council, the Borderlands Inclusive Growth Deal and the North of Tyne Investment Fund. A number of investments are already being made such as: rural business growth (including rural and land-based industries); rural innovation; net zero initiatives; skills development and employability; visitor economy development; investment in cultural assets and events; regeneration of rural town and village centres; improving digital access and infrastructure; and improving transport connectivity.
- 2.2. These investments are already delivering benefits for the North of Tyne rural economy, including business start-ups and growth, business innovation, improved productivity, and new job creation. In addition, the North of Tyne area is benefitting from investment in natural capital assets, including Defra funding for the Great Northumberland Forest and Nature Recovery Pilot, the North East Community Forest and Borderlands Growth Deal investment in the Natural Capital Innovation Zone and the Energy Programme.

- 2.3. The Borderlands Inclusive Growth Deal is a cohesive and integrated investment package with a balance between high profile place-based projects and Borderlands-wide investment programmes that respond to the rural nature of the region. The key components of the deal are delivering against many of the North of Tyne opportunities and are addressing challenges. Examples include Clean Growth and Net Zero (energy master planning and natural capital innovation zone); Connectivity Infrastructure (4G infill programme); and Investment in Places (Alnwick Garden Lillidorei; Ad Gefrin Distillery and Visitor Centre; Hadrian's Wall 10-year Investment Plan).
- 2.4. The Rural Design Centre Innovation project is providing specialist innovation support to small and medium sized enterprises to support them to develop 'new to firm' products and services which address issues faced by the rural economy. The aim is to increase the number of small and medium organisations developing new products and services and will support them as they identify the key challenges and develop appropriate solutions through innovation. The project will support 150 small and medium organisations in their endeavours to make meaningful change in Rural communities in the North East region and deliver 25 Innovation Challenges, each one focussing on a specific rural issue, enabling organisations to work alongside industry experts and turn ideas and concepts into commercially viable solutions.
- 2.5. The Rural Business Growth Fund (funded through NTCA and European Regional Development Funding and attracting a further £2.8m of private sector leverage) was one of the early NTCA investments with activity commencing in October 2019 and due to complete June 2023. The overall aim of the North of Tyne Rural Business Growth Investment Fund Service is to support economic growth and the economic rebalancing of rural communities in North of Tyne. This is being achieved through the provision of:
- A business advice and support service to identify areas for growth, support the development of growth plans and signpost to appropriate access to finance products.
 - For eligible businesses a capital grants fund to provide investment for the delivery of growth investments within businesses.
- In total the project anticipates provided business support to 200 rural businesses, grant support to a further 62 which will result directly in the creation of 200 new jobs and indirectly, a further 70 jobs.

3. Achieving Sustainable Rural Productivity

- 3.1. The examples above are just a flavour of the activity taking place already but as we look to the future there is a need to further strengthen and coordinate our approach to enable rural growth, enhance the area's natural capital assets and level up our rural communities.
- 3.2. In more rural and remote areas, the traditional approach of "business-people-place" economic strategies that tend to be driven by certain high-impact industrial sectors and/or are responding to significant market opportunities or failures is not necessarily sufficient or appropriate – given the economies of scale involved – to catalyse widespread recovery and growth in rural areas. There is a need for a fresh approach to a green and inclusive recovery which needs to twin track and fully integrate:
- *Productive Stewardship* – putting our considerable natural assets at the heart of economic recovery and growth
 - *Inclusive Rural Growth* – valuing all our assets (natural, cultural, social, and economic) within our rural areas
- 3.3. In order to do this, it is proposed that the Northumberland Stewardship and Rural Growth Investment Plan is developed in conjunction with local communities, our partners and key stakeholders, which will incorporate these two strands and will respond to the following animating drivers for intervention

Stewardship led

- Nature Recovery – facilitating the large-scale restoration and recovery of nature to form mosaics of native habitats that are species-rich

- Tree and Peat – championing widespread woodland creation and peat restoration where appropriate to capture carbon, adapt to climate change and enhance our landscape
- Marine – promoting the effective integration of coastal landscapes and adjoining seascapes to balance biodiversity, recreational, and commercial interests
- Food – leading the way in defining practical local action to improve food security, support healthier diets and a more just and greener food chain, from field to fork
- Landscape and Heritage – using our world class landscapes and cultural heritage to underpin and balance a thriving and integrated visitor economy across the North of Tyne

Rural Growth led

- Net Gain – leading the way in the progressive application of net zero practice to negate our carbon footprint across the North of Tyne
- Access – exploiting new technology and behavioural change to strengthen and expand our digital and physical connectivity
- Wellbeing – harnessing the power of rural living and access to the countryside and nature to foster happiness, inclusion and belonging
- Learning – using the assets of our rural areas to grow future skills, and inspire aspiration, achievement and life-long learning
- Innovation – being bold and pioneering in developing "rural by design" solutions to everyday challenges

3.4. It is proposed that, in line with the approach NTCA has taken for shaping other major programmes of work, including the sector narratives, economic corridors and the development of Housing pipelines, NTCA funding of £500k is allocated to develop the Northumberland Stewardship and Rural Growth Investment Plan. The funding will be used to support the development of the evidence base, the vision and the interventions which will help shape the investment plan.

3.5. The investment plan will:

- i. Enable the development of an ambitious vision for the future of the NTCA rural economy by:*
 - Identifying and evidencing the challenges and opportunities facing the area's rural economy.
 - Articulating a compelling narrative and a set of transformational outcomes.
 - Developing a new approach for natural capital investment, becoming a national exemplar for how our countryside is managed and invested in.
- ii. Catalyse investment by:*
 - Positioning the vision, outcomes and investments in the context of regional and national economic priorities, net zero targets and UK Government policy.
 - Demonstrating clearly how the North of Tyne's rural investment plans will deliver on regional and national objectives regarding levelling-up, economic growth, productivity, and net zero which in turn will make the case for shaping the Government's approach and investment.
 - Guiding spending from NTCA's Investment Fund during the next programming period 2023 to 2028, to support the rural economy.
 - Attracting and guiding additional investment from other local and regional resources (beyond the NTCA Investment Fund) to boost the rural economy.
 - Pioneering green financing options with the development of a blended finance approach to coordinate supply and demand to create a steady pipeline of cash-positive natural capital assets.
- iii. Become delivery ready by:*
 - Identifying and developing key strategic investments and projects which will be the mechanism through which the vision will be achieved.
 - Support the animation of the capital investment secured through the Borderland Inclusive Growth Deal.

- Developing a ‘natural capital accounting’ process to provide a Green Book compliant economic valuation of our natural assets, leading the way nationally.¹
- 3.6. There is a tangible opportunity for the North of Tyne to lead the way in how natural assets are invested in and integrated into a green and inclusive rural growth narrative. ‘Natural capital accounting’ is the attempt to bring a systematic, standardised and repeatable framework to assessing and monitoring natural capital and the services it provides, whether those services have a market value or not. Such accounts can therefore help to measure, value, monitor and communicate the state of natural assets within a given area. However, this approach is still in its infancy with the inherent methodologies undergoing ongoing development. We can act as a pioneer for developing a set of tools for mapping our natural capital stocks, quantifying ecosystem service flow, and mapping opportunities.
- 3.7. In addition, with increased public spending on nature and climate, major financing institutions are increasingly interested in investing in solutions to address climate change with a number of mechanisms available or emerging to facilitate this – including philanthropic grants, biodiversity offsetting, payments for ecosystem services, and green/blue bonds. Our proposals will explore how to integrate these and harness them in a way that delivers appropriate stewardship responses alongside our rural growth interventions – and seeks to generate returns that can be reinvested back into the rural economy and thereby help to build shared value for communities. We can act as a pioneer for developing a blended finance approach to coordinate supply and demand to create a steady pipeline of cash-positive natural capital assets
- 3.8. The investment plan will build on the assets and activity already in place, with outcomes including:
- i. *Environmental outcomes* – becoming carbon negative and biodiversity positive, reducing flood risk, supporting healthy and sustainable soils, increasing water quality and retention and enabling cleaner air.
 - ii. *Social outcomes* – improvement in human health and wellbeing, increased education opportunities for residents and more environmentally-aware behaviour with active, engaged and inclusive citizenship through nature and a locally-led shared purpose or thriving sense of community and place.
 - iii. *Economic outcomes* – including increased business start-up and scale up, diversified local employment opportunities, the multiplier effect of increased local spend, revenue from supply of high value nature products and services and green financial investment.
- 3.9. The primary geographic focus for this proposition is the area covered by the combined administrative boundaries of the Local Area Councils for North Northumberland, Castle Morpeth, and Tynedale. However, there is a need to be agile with geography and for some initiatives, it will be appropriate to apply a wider geography to recognise and strengthen the mutual inter-relationship and dependencies between and with the more populated and urban southeast Northumberland / North Tyneside and rural facing parts of Newcastle City. There may also be opportunities to align some of the initiatives with equivalent activity in the neighbouring areas of southern Scotland, Cumbria and Durham to achieve economies of scale, heightened visibility, and/or greater impact.
- 3.10. In order to support delivery part of the £500k allocation will be used to
- Commission a natural capital accounting process to provide a Green Book compliant economic valuation of the county’s natural assets
 - Provide additional capacity to support the coordination of the Investment Framework and the subsequent business case development process, including the undertaking of evidence gathering and/or feasibility work
 - Undertake 2 or 3 “rural by design” innovation challenges as a means of accelerating the integration of the stewardship and rural growth components

¹ <https://www.ons.gov.uk/economy/environmentalaccounts/methodologies/principlesofnaturalcapitalaccounting>

- Develop an engagement programme with Durham County Council to define tangible areas of joint working and collaboration

- 3.11. It is also proposed that NTCA establish an Advisory Group, comprising key rural economy organisations and leaders in the North of Tyne area, to oversee the development of the Investment Plan and will be responsible for ensuring the objectives are met.
- 3.12. The Investment Plan will be drafted by Summer of 2022. This will allow time for consideration by NTCA and Northumberland County Council governance processes in Autumn 2022, so that the Plan is finalised and approved in time to inform NTCA's forward planning for its 2023-2028 Investment Programme, and to prepare for UKSPF. The business case development work for specific interventions, the innovation challenges and the natural capital accounting process will be complete by June 2023.

Milestones	Date
Establish Advisory Group and hold first meeting to agree objectives, scope, and work plan	January 2022
Agree vision, objectives and measures of success	February 2022
Undertake research and complete evidence base document	March 2022
Identify and define specific investments and projects to include in Rural Programme	May 2022
Natural capital approach developed	May 2022
Final written Northumberland Stewardship and Rural Growth Investment Plan	June 2022
Meetings of Stakeholder Group at six weekly intervals, shaping, reviewing and approving the content and messages as the work progresses	Ongoing throughout January to June 2022
Development of detailed interventions	June 2022- June 2023
Delivery of Rural by Design Innovation Challenges	June 2022- June 2023
Development of natural capital accounting process	June 2022- June 2023

4. Potential Impact on Objectives

- 4.1. The Rural Economy is identified as an opportunity and priority in the North of Tyne Devolution Deal, the North of Tyne Corporate Plan, and the North East Strategic Economic Plan. The Northumberland Stewardship and Rural Growth Investment Plan will align with the Authority's objectives around both jobs and economic inclusion.

5. Key Risks

- 5.1. Programme risks will be managed in line with agreed processes and individual project risks will be considered as part of the development process

6. Financial and Other Resources Implications

- 6.1. A total allocation of £500,000 is requested from the Investment Fund; a financial profile will be agreed as part of the delivery arrangements which will subsequently be considered by Investment

Panel. Like other funding which has been approved by the Combined Authority, project spend will be validated and reported to Cabinet as part of the regular quarterly monitoring report.

7. Legal Implications

7.1. The Interim Monitoring Officer's comments have been included in this report.

8. Equalities Implications

8.1. Equality impact assessments are undertaken in accordance with the agreed process. The NTCA is mindful of its duty under the Public Sector Equality Duty and through its work will continue to promote policies and decision making which eliminates discrimination, harassment and victimisation and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. NTCA considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

9. Inclusive Economy Implications

9.1. The Northumberland Stewardship and Rural Growth Investment Plan will set out how inclusive economic growth can be achieved in rural settings.

10. Climate Change Implications

10.1. Climate change implications will be assessed on an individual project basis as part of the development process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority, particularly by developing a new approach for natural capital, becoming a national exemplar for how our countryside is managed and invested in. The proposed investment plan aligns with the recommendations of the North of Tyne Citizens' Assembly on nature and green spaces.

11. Consultation and Engagement

11.1. A large number of stakeholders are involved in the delivery of current programmes and it is proposed that an Advisory Group is established which will oversee the development of the Investment Plan.

12. Appendices

None

13. Background Papers

None

14. Contact Officers

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15. Glossary

UKSPF – United Kingdom Shared Prosperity Fund.

Cabinet

Subject:	Inclusive Economy Board Wellbeing Framework
Join Report of:	Head of Inclusive Growth, North of Tyne Combined Authority and Assistant Director of Policy, Northumberland County Council
Portfolio:	Education, Inclusion and Skills

Report Summary

The purpose of this report is to provide Cabinet with the final report of the NTCA's Inclusive Economy Board's Wellbeing Framework for the North of Tyne. The framework seeks to help the North of Tyne Combined Authority, our constituent local authorities and our partners across business and civil society to 'measure what matters' by identifying the outcomes and indicators that we should prioritise in order to improve collective wellbeing.

Collective wellbeing measures seek to balance the social, economic, environmental and democratic needs of people and places, and recognise the relationship between them. As such they are a valuable tool in driving a more inclusive economy. Over six months an independent Roundtable has heard from nearly 2,000 institutions and people about what matters for wellbeing in the North of Tyne. The two Appendices to this report bring together those conversations into a wellbeing framework. The framework is based on a series of outcomes and indicators to help everyone in the North of Tyne work towards economic prosperity and greater wellbeing.

NTCA is one of the first English devolved areas to consider the implementation of a wellbeing framework, following the Wellbeing Economy governments in New Zealand, Iceland, Scotland and Wales. This report outlines how the NTCA will implement the framework, through close collaboration with the Directors of Public Health and wider stakeholders. Subject to Cabinet approval, adopting the framework would put NTCA at the forefront of thinking about what we need to live well now, and in the future, delivering a truly inclusive economy for all.

Recommendations

The Cabinet is recommended to endorse the final report of the NTCA's Inclusive Economy Board's Wellbeing Roundtable (Appendix B) and:

1. Approve the proposed wellbeing framework for the North of Tyne, including the proposed outcomes and indicators.
2. Agree that the Cabinet Member for Education, Inclusion and Skills, the Mayor and the Managing Director, in consultation with the Inclusive Economy Board, oversee and implement the framework.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 In 2020 Carnegie UK and the North of Tyne Combined Authority (NTCA), building on our partnership around Good Work, started to explore the role of wellbeing in relation to NTCA's inclusive economy ambitions. In December 2020 we held a public engagement event to explore the appetite and interest in wellbeing, with a presentation from Sophie Howe, Future Generations' Commissioner for Wales. Based on the success of this event, and under the direction of the Cabinet Member and the Mayor, officers developed a formal partnership with Carnegie UK. The purpose of this partnership was to develop a series of activities to explore and understand perspectives on wellbeing within the area, with the aim of creating the first wellbeing framework within a Mayoral Combined Authority context.

- 1.2 Under the direction of NTCA's Inclusive Economy Board, in Spring 2021, and in consultation with nominated leads from the three Directors of Public Health across Newcastle, North Tyneside and Northumberland, the NTCA and Carnegie UK identified 12 specialists from across sectors and areas to support this work. We are grateful to Professor Mark Shucksmith OBE from Newcastle University, Carnegie UK Board member and member of NTCA's Inclusive Economy Board, and Sarah McMillan, Assistant Director of Policy, Northumberland County Council who agreed to act as independent Co-Chairs of the Roundtable.
- 1.3 The agreed aims of the Roundtable were to explore whether wellbeing can inform a shared policy narrative across different departments and tiers of governance in the North of Tyne, as well as across 'anchor organisations' in areas such as health, housing and higher education. If so, what the key wellbeing outcomes for the North of Tyne could be, based on existing policy commitments and wider public and stakeholder engagement. This would include considering relevant datasets to understand progress towards these outcomes, resulting in a framework for this purpose. Members committed to undertake an approach which was evidence-based, connected through proactive engagement with stakeholders regionally, nationally and internationally, and collaborative, in line with the NTCA's own organisational values.
- 1.4 This approach aimed to produce a framework which would:
- Work effectively in line with the core commitments of the NTCA's Devolution Deal with Government.
 - Complement the priorities of our constituent member local authorities and wider strategic stakeholders.
 - Support, rather than conflict with, the NTCA's accountability and assurance mechanisms as a public body.
 - Be based on indicators which evidence shows have a direct impact on wellbeing, rather than those assumed to correlate with wellbeing.
 - Reflect the views of a wide range of stakeholders in the North of Tyne – institutions and organisations, as well as residents and communities.
- 1.5 The Roundtable reviewed international practice by the Organisation for Economic Co-operation and Development and Wellbeing Economy governments in the UK and abroad to understand the purpose and scope of wellbeing frameworks. Central to the Roundtable's approach was an acknowledgement that wellbeing frameworks are not performance management tools, simply replacing one set of measures of activity with another set. Effective wellbeing frameworks privilege 'outcome' indicators, which measure changes overtime, over 'process' indicators, which are limited to measuring specific activities. The NTCA has taken the same approach with our recently-published Equalities Objectives 2021-25.¹ In doing this wellbeing frameworks aim to help a number of different partners consider and take practical steps towards positively affecting wellbeing in their communities, without undermining established performance management frameworks (such as the NTCA's targets within our Devolution Deal).
- 1.6 At the centre of the Roundtable's approach was a structured, comprehensive and transparent engagement and consultation exercise. This consisted of four phases:
- a. Literature review – covering international evidence on wellbeing thinking and practice, regional intelligence and NTCA's own strategic documents.
 - b. Call for evidence – open for eight weeks and promoted widely by NTCA and partners.
 - c. Community-led consultations – working through a small number of established voluntary, community and social enterprise (VCSE) organisations to engage people in the discussion.
 - d. A You Gov survey, to fill gaps in evidence gained through the three preceding stages.
- 1.7 This ensured that as the Roundtable discussions progressed members were able to understand and reflect upon a wide-range of views from across the area, gathered in structured manner. This

¹ NTCA Equality Objectives 2021 – 2025, June 2021 www.northoftyne-ca.gov.uk/documents/ntca-equality-objectives-2021-2025/

approach reflected the NTCA's own commitment to co-production and co-design. The proposed framework is below:

Wellbeing Framework for the North of Tyne	
<i>Our vision</i>	
The North of Tyne is a place with 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 .	
<i>Our wellbeing outcomes</i>	
We are all able to access education so that we achieve our potential	We all have access to good quality jobs and fair work
We are all able to access health, care and other services so that we live long and healthy lives	We all have enough money to meet our needs, like heating, eating and housing
We all have good quality homes in safe, welcoming communities	We have the infrastructure and support that we need to succeed
All our communities, businesses and governments take responsibility for tackling the climate crisis	We are all valued and treated with respect by each other and our human rights are upheld
We all have access to a good quality local environment and live in neighbourhoods free from pollution and other environmental problems	We all have a voice in decisions that affect our communities and in the public services we use

Next Steps

- 1.8 Our vision is for institutions and organisations across the North of Tyne and beyond is to acknowledge, identify and enact policies and programmes that work towards the wellbeing outcomes of the framework. In practical terms NTCA will lead by example and take forward the four specific recommendations the Roundtable has made in its report as follows:
1. **Cabinet formally adopts** the proposed Wellbeing Framework on behalf of the Combined Authority.
 2. **NTCA embeds** this understanding of wellbeing into our decision-making processes through the following specific actions:
 - a. Include wellbeing as part of every consideration made by Cabinet by March 2022.
 - b. Use NTCA's existing **communications channels** to promote the findings and themes of the work across Spring 2022.
 - c. Integrate into regular monitoring and reporting by NTCA's **insights and data team** by December 2022.
 3. **Regularly report and review progress** to the Inclusive Economy Board, at its quarterly meetings, and to NTCA Cabinet, annually, on how the vision for wellbeing is taking effect across our area. Board members will be encouraged to share their contributions on how they are helping to deliver the Framework's ambitions: this will be captured in the annual report.
 4. **Oversight and implementation** of the framework should occur under the direction of the Cabinet Member, the Mayor and the Managing Director.
- 1.9 This approach will help bring to life NTCA's commitment to wellbeing in a practical and proportionate way, building on the core wellbeing and health strategies of our constituent local authorities, and aligning with the regional Strategic Economic Plan.² Subject to approval, and in line with the proposed delegation, it is recommended that oversight and implementation of the framework should be supported by the NTCA's Inclusive Economy Board, under the direction of the Cabinet Member, the Mayor and the Managing Director. This will ensure appropriate governance of the framework, in-line with the NTCA's Devolution Deal and inclusive economy commitments. This

² Strategic Economic Plan 2014-24, North East Local Enterprise Partnership, January 2019
<https://www.northeastlep.co.uk/the-plan/>

will also help to engage a wide range of partners in using the framework, many of whom have already contributed to the Roundtable’s consultation exercises.

2. Potential Impact on Objectives

- 2.1 To ensure effective alignment with the NTCA’s stated purpose, the framework proposes to adopt the NTCA’s existing Vision as it’s starting point, that 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 our region’s future.”³ This ensures the framework is fully aligned to, and supportive of, our corporate objectives, and specifically our commitment to a more inclusive economy.
- 2.2 The framework will also support the NTCA’s Assurance Framework by demonstrating our alignment with recently published Green Book Wellbeing Guidance. Supplementary guidance from the Treasury has noted that, “The datasets and research on wellbeing now available have increased the scope to use wellbeing evidence across policy development”.⁴

3. Key Risks

- 3.1 The following key risks have been identified in relation to the proposals:

Area	Risk	Mitigation
Scope of work	Proposed activities fall outside of the NTCA’s powers and accountabilities.	Officers have learnt from national best practice from other devolved administrations to ensure the framework, its outcomes and indicators are sufficiently in-line with the NTCA’s powers and accountabilities. The Roundtable has refrained from advising on specific policy recommendations in relation to wellbeing, instead focussing clearly on the proposed outcomes and indicators.
Lack of alignment with strategic priorities	The proposals conflict with the NTCA’s publicly-stated priorities.	The framework has used the NTCA’s established vision for a more inclusive economy to ensure the proposed outcomes and indicators are clearly in line with corporate priorities. This ensures a golden thread from our Devolution Agreement, and our inclusive economy concerns through to the framework.
Lack of relevance to wider organisations and residents’ of the North of Tyne	Organisations and/or residents do not engage with the framework and the wider discussion of wellbeing.	Nearly 2,000 organisations and individuals have contributed views and evidence to the project to date in a structured and transparent manner. Specific support has been provided to ensure we hear from residents who are often ‘seldom heard’ in traditional decision-making, by providing small grants for engagement to voluntary sector organisations closest to their communities of geography, interest and identity. This has included balanced representation from across the three local authority areas of the North of Tyne.

³ Jobs, Skills and a Post-Covid Economy – NTCA Corporate Plan 2021-2022, June 2021, p4

⁴ Wellbeing Guidance for Appraisal: Supplementary Green Book Guidance, HM Treasury, July 2021, p3

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005388/Wellbeing_guidance_for_appraisal_-_supplementary_Green_Book_guidance.pdf

4. Financial and Other Resources Implications

- 4.1 The financial implications of mobilising this framework will be considered as part of the proposed next steps. The NTCA will consider whether specific budget is required to implement the framework, or whether existing officer resource within the NTCA's Data and Insights Team, across the wider organisation, and potentially from supporting partners such as our local universities, will be sufficient to deliver the requirements of the project. The Inclusive Economy Board will consider the communication and engagement requirements (for example, producing an annual wellbeing report) and the policy and evaluation requirements (for example, data management and overall policy ownership).
- 4.2 In line with good practice, we would anticipate repeating the indicator development and public engagement process once every five-year gateway review period. This assumption would suggest planning to repeat the exercise within the financial year 2026/27.

5. Legal Implications

- 5.1 The comments of the Monitoring Officer have been incorporated in this report.

6. Equalities Implications

- 6.1 The NTCA seeks to actively narrow inequality. We do this by recognising socio-economic disadvantage as a protected characteristic within in our Public Sector Equalities Duty, and via our recently publishing our Equalities Objectives for 2021-24. A wellbeing framework will help shape and guide all of the NTCA's activities and programmes to ensure they work towards outcomes which are defined as sustainable for all communities and residents in the North of Tyne, especially those experiencing, or at risk of socio-economic disadvantage.

7. Inclusive Economy Implications

- 7.1 This initiative positively addresses all five characteristics of the inclusive economy:
- Participation – The NTCA's wellbeing framework includes democratic considerations as a central feature of wellbeing. The framework will use indicators of diversity in democratic representation to understand levels of participation across the North of Tyne, providing stakeholders with the tools to respond accordingly.
 - Equity – By developing outcomes which give equal weight to social, economic, environmental and democratic (SEED), informed by voices from across the North of Tyne, including the perspective of traditionally under-served groups, the framework will help describe the state of inequality in the area. This will help guide actions and interventions which actively reduce inequality.
 - Growth – Inclusive growth is defined as sustainable growth which achieves broad gains in wellbeing, with the greatest gains for poorer communities, families and individuals. A framework based on clearly defined outcomes and supported by evidenced indicators of wellbeing support this directly deliver this aspiration.
 - Stability – Wellbeing frameworks help to address intergenerational concern recognising the trade-offs between, for example, short-term productivity gains and longer-term environmental degradation.
 - Sustainability – Wellbeing frameworks are, by definition, measures of more sustainable and equitable development for people and places.

8. Climate Change Implications

- 8.1 By putting environmental indicators on an equal footing with economic, and other recognised indicators of wellbeing, the framework will help meet the NTCA's cross-cutting commitment to a zero carbon future. The environmental outcomes within the framework also help to balance the hyper-

local concerns of residents, for example around access to, “a good quality local environment”, with the shared responsibility of communities, businesses and governments to, “tackling the climate crisis”.⁵

9. Consultation and Engagement

- 9.1 Effective consultation and engagement has been central to this project. The NTCA sought early endorsement to consider exploring wellbeing by convening a public engagement event in December 2020, supported by the Cabinet Member and the Mayor. This initial event involved nearly 60 cross-sector, cross-area stakeholders and demonstrated significant enthusiasm to explore a wellbeing framework in a North of Tyne context.
- 9.2 Under the direction of the Cabinet Member officers presented the findings of the engagement event to the NTCA’s Inclusive Economy Board in February 2020 and sought their endorsement to take forward the Roundtable approach. Following this the Inclusive Economy Board has received regular reports on project progress and been instrumental in shaping next steps: we are particularly grateful to the former Chair, the Right Reverend Bishop Christine Hardman for her support as the project progressed.
- 9.3 Roundtable membership was designed to be multi-sector to ensure the full range of SEED experience was reflected in its work and considerations. As a consequence, the Roundtable members were instrumental in designing a greater breadth and depth of public engagement than originally anticipated. This resulted in 33 institutional responses to the call for evidence, 11 community-led organisations engaging with over 200 adults, children and families, and 1,748 people responding to the You Gov survey to ensure specific gaps in the picture of evidence emerging were addressed. Equalities considerations were central to the public engagement exercise: we heard from disabled people and people with learning differences, people experiencing complex needs or who were refugees and asylum seekers – voices often less heard in traditional policy development.
- 9.4 The Cabinet Member for Education, Inclusion and Skills has been consulted throughout, as has the Mayor. Central to project has been the work of the Carnegie UK team without which this framework would not have been possible. We are grateful for the genuinely collaborative partnership that has been at the centre of this project.

10. Appendices

Appendix A: NTCA Inclusive Economy Board’s Wellbeing Framework for the North of Tyne: Executive Summary

Appendix B: NTCA Inclusive Economy Board’s Wellbeing Framework for the North of Tyne: Report by the Roundtable for Wellbeing in the North of Tyne

11. Background Papers

None.

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13. Glossary

⁵ The NTCA Inclusive Economy Board’s Wellbeing Framework for the North of Tyne - Draft, November 2021

NTCA	North of Tyne Combined Authority
SEED	Social, Economic, Environmental and Democratic
VCSE	Voluntary, Community and Social Enterprise

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The Inclusive Economy Board's **Wellbeing Framework for the North of Tyne** *Executive Summary*

Report by the Roundtable for Wellbeing in the North of Tyne
January 2022



Why consider a wellbeing framework in the North of Tyne?

- Since the Stiglitz-Sen-Fitoussi Report (2009), there has been a shift in understanding about social progress: more than just 'health and wealth', it includes our homes & relationships, our ability to participate & to make choices about our lives, our access to local services & green space, and more...
- A wellbeing framework enables governments to understand what matters to people and to track progress towards a set of wellbeing goals.
- A wellbeing framework also encourages policy development that recognises and seeks to address interconnected issues (poverty, mental health, loneliness, climate change & participation) rather than treating them in isolation.
- Building a wellbeing approach to pandemic recovery aligns with NTCA's vision and its ambitions to achieve 'zero carbon zero poverty'.
- By developing and adopting a wellbeing framework, North of Tyne would become one of the first Combined Authority's in England to commit to embedding wellbeing in decision-making processes.

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Our vision for the North of Tyne 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 our region's future.

**North of Tyne Combined Authority
Corporate Plan 2021-22**

Building a Roundtable for Wellbeing in the North of Tyne

- After a successful event in December 2020, the NTCA began working with Carnegie UK to explore a wellbeing approach in the North of Tyne.
- They adopted the 'Roundtable methodology' recommended by Stiglitz-Sen-Fitoussi and used previously by Carnegie UK in supporting governments in in Scotland and Northern Ireland to build wellbeing frameworks.
- The NTCA & Carnegie UK brought together 12 specialists from across sectors and areas to support this work: co-chaired by **Professor Mark Shucksmith OBE (Newcastle University & Carnegie UK trustee)** and **Sarah McMillan (Assistant Director of Policy, Northumberland County Council)**.
- The Roundtable met four times between May and October 2021. They gathered and considered a wide range of evidence on what matters to people living and working in the North of Tyne. They used this evidence to develop ten wellbeing outcomes. And they worked with the Centre for Thriving Places to build a set of indicators to measure progress towards these outcomes.
- The NTCA's Inclusive Economy Board provided governance and oversight throughout the process; it is proposed that the Board is responsible for implementation of the framework, pending Cabinet approval.



Economic wellbeing



Democratic wellbeing



Carnegie UK believe that **collective wellbeing** happens when **social**, **economic**, **environmental** and **democratic** wellbeing outcomes are seen as being equally important and are given equal weight. This model was used by the Roundtable to inform their approach.

Gathering evidence on what matters to people in the North of Tyne

- The Roundtable recognised the importance of understanding what matters for wellbeing locally and developed a structured approach to gathering and considering evidence, consisting of the following components:
 - **Policy & literature review** – covering international evidence on wellbeing thinking and practice and the NTCA's own strategic documents
 - **Call for evidence** – open for eight weeks and promoted widely by the NTCA and partners
 - **Community-led consultations** – working through a small number of established VCSE organisations to engage communities in the discussion (with a focus on voices that are often less heard in decision making)
 - **You Gov survey** – to fill gaps in evidence gained through the three preceding stages and help to prioritise wellbeing outcomes
- From this evidence, the Roundtable developed a set of ten wellbeing outcomes, which together provided a route map for enhancing **social**, **economic**, **environmental** and **democratic** wellbeing for people living in the North of Tyne.
- After selecting outcomes, the Roundtable worked with the Centre for Thriving Places to develop a set of indicators to measure progress towards each area of wellbeing.



The Inclusive Economy Board's Wellbeing Framework for the North of Tyne

Our vision

The North of Tyne is a place with 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**.

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Our wellbeing outcomes

We are all able to access education so that we achieve our potential	We all have access to good quality jobs and fair work
We are all able to access health, care and other services so that we live long and healthy lives	We all have enough money to meet our needs, like heating, eating and housing
We all have good quality homes in safe, welcoming communities	We have the infrastructure and support that we need to succeed
All our communities, businesses and governments take responsibility for tackling the climate crisis	We are all valued and treated with respect by each other and our human rights are upheld
We all have access to a good quality local environment and live in neighbourhoods free from pollution and other environmental problems	We all have a voice in decisions that affect our communities and in the public services we use

Recommendations: implementing the Wellbeing Framework

The Roundtable has used the evidence to build a Wellbeing Framework for the North of Tyne. It now recommends that NTCA:

- **adopts** this wellbeing framework and commits to work towards delivering the wellbeing priorities of people who live and work in North of Tyne, as described in the wellbeing outcomes.
- **communicates** this wellbeing framework to people who live and work in North of Tyne, through ongoing involvement and engagement.
- **embeds** a wellbeing approach to decision making across the region, through engaging local governments, agencies and stakeholders in delivering its wellbeing outcomes.
- **reports** on progress and **reviews** its approach at regular intervals, according to its understanding about wellbeing generated from the indicator set and public engagement.

By adopting these recommendations in their entirety the Roundtable believes that the NTCA can embed a wellbeing approach to the pandemic recovery that will improve the lives of people throughout the region.

The Roundtable for Wellbeing in the North of Tyne

Prof Mark Shucksmith OBE (Co-chair)	Newcastle University / Carnegie UK Trustee and NTCA Inclusive Economy Board member
Sarah McMillan (Co-chair)	Assistant Director of Policy, Northumberland County Council
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North Tyneside Council



The North of
Tyne Combined
Authority Inclusive
Economy Board's

Wellbeing Framework for the North of Tyne



Report by the Roundtable on
Wellbeing in the North of Tyne

Acknowledgments

The Report of the Roundtable on Wellbeing in the North of Tyne was written by Ben Thurman¹, Brogan Turner², Hannah Ormston¹, Jenny Peachey¹, Jennifer Wallace¹, Liz Zeidler³ and Rhiannon Bearne². It draws on a wealth of evidence generously shared by people living and working in the North of Tyne, and the insight and deliberation of Roundtable members.

The Roundtable is grateful for the support of the North of Tyne Combined Authority, the North of Tyne Combined Authority's Inclusive Economy Board, Cllr Karen Kilgour, NTCA Cabinet Member for Education, Inclusion and Skills, and Mayor Jamie Driscoll throughout this project; and for the contribution of all those who participated in building this vision for wellbeing in the North of Tyne.

- 1 Carnegie UK
- 2 North of Tyne Combined Authority
- 3 Centre for Thriving Places.

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Introducing a Wellbeing Framework for the North of Tyne

The North of Tyne region is an area of rich history, stunning coastlines, and impressive architecture. It is proud of its heritage as a cradle of the industrial revolution, home to a National Park and to a UNESCO World Heritage Site. Most of all, it is filled with people who are proud of their community and place, and passionate about the region's future.

We know that the North of Tyne also faces a number of challenges. High levels of unemployment, socio-economic inequality and rising levels of child poverty curtail the opportunities for too many people living in the region. These challenges have only been exacerbated by the COVID-19 pandemic. At the same time, the experience of the last 18 months and the 'spirit of togetherness' that saw communities supporting each other provides hope for the future.

It is clear that those living in the North of Tyne want to go further than 'build back better': they want to recover, reimagine and redesign.

The North of Tyne Combined Authority (NTCA) was established in 2018 as a partnership between three local authorities, Newcastle City Council, North Tyneside Council, and Northumberland County Council, with a shared ambition to create inclusive, sustainable growth through devolution.

Our North of Tyne 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 our region's future.¹

Since its formation, the NTCA has sought to use its powers to improve the lives of everyone who lives and works in the North of Tyne. This work has been strengthened through partnership with the North of Tyne's first Mayor, Jamie Driscoll, whose mission of achieving 'zero carbon zero poverty' for the area is now embedded in the NTCA's Corporate Plan 2021-2022.²

At the same time, Carnegie UK was developing its 'SEED' model of wellbeing. This model recognises that the building blocks of a good life are not just about money, but a complex interplay of factors that include our friends and family, our health, our neighbourhood and local environment, and our ability to contribute meaningfully to our community. Collective wellbeing only happens when social, economic, environmental, and democratic wellbeing are given equal weight, so that we all have what we need to live well together.³

In December 2020, the NTCA and Carnegie UK co-hosted an event to explore the opportunities for 'Building a Wellbeing Recovery in the North of Tyne'. The two organisations agreed to work together to look at the mechanisms for embedding wellbeing in

1 North of Tyne Combined Authority (2021) *Jobs, Skills and a post-Covid Economy: Corporate plan 2021-2022*.

2 North of Tyne Combined Authority (2021) *Jobs, Skills and a post-Covid Economy: Corporate plan 2021-2022*.

3 Wallace et al. (2020) *Gross Domestic Wellbeing (GDWe): An alternative measure of social progress*; Carnegie UK (2021) *Learning how to live well together: Our strategy for change 2021*.

Collective Wellbeing

At Carnegie UK we believe that collective wellbeing happens when **social**, **economic**, **environmental** and **democratic** wellbeing outcomes are seen as being equally important and are given equal weight.



decision-making processes. They decided to adopt the roundtable methodology recommended in the seminal 'Stiglitz-Sen-Fitoussi Report'.⁴

We were privileged to take up the positions of Co-Chairs of the Roundtable on Wellbeing in the North of Tyne. Over the last six months, the Roundtable has undertaken a process of listening to, and reflecting on, what matters to people living in the North of Tyne, including voices that are often unheard in policy making. We have invited contributions from people living and working across the region. We have also sought out technical expertise from YouGov and from the Centre for Thriving Places, to help us understand our wellbeing priorities, and to develop a set of indicators to measure progress.

Throughout this process we have received support and guidance from the NTCA's Inclusive Economy Board. In this report, we are proud to introduce the culmination of our work, *The Inclusive Economy Board's Wellbeing Framework for the North of Tyne*. With the Roundtable's work now concluded, it is our hope that the Board will oversee the implementation of the Wellbeing Framework that we have developed.

The rest of this report outlines the process designed by the Roundtable on Wellbeing in the

North of Tyne, and the evidence we considered as part of it. It then presents the Wellbeing Framework in detail, consisting of a vision statement, ten wellbeing outcomes, and a set of indicators that will measure progress towards those outcomes. It finishes with a series of recommendations to the NTCA Cabinet.

The Roundtable's remit was to develop a framework to assist the NTCA in understanding what matters to people in the North of Tyne, and to identify the outcomes and indicators they should prioritise in order to improve collective wellbeing. Our recommendations therefore focus on the Wellbeing Framework itself: we recommend that the NTCA **adopts** the proposed Wellbeing Framework, **communicates** it to people who live and work in the North of Tyne, **embeds** this understanding of wellbeing into decision-making, and publishes a timetable to regularly **report** and **review** progress.

By doing this, the Roundtable believes that the NTCA and its partners can effectively adopt a wellbeing approach to the pandemic recovery that will improve the lives of people throughout the region.

*Professor Mark Shucksmith OBE
& Sarah McMillan*

**Co-Chairs of the Roundtable on Wellbeing
in the North of Tyne**

⁴ Stiglitz et al. (2009) *Report of the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP)*.

Wellbeing Framework for the North of Tyne

Our vision

The North of Tyne is a place with 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**

Our wellbeing outcomes



1. Background to wellbeing in the North of Tyne

The origin of the 'Wellbeing Agenda'

Since the end of the Second World War, 'progress' has focused on the reduction of poverty and the generation of wealth, as captured by measures of national income such as Gross Domestic Product (GDP). But questions about GDP, and whether it is a decent measure of what makes a good society, have been around for nearly as long as the measure itself. Right now, as the world is changing around us, it is a good time to rethink how we think about what individuals, communities and societies need to flourish.

The current focus on economic growth, measured through GDP, can imply that acquiring wealth is a proxy for improvement in people's quality of life, and yet there is extensive evidence that, at least after basic needs are met, money is not necessarily a key determinant of happiness.⁵ Perversely, events that common-sense suggests may negatively impact subjective wellbeing – such as natural disasters, crime and divorce – can sometimes impact positively upon GDP. At the societal level, economic growth can have a negative impact on wellbeing as it often leads to pollution and the depletion of resources.⁶ A 'growth at any cost' economic model has also been associated with deepening inequalities,

and some of the psychological downsides of social anxiety, debt-based consumerism, and addictive behaviour.⁷

The concept of collective wellbeing is an alternative to this narrow view of social progress. Collective wellbeing is a holistic approach to thinking about what we all need to live well, individually and together. In 2008, the French Government initiated the Commission on the measurement of Economic Performance and Social Progress, led by Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi.⁸ The Commission's aim was to identify the limits of GDP as an indicator of economic performance and social progress, to consider additional information for the production of indicators of social progress, and assess the feasibility of alternative measurement tools.

A key driver of the Commission's work was the observation that 'What we measure affects what we do; and if our measurements are flawed, decisions may be distorted.' Choices between promoting GDP and protecting the environment may be false choices once environmental degradation is appropriately included in our measurement framework.

The Stiglitz-Sen-Fitoussi Report distinguishes between an assessment of current wellbeing, and an assessment of sustainability. Current wellbeing has to do with both economic

5 The 'Easterlin Paradox' was first coined in the 1970's and informed subsequent research, including the Stiglitz-Sen-Fitoussi Report. Easterlin (1974) 'Does Economic Growth Improve the Human Lot? Some Empirical Evidence'; Stiglitz et al. (2009) *Report of the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP)*

6 Raworth (2017) *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*.

7 Wilkinson & Pickett (2009) *The Spirit Level: Why More Equal Societies Almost Always Do Better*.

8 Stiglitz et al. (2009) *Report of the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP)*

resources and with non-economic aspects of people's lives. Whether these levels of wellbeing can be sustained over time depends on whether stocks of capital that matter for our lives (natural, physical, human, social) are passed on to future generations. In this sense, the debate on wellbeing must incorporate considerations associated with the debate on sustainable development. They recommended that a basket of indicators is used to measure social progress, rather than relying on one measure. These indicator sets were seen as essential to supporting better decision-making for communities and citizens.

Internationally, the Stiglitz-Sen-Fitoussi report contributed significantly to an already evolving interest in, and analysis of, wellbeing and the economic, social and environmental factors that contribute to it.⁹ In the years since, many governments have developed wellbeing frameworks, bringing together these indicators into a single coherent picture of 'how life is' in regions, cities and nations. The most notable examples are the Wellbeing Economy Governments of New Zealand, Iceland, Scotland and Wales.¹⁰ These governments have developed innovative legislation and practical policies to move from rhetoric to reality and improve inequality. As they deepen their wellbeing approaches, governments are now beginning to embed the measures and the overall approach in policy processes such as budget setting, policy appraisal and evaluation.¹¹

The context of devolution in the North of Tyne provides an exciting opportunity to shape a wellbeing approach at a Combined Authority level.

9 See, for example, OECD, *Measuring Well-being and Progress: Well-being Research*.

10 Wellbeing Economy Alliance. *Wellbeing Economy Governments*.

11 Examples include Scotland's National Performance Framework, the Well-being of Future Generations in Wales, and most recently, New Zealand's 'wellbeing budget'.

Setting wellbeing in context: the SEED approach

While variously called sustainable development, inclusive growth, quality of life, happiness or going 'beyond GDP', Carnegie UK articulates a vision of 'collective wellbeing' in which everyone has what they need to live well now and in the future. More than health and wealth, it includes having friends and loved ones, the ability to contribute meaningfully to society, and the ability to set our own direction and make choices about our own lives. Collective wellbeing, therefore, is made up of, and places equal weight on, social, economic, environmental, and democratic (SEED) outcomes.

All of these different domains of our lives are interconnected: for example, the construction of a new road, creating jobs (economic) and improved transport connections (social) could have a negative impact on emissions (environmental). The core message of a wellbeing approach is the need to create a better understanding and measurement of social progress, whether nationally, regionally, or locally, in order to rebalance these outcomes.¹²

While there are universal 'truths' in wellbeing (such as the importance of family and friends, the impact of poor health on wider wellbeing and the importance of protecting the environment to allow for future wellbeing), these can only be understood in detail in a particular time and place. So, for example, education matters for wellbeing, but good education in Newcastle will be different from a good education in New Delhi.

And now, with the recent shocks to our health and economy coming on top of pressing questions about the sustainability of our environment, the debate about how we measure social progress has taken on a new urgency.

12 Wallace et al. (2020) *Gross Domestic Wellbeing (GDWe): An alternative measure of social progress*.

Since the start of the pandemic, discussion about the importance of protecting the collective wellbeing of people living in the UK from the social, economic, environmental, and democratic consequences of COVID-19 has increased in prominence: in the media, within civil society, and in political rhetoric. COVID-19 sparked new, and renewed existing, conversations about what exactly wellbeing and social progress are, and how a wellbeing approach that includes long-term, preventative policymaking could help to alleviate the multiple impacts of the virus on current and future generations.

Building a wellbeing approach for the North of Tyne

By 2020, a number of factors had aligned to create the conditions for a wellbeing approach in the North of Tyne. The Devolution Deal and partnership between Newcastle City Council, North Tyneside Council and Northumberland County Council provided new powers and new impetus for collaboration (see Appendix 5 for further background to devolution in the North of Tyne). Mayor Driscoll's and the Cabinet's collective commitment to a 'zero carbon, zero poverty' recovery offered a clear vision for

the future. The Inclusive Economy Board was established to tackle some of the long-standing economic challenges in the region, and the Citizens' Assembly on Climate Change¹³ was planned to guide the region's approach to promoting environmental wellbeing. Alongside this, the COVID-19 pandemic had generated a desire to build on the strength of the community response, and ensure that everyone had a stake in the region's future.

In December 2020, Carnegie UK and the NTCA hosted an online event where people living and working in the North of Tyne had the opportunity to hear and take inspiration from national and international examples of wellbeing approaches to government, including Sophie Howe, Future Generations Commissioner for Wales. Building on the success of the event, Carnegie UK was invited to work with the NTCA to explore the possibilities for a wellbeing approach in the North of Tyne. Carnegie UK recommended a roundtable methodology to bring together stakeholders in the region to consider wellbeing in the round. The following chapter of this report discusses the process that the Roundtable designed.

¹³ The Citizens' Assembly reported in July 2021: Bryant (2021) *The North of Tyne Citizens' Assembly on Climate Change 2021*.

2. The Roundtable's approach

In 2021, with the guidance of its Inclusive Economy Board, and the support of Mayor Driscoll and the Cabinet, the NTCA began working with Carnegie UK to explore a wellbeing approach to the pandemic recovery, with the aim of establishing a framework for embedding wellbeing in decision-making across the area. A core principle was that the process should take a co-designed approach, informed by the views of people living and working in the North of Tyne, in-line with the NTCA's stated values and ways of working.¹⁴ Once a framework had been created, this would be taken to the NTCA's Cabinet and, if approved, would make the North of Tyne the first Combined Authority in England to measure and align policy to wellbeing.

In 2009, the authors of the 'Stiglitz-Sen-Fitoussi Report' had recommended that roundtables should be established, 'with the involvement of stakeholders, to identify and prioritise those indicators that carry the potential for a shared view of how social progress is happening and how it can be sustained over time'.¹⁵ Since then, Carnegie UK has successfully applied this roundtable methodology to influencing wellbeing frameworks in Scotland¹⁶ and in Northern Ireland.¹⁷ It was therefore decided to apply this approach to exploring wellbeing in the North of Tyne: a Roundtable of individuals offering a wide range of interests and expertise was put together by invitation (see table 1) with Carnegie UK acting as secretariat.

The Roundtable on Wellbeing in the North of Tyne met virtually on four occasions between May and October 2021. Its members drew on their collective expertise, and Carnegie UK's prior knowledge and experience of supporting wellbeing approaches to government, to consider key questions and develop a framework for a wellbeing approach to the pandemic recovery. At its first meeting in May 2021, the Roundtable agreed a Terms of Reference (Appendix 1), in which it set out its aims to explore:

1. Whether wellbeing can inform a shared policy narrative across different departments and tiers of government in North of Tyne?
2. What are the key wellbeing outcomes for North of Tyne, aligned to existing policy commitments and public engagement?
3. What data is available to chart progress towards these outcomes?
4. What changes are required to ways of working in public authorities to support a wellbeing approach and how can they be embedded?
5. How should North of Tyne authorities report progress to the public and stakeholders?

The Roundtable's approach was informed, in particular, by guidance on wellbeing frameworks for cities and regions, developed by Carnegie UK in partnership with Organisation for Economic Co-operation and Development (OECD), which highlights the importance of defining, and understanding, what wellbeing means locally; of selecting appropriate wellbeing domains; and agreeing the best available indicators.¹⁸

14 North of Tyne Combined Authority (2021) *Jobs, Skills and a post-Covid Economy: Corporate plan 2021-2022*.

15 Stiglitz et al. (2009) *Report of the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP)*.

16 Smith & Herren (2011) *More than GDP: Measuring What Matters. Report of the Round Table on Measuring Economic Performance and Social Progress in Scotland*.

17 Doran et al. (2015) *Towards a Wellbeing Framework: Background Report prepared for the Roundtable on Measuring Wellbeing in Northern Ireland*.

18 Coutts & Wallace (2016) *Sharpening Our Focus: Guidance on wellbeing frameworks for cities and regions*.

Table 1: The Roundtable on Wellbeing in the North of Tyne

<p>Professor Mark Shucksmith OBE (Co-chair) Newcastle University / Carnegie UK Trustee</p>	<p>Mark is Professor of Planning at Newcastle University, where he was also Director of the Institute for Social Renewal from 2012-18. His main areas of research include social exclusion in rural areas, rural housing, rural development and policy.</p>
<p>Sarah McMillan (Co-chair) Assistant Director of Policy, Northumberland County Council</p>	<p>As Assistant Director of Policy at Northumberland County Council, Sarah leads the development of strategy and policy at a large rural Local Authority, where she has been instrumental in the response to and recovery from the Covid-19 pandemic in the County, and across the region. In a career of over 20 years, Sarah has worked at local, regional and national tiers of Government, leading large scale national programmes and developing and influencing economic and social policy in areas such as education, skills and economic growth.</p>
<p>Andrea Malcolm Executive Director of People, Homes and Communities, Bernicia</p>	<p>Andrea is the Executive Director of People, Homes and Communities at Bernicia. Andrea's successful 30-year career in the social housing sector has spanned senior leadership positions in Housing Management, Human Resources and Organisational Development. Each of these has contributed significantly to Bernicia's success and substantial business growth, with Andrea leading on transition and transformation agendas.</p>
<p>Behnam Khazaeli Senior Public Health Manager, North Tyneside Council</p>	<p>Behnam is an experienced local authority officer with over 17 years' experience (working at Gateshead Council, South Tyneside Council and currently North Tyneside Council) with a range of knowledge and experience across neighbourhood management, community development, community safety, commissioning, and public health. Passionate about public health and community development (asset based approaches), he is currently a Senior Public Health Manager leading on a wide portfolio including obesity and physical activity, NHS Health checks, Domestic Abuse, Culture & Wellbeing and support around COVID-19 and workplaces.</p>
<p>Emma Ward Research, Evidence and Analysis Programme Manager, North East Local Enterprise Partnership</p>	<p>Emma Ward is the Research, Evidence and Analysis Programme Manager at the North East LEP. Her role focuses on putting evidence at the heart of decision making, through supporting the commissioning, conducting and dissemination of research and analytical activities. She has previously held a series of research and evaluation roles in the region; at consultants ERS and the Wise Group, before joining the North East LEP.</p>
<p>Jennifer Wallace Director, Carnegie UK</p>	<p>Jennifer is a Director at Carnegie UK. An experienced manager and public policy researcher and analyst, her work in the public and voluntary sector has led to positive change in legislation, policy, and practice.</p>
<p>Laura Seebom Executive Director of External Affairs, Changing Lives</p>	<p>Laura is Executive Director at Changing Lives, leading external affairs, policy, communications, and innovation across the organisation. Her role includes raising the voices of people experiencing homelessness, addiction, the criminal justice system and exploitation and ensuring that decision-making and systems are focused on recovery and wellbeing.</p>

Table 1: The Roundtable on Wellbeing in the North of Tyne	
<p>Leigh Mills Head of Inclusive Growth, North of Tyne Combined Authority</p>	<p>Leigh is the Head of Inclusive Growth at the North of Tyne Combined Authority (NTCA). Responsible for NTCA's learning, skills, and labour market strategy she leads a team delivering the £25m devolved Adult Education Budget programme, and wider inclusive economy and good work initiatives for the North of Tyne.</p>
<p>Liz Robinson Public Health Manager, Northumberland County Council</p>	<p>Liz has worked in local authorities in Northumberland and Newcastle for over 20 years in a variety of roles supporting local authorities in their role to improve public health. These have included supporting Health Scrutiny Panels, Local Strategic Partnerships Health Coordination Groups and Strategic Boards.</p>
<p>Lorna Smith Assistant Director of Public Health (Acting), Newcastle City Council</p>	<p>Lorna is a Consultant in Public Health with a background in international development and experience of working in the NHS, local authorities and with central government. Lorna currently leads the Wider Determinants of Health portfolio for Newcastle City Council public health department and has particular interests in wellbeing, health literacy and inequalities. During the pandemic Lorna has been the Assistant Director of Public Health with specific leadership for vaccine inequalities, outbreak management and Newcastle's welfare support infrastructure.</p>
<p>Miatta Fahnbulleh Chief Executive, New Economics Foundation</p>	<p>Miatta is Chief Executive of the New Economics Foundation. She has a wealth of experience in developing and delivering policy to empower communities and change people's lives. She has been at the forefront of generating new ideas on reshaping our economy inside government and out.</p>
<p>Robin Fry Chief Executive, VODA</p>	<p>Robin is the North of Tyne Mayor's Ambassador to the VCSE sector. Also, Chief Executive of North Tyneside charity VODA, founded on the belief that volunteering and social action can transform communities for the better.</p>

It was agreed that the scope of the Roundtable was to develop a wellbeing framework that reflected the evidence on what matters to people in the North of Tyne, and allowed the NTCA to measure progress towards an agreed set of wellbeing outcomes. And so, while there are policy implications for much of the

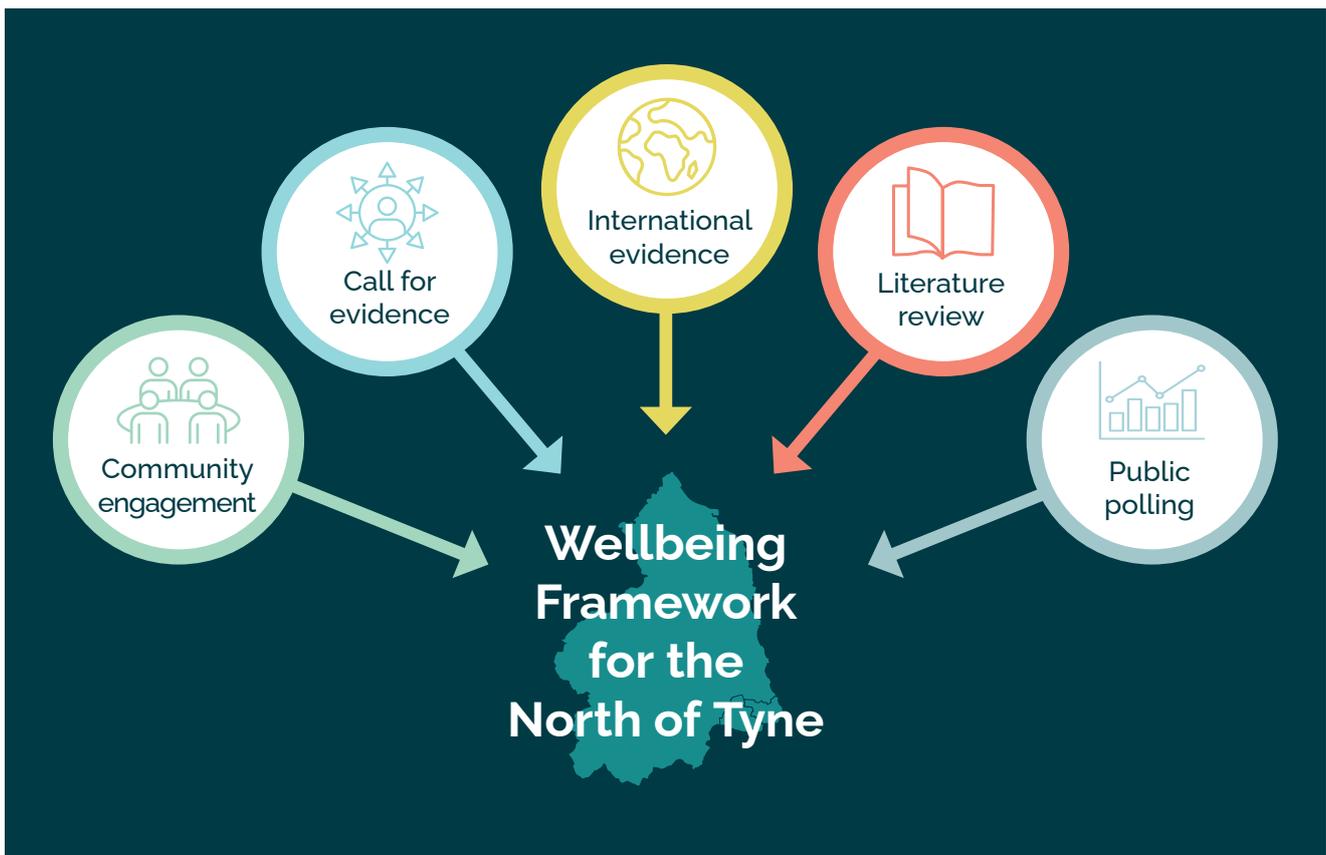
evidence that the Roundtable considered, its recommendations are focused on the process of adopting, and sustaining, a wellbeing framework. The next steps for taking forward the framework would involve detailed consideration of the policies that a wellbeing approach suggests.

Considering evidence on what matters for wellbeing for people in the North of Tyne

In order to understand what matters to people living and working in the North of Tyne, the Roundtable heard evidence drawn from a range of different activities: a desk-based policy and literature review of wellbeing issues and the impact of COVID-19 on people and communities living in the North of Tyne; written submissions to an open call for evidence on key issues highlighted in the desk-based review; and reports from a series of public engagement activities, in which eleven community organisations were given funding to conduct workshops which

aimed to engage voices that are often unheard in policy conversations on the question of what matters for wellbeing. By adopting a mixed approach, the Roundtable aimed to develop a picture of wellbeing in the North of Tyne that was informed by national data, local insight, and community voice: this evidence is presented in detail in chapter 3.

Having considered this evidence, the Roundtable commissioned polling from YouGov, with the dual purpose of filling in gaps in evidence and canvassing people's priorities for 'the North of Tyne we want'. Data from the second question was used by the Roundtable to inform the wellbeing outcomes that are presented in chapter 4.



Adopting the SEED domains

An early decision was taken to use the SEED model – which understands collective wellbeing as giving equal weight to social, economic, environmental, and democratic wellbeing outcomes¹⁹ – as a framework for the Roundtable’s activities. This decision was consistent with guidance that advises to ‘start with a theoretical framework’, using this to define what wellbeing means to local stakeholders and communities.²⁰

The call for evidence, therefore, asked people to identify the most important social issues, economic issues, environmental issues, and democratic issues. Evidence from public engagement was also analysed according to these domains. The Roundtable’s analysis of what matters for wellbeing in the North of Tyne identified a number of areas of intersectionality (where social wellbeing influenced environmental wellbeing, and so on), and specific demographics for whom certain wellbeing domains felt more important than others (both of which are discussed in the following chapter). However, overall, the evidence considered by the Roundtable suggested that the SEED model, which places equal weight on wellbeing domains²¹ was both applicable and relatable for people living and working in the North of Tyne.

As a result, the evidence presented in the following chapter, and the wellbeing framework itself (Chapter 4) is organised under the following domains, each of which the Roundtable considers of equal importance in achieving the vision for wellbeing in the North of Tyne:

- **Social wellbeing:** we all have our basic needs met
- **Economic wellbeing:** we all have a decent minimum living standard

19 Wallace et al. (2020) *Gross Domestic Wellbeing (GDWe): An alternative measure of social progress*; Carnegie UK (2021) *Learning how to live well together: Our strategy for change 2021*.

20 Coutts & Wallace (2016) *Sharpening Our Focus: Guidance on wellbeing frameworks for cities and regions*.

21 Unlike other models, for example the Thriving Places Index (Centre for Thriving Places, 2021) or ‘doughnut’ economic model, which include planetary limits and human rights/ equalities baselines (Doughnut Economics Action Lab, 2021).

- **Environmental wellbeing:** we all live within the planet’s natural resources
- **Democratic wellbeing:** we all have a voice in decisions that affect us

Developing a set of indicators

The Roundtable worked with the Centre for Thriving Places to develop an approach to measuring wellbeing, which was based on the research, data, and evidence behind the highly regarded Thriving Places Index.²² This model was adapted to reflect the SEED domains, NTCA priorities, and the evidence gathered and considered by the Roundtable. The indicators were considered at various iterations over the course of the Roundtable’s work, and the final set of indicators is discussed in Chapter 4 and presented in full in Appendix 4.

Support from NTCA’s Inclusive Economy Board

The NTCA’s Inclusive Economy Board provided important governance and oversight of the project during its progress. A central feature of the NTCA’s devolution settlement,²³ the Inclusive Economy Board supported the early engagement event, and through regular reports and a presentation from Co-chair Professor Mark Shucksmith OBE, also a Board member, helped align the project progress and subsequent outputs to the NTCA’s overall strategy. Subject to the Cabinet’s response to this report, it is proposed that implementation and oversight of the Framework should sit with the Inclusive Economy Board. If agreed by Cabinet, formal endorsement of this commitment would be requested by the Board in early 2022.

22 Centre for Thriving Places. *Thriving Places Index*.

23 HM Government (2018) *North of Tyne Devolution Deal*.

3. Understanding what matters to people in the North of Tyne

The first step in building a wellbeing approach is to define what wellbeing means locally. The Roundtable therefore took forward a number of activities to understand what matters to people in the North of Tyne.

In May, the Roundtable issued a Call for Evidence, which ran for eight weeks until mid-July. The Call for Evidence was open to anyone living and working in the North of Tyne, and asked people to contribute information on the following questions:

- What are the most important **social** issues for people living and working in the North of Tyne?
- What are the most important **economic** issues for people living and working in the North of Tyne?
- What are the most important **environmental** issues for people living and working in the North of Tyne?
- What are the most important **democratic** issues for people living and working in the North of Tyne?
- What are the most **promising approaches** to improving social, economic, environmental, or democratic wellbeing in the North of Tyne?
- What are the **biggest barriers** to improving social, economic, environmental, or democratic wellbeing in the North of Tyne?
- What **data** do you have, or use, about social, economic, environmental, or democratic wellbeing in the North of Tyne?

The Call for Evidence elicited 33 responses from organisations spanning a range of sectors, including local government, civil society, academics and think tanks (see Appendix 2 for a full list of respondents).

In addition to seeking written submissions to the Call for Evidence, there was an expressed intent to understand what mattered to people and communities, with a particular focus on hearing voices that are often unheard in decision making processes. To support this, the Roundtable invited community organisations working across the region to carry out community engagement events, facilitating conversations with residents and beneficiaries on at least two of the following areas:

1. **The North of Tyne We Want:** *exploring the building blocks for a good life and a good community. What matters most to the North of Tyne?*
2. **The North of Tyne We Have:** *exploring a deeper understanding of the current level of wellbeing locally.*
3. **From Outcomes to Action:** *Building on the previous two stages, what actions would improve wellbeing for communities in the North of Tyne?*

After publicising this through Roundtable members' networks, eleven organisations were provided with a session guide and given funding to facilitate conversations with a range of different groups, including older people, refugees and asylum seekers, disabled people, and children and young people (a list of community organisations and beneficiaries who participated is included in Appendix 2).

Finally, in October 2021, a survey conducted by YouGov²⁴ collected data on the wellbeing priorities of people in the North of Tyne and filled in gaps in evidence that had been identified by the Roundtable on neighbourhood belonging; informal help and support; loneliness; sense of control; and tolerance and diversity (see Appendix 3 for a breakdown of survey data).

The information that was gathered and considered by the Roundtable from these different activities is summarised together in the following sections, covering evidence relating to each of the SEED domains and evidence relating to the intersectionality of wellbeing domains. The chapter is concluded by a desk-based review of policy and literature on wellbeing issues for the North of Tyne, which provides further evidence and context on current socio-economic challenges.

Social wellbeing

The community engagement sessions revealed a strong consensus on the key elements of a good life and a good community. When asked about the 'building blocks' for wellbeing, participants spoke about good health and services, community, family and friends, and spaces and opportunities to socialise safely. People also expressed a strong sense of connection to the North East as a region, and pride in its cultural heritage, architecture, and the region's friendly people.

24 The Roundtable consulted a range of local research organisations as part of its evidence gathering; towards the end of this process, it became clear that YouGov was best placed to deliver rapid polling of a representative sample, which would allow the Roundtable to build a quantitative understanding of wellbeing priorities in the North of Tyne.

The survey was conducted using an online interview administered to members of the YouGov Plc UK panel of 800,000+ individuals who have agreed to take part in surveys. Total sample size was 1748 adults. Fieldwork was undertaken between 15 – 22 October 2021. The figures are in relation to the following sample: Adult (18+) residents of Newcastle (538), North Tyneside (505), and Northumberland (705).

The street I live on, everyone stops to chat to each other. Everyone knows everyone. There's a good community feel on the street. We cook for each other.

The importance of social relationships and a sense of community was reiterated in responses to the Call for Evidence. Social isolation and loneliness were the most commonly referenced issues relating to the social wellbeing of people in the North of Tyne. Some of this may be attributed to the experience of COVID-19, but it was also notable that some people spoke about rurality and access to transport as contributors to isolation and a lack of social connection.

Although there was consensus on the importance of these issues, survey data from YouGov revealed that community and connection are not experienced equally across the North of Tyne. There was a clear age profile: the older the respondent, the more likely they were to have received or given neighbourly help and support at least once in the past month (40% of those 55 and over, versus 27% of those aged 18-54 had received such help; and 53% of those 55 and over, versus 38% of those aged 18-54 had given it). Those aged 18-24 (43%) and 25-34 (41%) were significantly more likely to report experiencing loneliness on a weekly basis, compared to 33% of 35-44s, 30% of 45-54s, and only 15% of 55+s. Added to this, those who are social grade ABC²⁵ were more likely (68%) to experience belonging, neighbourliness and connection compared to C2DE (55%), pointing to the impact of socio-economic inequalities on domains of wellbeing.

The Roundtable also heard evidence about mental health as an issue of growing concern across the region. Again, people cited the influence of intersectional disadvantage on people's mental health: specifically, that people on lower incomes and people in the refugee and asylum seeker community were more likely to experience mental

25 The YouGov survey uses the NRS (National Readership Survey) social grades as a rough demographic classification to differentiate people from higher (ABC1) and lower (C2DE) socio-economic backgrounds.

health difficulties. It was also recognised that COVID-19 had exacerbated existing challenges, both because of the impact of lockdown and furlough on individuals' mental health, and because of the impact of the pandemic on service provision.

As many of the statutory services closed or went on-line during COVID-19, our service users suffered more poor mental health and isolation.²⁶

Access to services was another consistent theme in community engagement and call for evidence submissions – including transport, health, mental health and more. There was a clear sense that service provision was not evenly distributed across the North of Tyne (including urban/rural disparity, socio-economic dimensions, and the experience of particular groups). This feeling was strongly conveyed by disability groups involved in community engagement and in responses to the Call for Evidence. It was also supported by data in the YouGov survey, which showed that people living with a long-term²⁷ health problem or disability that limited day-to-day activity were far more likely to feel that they had too little control over public services (64%) than those who do not (55%), an issue which is returned to later in the chapter.

It was also supported by data in the YouGov survey, which showed that people living with a health condition or disability (64%), which limited day-to-day activity, were far more likely to feel that they had too little control over public services than the general population (55%), an issue which is returned to later in the chapter.

Finally, the Roundtable heard evidence about housing. This was considered in both the social and economic wellbeing domains (access to good quality homes is an issue of basic needs,

but also intertwined with jobs and personal finance), which reflects its central importance to wellbeing for people living in the North of Tyne.

Economic wellbeing

The Roundtable received a significant amount of evidence about poverty and inequality, including related challenges such as unemployment; low wages and productivity; opportunities for skills development and training; affordability of housing and childcare, and related impacts on health inequalities and educational attainment. Some of these are discussed in more detail in the review of policy and literature later in the chapter.

As well as evidence on the scale and impact of economic inequality, there was a clear understanding about the importance of financial security as a basic component for wellbeing. Community engagement sessions with young people homed in on homelessness as an issue that needed addressing, and, when surveyed, 86% of respondents said that the statement, 'We all have enough money to meet our basic needs like heating, eating and housing,' was important to them when thinking about the economic wellbeing of their community. Clearly, then, this is not just people with experience of poverty, but represents a much wider belief across the region in values of fairness and equality, reflecting the ambitions of the NTCA and the Inclusive Economy Board of 'closing the gap', so that everyone can participate and thrive.

It is terrible to see how many people are living in poverty in a region which has the potential to be affluent.

The evidence gathered highlighted the importance of a broad infrastructure that supports people to succeed. The Roundtable heard about the importance of 'good' or 'decent' jobs with opportunities for progression and predictable hours and identified a need to create an economy that could support high skilled and

²⁶ All quotes are drawn from the evidence received by the Roundtable.

²⁷ Respondents were asked about health problem or disability that 'has lasted, or is expected to last, at least 12 months.'

well-paid jobs. Alongside this, people cited the importance of good and affordable transport, in terms of whether work was geographically accessible, and access to good and affordable childcare, which currently presents barriers to employment for parents/carers.

We need more jobs in Newcastle and more good jobs for young people and migrant people. If you do not have good English in Newcastle, you don't really live.

The community engagement sessions also shed light on the broader impacts of financial insecurity. The Roundtable received testimonies relaying how the introduction of Universal Credit had increased financial anxiety, and had a negative impact on mental health. Alongside this, data from YouGov highlighted higher levels of anxiety among those with the smallest amounts of monthly disposable income. 33% of those with £1000+ disposable income per month experience anxiety at least weekly, compared to 41% of those with £500-£999, and almost half (47%) of those with less than £500. More broadly, people identified money as a barrier to participation in economic and social life and the availability to lead a healthy lifestyle. And throughout these conversations, the Roundtable was regularly reminded of the particular challenges faced by certain groups (young people, older people, refugees and asylum seekers, disabled people), highlighting the need to tackle structural barriers to collective wellbeing.

Environmental wellbeing

The Call for Evidence generated fewer responses on environmental wellbeing compared to social and economic wellbeing – more than half of respondents left the question blank. Those who did respond, however, highlighted a wide range of issues, from climate change and air pollution, to public transport and active travel, biodiversity and rewilding, housing and local green space, jobs and renewable technologies, and waste

management. It is clear that environmental issues can, and do, influence the collective wellbeing of people in the North of Tyne. The lower number of responses may reflect the types of organisations that responded, and the fact that it can be hard to engage with something as big as 'the environment' amidst so many more immediate priorities. It also highlights the importance of making climate action feel real and relevant to communities.

Climate change can be a lower priority for families on low incomes [...] They need to be shown how tangible actions and changes will improve their lives and their immediate surroundings.

In reflecting on the question, 'what makes North of Tyne a great place to live?', community engagement conversations drew attention to the local, and the hyperlocal (e.g. neighbourhood or street level). People spoke passionately about the North of Tyne's landscapes, particularly its coastline and beaches. They also valued access to local green space and, among their concerns, spoke about the problems of litter and dog poo. This was reinforced by YouGov polling in which people valued most 'a good quality local environment including parks and green space', and 'living in a neighbourhood free from litter, air and noise pollution and other environmental problems' when given a list of environmental wellbeing outcomes.

In addition, the Roundtable noted that many of the challenges that were identified in the social and economic domains intersected with environmental wellbeing. Improving access to transport (economic) and quality housing (social) and investing in good quality jobs (economic) in low carbon industries, can collectively improve environmental wellbeing in the North of Tyne. The recent report by the North of Tyne Citizens' Assembly on Climate Change contains detailed recommendations that demonstrate an array of possibilities for applying an environmental lens to tackling other wellbeing issues.²⁸

Democratic wellbeing

Several written submissions reflected on the lack of engagement with, and lack of trust in, political systems. They noted that, for some communities, democratic processes felt irrelevant to their lives; and that others were reluctant to speak up because of previous experiences of being ignored. Although this was not raised by everyone, this feeling was particularly strong in community engagement sessions run by two of the eleven community organisations. People expressed a sense of neglect, both between the North East and the rest of the country, and within the North East itself, where some people are able to access opportunities and others are ignored and left out.

People ordinarily do not have a voice in decisions that affect them [...] people are reluctant to voice their opinions and views as they have previously gone unheard...

While most groups did not refer to 'democracy' directly when talking about the building blocks for a good life and a good community, the importance of being heard was central to discussions. The Roundtable heard about the importance of including older people's voices in decision-making, and of learning from the experiences of disabled people through meaningful consultation (both of which included the requirement for better diversity and representation on decision-making bodies). Others explicitly cited 'not being listened to' as a barrier to change in the North of Tyne and suggested that decision-makers should be focused on listening to what communities want, rather than imposing strategies.

We need to start with democracy as this is where societal changes must begin. We can't have genuine equality when we aren't respected or valued.

Across a range of different population groups, there was also a sense of the importance of feeling valued and respected. This was clearly

vocalised by some groups (including disabled people) but was more implicit with others (such as young people). The evidence also included a variety of experiences from ethnic minority communities: some perceiving the North East and/or their neighbourhood as friendly and welcoming, others reporting experiences of abuse. Recognising the issues of racism and hate crime in the North of Tyne, and the experiences of disabled people in particular, the Roundtable included questions in the YouGov survey on diversity and tolerance. These findings are discussed in the following chapter but aim to provide a baseline and a more informed understanding of how the NTCA is progressing towards a society where everyone is valued and treated with respect.

The intersection of the SEED domains

When asked 'what makes a good life' and 'what's great about living in the North of Tyne', most participants in community engagement conversations focused on social wellbeing – friends and family, health and services, leisure, and greenspace. However, it was clear that a smaller number of participants experienced the SEED domains differently. The Roundtable heard how poor economic wellbeing can be a barrier to participation, and how the environment is experienced differently by disabled people if there are no accessible facilities. These examples highlight the intersectionality of the SEED domains and that, for some individuals and communities, different wellbeing domains may feel more important than others. Furthermore, these experiences are not static, and change over time, according to the personal circumstances of the individual and the environment in which they live.

It is difficult to engage in a discussion on wellbeing for disabled people until we have our basic needs met.

The Roundtable discussed whether there was a baseline of needs that must be met before people are able to participate fully in a conversation about collective wellbeing in the North of Tyne. The final wellbeing framework is a flat model,²⁹ in which each of the SEED domains is given equal weight. The discussion about equalities is reflected in the democratic wellbeing outcomes, and at the heart of the NTCA's vision of '...narrowing inequalities and ensuring that all residents have a stake in our region's future'. In delivering this vision, it is clear that there would need to be a greater focus on supporting those communities whose voice and choice is most compromised.

In addition, people also demonstrated a keen awareness of place-based inequalities. This was evident in comments perceiving a North/South divide; but also within the region, where people spoke about unequal service provision and access to opportunities. These comments came up consistently, and not just among those who might experience socio-economic disadvantage. This suggests a shared understanding across the region, and broad-based support for policies that tackle inequality and promote inclusion, in order to deliver collective wellbeing.

We need to recognise that 'levelling up' needs to happen within areas and communities, it isn't just North v South, rural v urban.

Finally, the Roundtable's approach to gathering evidence also highlighted the importance of sustained, meaningful community engagement. The conversations themselves emphasised the deficit in democratic wellbeing among certain communities who feel unheard and unrepresented by decision-makers. It is therefore vital that the NTCA continues to engage communities in the process of implementing its Wellbeing Framework. As a relatively new Combined Authority, the NTCA has an

²⁹ Unlike, for example, the doughnut economics model, which includes a threshold of 'social foundations'. Raworth (2017) *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*.

opportunity to build trust by listening to what matters to people, and then building appropriate strategies for improving collective wellbeing together.

The evidence presented in this chapter – drawn from community engagement, an open call for evidence, survey data and a desk-based review of policy and literature – was gathered and discussed by Roundtable members between May and October 2021. These discussions, in line with the vision of the NTCA, were used to inform the development of the Inclusive Economy Board's Wellbeing Framework for the North of Tyne, which is presented in the following chapter.

Review of policy and literature on wellbeing in the North of Tyne

The North of Tyne is proud of its heritage as a cradle of the industrial revolution and driving force in sectors including coal mining, railways, shipbuilding, electricity, and lighting. In recent decades, the decline of these traditional industries has meant that the prevailing economic narrative is one of relative decline. This is evidenced by a 'productivity gap' of £4 per person per hour between the North East and the rest of England and job growth that has not risen above 1% (compared to 12% in London, the South East and South West).²⁹

The impacts of Brexit & COVID-19

Prior to the COVID-19 pandemic, the UK was undergoing a period of uncertainty as it prepared for withdrawal from the European Union. This was predicted to have particular consequences for the Northern Economy,³⁰ affecting supply chains and jobs in

³⁰ Raikes et al. (2019) *Divided and Connected: Regional inequalities in the North, the UK and the developed world*.

manufacturing and industry.³¹ The impact on the North was already evident in a 57.6% fall in foreign direct investment jobs since 2016.³²

Subsequently, COVID-19 hit North East England harder than elsewhere, exacerbating inequalities. The region was subject to more local lockdown measures than other parts of England.³³ Across the 'Northern Powerhouse', which includes the North of Tyne, 12.4 more people died of COVID-19 per 100,000 than the rest of England.³⁴ This experience has led some to predict that the North East will feel the impact of the pandemic for longer.³⁵

Skills

Skills play a key role in driving regional growth. In general, highly skilled workers are more productive – but their skills must be relevant and reflect the needs of local employers which are constantly changing and evolving. The qualifications profile of the working age population of the North of Tyne is lower than that of England, with more individuals with no qualifications and fewer with high level qualifications (NVQ level 4 or above)³⁶, and a high density of skills shortage in particular sectors including construction and manufacturing, hospitality, and transport and storage.³⁷ This suggests a need to develop skills and training opportunities for those employed in low-paid, low-skilled occupations, as well as providing higher-level technical skills training to meet shortages in growth and recovery sectors.

31 11% jobs in the North East are in manufacturing: the second largest sector employer, after health. North East Local Enterprise Partnership (2019) *The North East Strategic Economic Plan: Creating more and better jobs*.

32 Bamba et al. (2020) *COVID-19 and the Northern Powerhouse*.

33 Johns et al. (2020) *State of the North 2020/21: Power Up, Level Up, Rise Up*.

34 Bamba et al. (2020) *COVID-19 and the Northern Powerhouse*.

35 Roper (2020) *R&D and innovation after Covid-19: What can we expect? A review of trends after the financial crisis*.

36 North East Local Enterprise Partnership (2020) *Our Economy 2020: With insights into how our economy varies across geographies*.

37 North of Tyne Combined Authority (2021) *Opportunity for All: North of Tyne Strategic Skills Plan 2021-2023*.

Child poverty and educational attainment

The North of Tyne is an area with high – and rising – levels of child poverty. The North East has the second highest rate of child poverty in the UK (37%); it has also risen by a third over the past five years, representing the largest growth of any region.³⁸ Children growing up in poverty often experience long-term disadvantages across a range of wellbeing outcomes,³⁹ from health to educational attainment. Research showing that poverty and disadvantage (rather than the quality of schools) has the greatest impact on regional educational attainment⁴⁰ highlights the interconnection of wellbeing outcomes, and the need to develop an holistic approach to tackling inequality.

Persistent health inequity

Reinforcing the intersectionality of inequality – and wellbeing – economic challenges also manifest in health outcomes. People in the North East have poorer health (two years' lower life expectancy) and the region also has higher health inequalities compared to the rest of England.⁴¹ These manifests in significant disparities in healthy life expectancy within the North of Tyne area.⁴² Ill health and economic prosperity are intimately linked. Recent employment statistics show that 32.7% of those who are economically inactive in the region are off due to long-term sickness, compared to a national average of 24.8%.⁴³

38 North East Child Poverty Commission. *Facts and figures*.

39 Round & Longlands (2020) *Child Poverty and Devolution in North East England*.

40 Gorard & Siddiqui (2019) 'How Trajectories of Disadvantage Help Explain School Attainment.'

41 Corris et al. (2020) 'Health inequalities are worsening in the North East of England.'

42 Newcastle University (2013) 'Closing the gap in health inequality: pioneering simulation.'

43 North East Evidence Hub. *Economic inactivity by reason*.

4. The Wellbeing Framework

The wealth of evidence gathered by the Roundtable provided a strong sense of what matters to the people of the North of Tyne. Our next step was to turn this evidence into a framework that can be used by people, communities, and local agencies in the region to understand not just 'how's life' here but also, whether collective wellbeing is improving.

Wellbeing Frameworks typically consist of three 'layers':

- A vision statement;
- Outcomes; and
- Indicators.⁴⁴

The Wellbeing Framework for the North of Tyne is based on the collective vision of the NTCA and Mayor Driscoll, the detailed work carried out by the Roundtable, and has been developed using evidence from the public and stakeholders.

To generate the outcomes, we took a multi-stage process:

- Analysing the evidence set out in Chapter 3 to look for common threads and priorities;
- Developing from these a long list of potential outcomes; and
- Surveying people in the North of Tyne to identify their priorities. We asked three questions: whether the issue identified was relevant to wellbeing; whether it was a priority within the domain (Social, Economic, Environmental or Democratic); and then, out of the domain priorities selected, which was closest to their vision for the North of Tyne

region (see Appendix 3 for a breakdown of survey responses)

Working with the Centre for Thriving Places, we identified the best available wellbeing indicators under each outcome area. In a small number of places, we are recommending that the NTCA considers developing new indicators.

The resulting outcomes and indicators are colour-coded to assist readers in identifying the core domain, but it is important to note that, in many cases, outcomes and indicators relate to more than one domain of wellbeing – indeed it is this cross-cutting nature of wellbeing that makes it such a useful tool for rethinking public policy. Similarly, there is no hierarchy implicit in the SEED framework, the outcomes, or the indicators. Equal weight should be given to the consideration of each element of the framework in decision-making.

Over time the indicators will provide a picture of progress in the North of Tyne towards achieving the outcomes and the overall vision. However, it is essential that these are seen as measures and not targets. All the evidence suggests that targets create a gaming culture where public servants 'hit the target but miss the point'.⁴⁵ We advise that the NTCA and its partners hold the indicator set 'lightly' to help guide their actions, and consider the indicators as a group, rather than in isolation.

The remainder of this chapter explores each of the ten outcomes in more detail, explaining its importance to wellbeing and the indicators selected to exemplify progress towards those outcomes.

44 Wallace (2019) *Wellbeing and Devolution: Reframing the Role of Government in Scotland, Wales and Northern Ireland*.

45 Hood (2016) 'Gaming in Targetworld: The Targets Approach to Managing British Public Services.'

1. We are all able to access education so that we achieve our potential

School readiness	All children achieving a good level of development at the end of reception as a % of all eligible children.
Educational attainment of children	Average 'Attainment 8' Score per pupil (includes GCSE)
Education Attainment Gap	To be developed
Adults with no qualifications	% age 16-64 with no qualifications
Level 4 qualifications	% of population aged 16-64 with qualifications at Level 4 or higher (equivalent to NVQ level 4 or higher)

There are strong links in the wellbeing literature between education and wellbeing, both at a personal and at a collective level.⁴⁶ In general, people with higher levels of education experience higher levels of wellbeing, and places with a high proportion of the population educated to a reasonable level experience stronger wellbeing outcomes.

Over two-thirds of people (68%) in the region identified that education was important to social wellbeing in their neighbourhood. When asked to prioritise outcomes, overall this outcome received less support than others in the social domain. However, younger adults, were more likely to prioritise it (11% of those aged 18-24 years old compared to 4% of the total). Our group

discussions showed that younger citizens were also concerned that there were low levels of investment in educational opportunities. Older people, who we spoke to as part of the evidence gathering phase, talked about the importance of lifelong learning. We have therefore included it as an outcome that is clearly important to those who are currently experiencing the education system or are/were not able to access high quality educational experiences.

The indicator set selected under this outcome includes both adult education and children's education. We are advising an additional outcome on the attainment gap, recognising that closing the gap between the educational attainment of those living in poverty and those at the opposite end of the income distribution is an important aspect of collective wellbeing.

⁴⁶ Manstead (2014) *The wellbeing effect of education*.

2. We are all able to access health, care, and other services so that we live long and healthy lives

Long-term mental health	% reporting a long-term mental health problem.
Suicide rate	Age-standardised mortality rate from suicide and injury of undetermined intent per 100,000 population.
Healthy life expectancy	Healthy life expectancy at birth
Illness and disability	Comparative Illness and Disability Ratio
Health Inequality	Slope index of inequality in life expectancy at birth – average (SII years).
Journey times to key services	Average journey time by public transport or walking to schools (average of primary and secondary), food store, and GP.

The connections between mental and physical health and wellbeing are well-documented, and the understanding of the link between health inequalities and broader collective wellbeing is becoming more widespread.⁴⁷ The COVID-19 pandemic is known to have had an impact on measures of physical health (including premature mortality) and mental health (including anxiety).⁴⁸ There is likely to be a ‘long-tail’ of physical and mental health issues following the pandemic, and indeed recovery from the pandemic is seen increasingly as an issue of both health and economic recovery.

We have included in this outcome both access to services and health outcomes. Our work with communities in the North of Tyne, and our public polling, showed that both access and outcomes were seen as important to wellbeing. Interestingly, when asked to prioritise, more survey respondents (43%) selected the statement about access, ‘We are all able to access health, care and other services...’, than health outcomes (15%) ‘We all live long, healthy lives’ (though both

were seen as important overall). Understandably, older people were more likely to prioritise both access and outcomes compared to younger people (47% of those aged 55+ compared to 37% of 18 to 24 year olds). Access to health and care services were more important for people with a long-term disability or health problem than those without (47% compared to 42%). This priority was also observable in the group discussions, where obstacles were identified that limited access to health services, particularly for those who experience intersectional disadvantage.

Health access and outcomes have a large number of indicators available, and we have included health inequality as well as population health outcomes. The groups we spoke to highlighted the importance of many ‘determinants’ of health that are broader social, economic, or environmental factors. We advise the NTCA and its partners to continue to take a ‘health in all policies’ approach to maximise the wellbeing outcomes.

47 Marmot (2020) *Health Equity in England: The Marmot Review 10 years on*.

48 Suleman et al. (2021) *Unequal pandemic, fairer recovery: The COVID-19 impact inquiry report*.

3. We all have good quality homes in safe, welcoming communities

Poor housing	Modelled estimate of the proportion of social and private homes that fail to meet the Decent Homes standard.
Homelessness numbers	Numbers assessed as homeless (per 1000 households)
Crime severity index	Crime Severity Index produced by Centre for Thriving Places
Neighbourhood belonging	% who agree or strongly agree with the statement 'I feel like I belong to this neighbourhood'.

Where we live has a strong impact on our personal and collective wellbeing, so much so that the Office for National Statistics includes 'where we live' as one of its domains of wellbeing.⁴⁹ Here, we are following their lead by making a connection between the homes we live in, and the communities we are part of. This also aligns with the Combined Authority's Cabinet portfolios, which includes both housing and place-making, and community resilience.⁵⁰

Over 8 in 10 (83%) of our survey respondents reported decent quality, safe and secure homes as important to social wellbeing, though only 2 in 10 (18%), saw this as the most important priority in the social wellbeing domain. Those who are economically inactive (unemployed 24% or otherwise not working 22%) were more likely to see housing as a priority.

For older people, our group discussions highlighted the connection between housing and care and the need for a community designed sheltered housing service that maximised independence. The link with participation and

voice was one example of a cross-cutting issue between social outcomes and democratic outcomes. For younger people, homelessness was seen as a particular issue to be tackled to improve collective wellbeing.

We did not identify safety separately from housing or community, but believe that a sense of safety is important to both. Fear of crime is known to have an impact on personal and collective wellbeing. We have included one indicator here, but also included domestic violence indicators amongst our democratic wellbeing indicator set.

While the prioritisation exercise did not highlight heritage, the group discussions did show the importance of feeling connected to place through heritage and shared culture. Unfortunately, no timely information on participation in heritage is available at a local level. In terms of broader community strength, we heard through the group discussions the importance of community to people in the region and their strong links to the history and heritage of the region.

49 Office for National Statistics (2019) *Measures of National Well-being dashboard*.

50 North of Tyne Combined Authority (2021) *Jobs, Skills and a post-Covid Economy: Corporate plan 2021-2022*.

4. We all have access to quality jobs and fair work

Good jobs index	% of workers who are on permanent contracts, who earn more than the Living Wage, and are not overworked, or underworked
Unwillingly out of work	% of adults who want a job, who are either unemployed or economically inactive.
Local business	The proportion of business units in a locality that are separate 'enterprises' based on VAT and/or PAYE records
Regional GDP	Estimated regional GDP per head of population
Gender pay gap	The difference between median gross hourly earnings (excluding overtime) of men and women
Number of apprenticeships started	Rate of apprenticeship starts per 1000 people of working age.

Fair work is a key aspect of the NTCA's vision for a post-COVID economy and one that is increasingly seen as a core component of individual and collective wellbeing.⁵¹ Unemployment is well known to have a 'scarring' effect, where it brings down levels of personal wellbeing for long after the period of unemployment ends.⁵²

Our group discussions highlighted the barriers to quality jobs and fair work experienced by those over 55; those with disabilities; and those at the lower end of the job market, where there are issues of low pay and insecure work. This concern was mirrored at a population level in the region through the priority afforded to this issue: 7 in 10 (69%) people identified access to quality jobs and fair work as important to economic wellbeing, though the number of people citing this as *the* priority was far lower (9%), behind concerns about people's ability to meet their basic needs (see below). Those more likely to see good work as the priority for economic wellbeing were younger respondents (17% of those aged 18-24).

In recent years, analysts and researchers have developed our understanding of what elements are required to make up fair work. These go far beyond 'having a job' to include, for example, the numbers in a given place who are on permanent contracts, who earn above the living wage, and who are not under worked or over worked. The Good Jobs index is recommended for inclusion in the indicator set.

We have also included two more traditional economic indicators – the number of local businesses (due to concerns about the loss of the high street in many towns) and regional GDP. The latter was the subject of discussion, as an overreliance on GDP has been seen to be a contributory factor in decision-making which threatens wellbeing. However, on balance, we concluded that the relative performance of the economy in the North of Tyne, and the need to 'level up', meant that the inclusion of a productivity measure was warranted. We advise that the NTCA and its partners do not use regional GDP in isolation, but instead within this indicator set, so that it is always balanced with information on individual, and household, poverty levels.

⁵¹ UK Government (2017) *Good Work: The Taylor Review of Modern Working Practices*.

⁵² What Works Wellbeing (2017) *Unemployment, (Re)employment and Wellbeing*.

5. We all have enough **money** to meet our needs, like heating, eating and housing

Low income	% of people living in households with income below 60% of median UK household income
Income inequality	80/20 percentile weekly income difference.
Child poverty	% of children living in households with relative low income (after housing costs)
Housing affordability	Ratio of median house price to median gross annual (where available) workplace-based earnings.
Fuel poverty	% of households in Low Income Low Energy Efficiency (LILEE) fuel poverty (experimental statistics)
Childcare affordability	To be developed

One of our key reflections, on reviewing the evidence gathered by the Roundtable, is that any wellbeing strategy for the North of Tyne must be an anti-poverty strategy. The strength of feeling from stakeholders, group discussion participants and survey respondents was palpable.

The survey identified 'everyone having enough money to meet basic needs like heating, eating and housing' as important to wellbeing for almost everyone within the region: there was not an age group, social grade, nor group of people with a shared working status where less than three quarters of people ranked this as important.

Correspondingly, it was the top priority within the economic wellbeing domain (identified by 69% people) as well as the overall priority for almost a third (32%) of people in the region (the largest single priority identified). This was the most popular priority (selected by 23%) of those who could be defined as comfortably off (£1000+ per month of disposable income), as well as 41% of those with lived experience of poverty (less

than £250 per month disposable income). Those who are currently unemployed or otherwise not working (41%) and those who are on very low incomes of less than £5000 (39%) were more likely to identify it as *the* priority (around 2 in 5 in both cases). Priority is also more likely to be given to this issue by people who identified as living with a health problem or disability (37%) compared to those who do not (30%).

In group discussions, young people were noticeably concerned about living in a society with high levels of poverty. In line with comments earlier about the connection between health and the economy, participants recognised that poverty limited their ability to lead a healthy lifestyle.

With concerns about the rising cost of living, we are advising that the indicator set includes both indicators of poverty (income deprivation and income inequality) and indicators of affordability (including that an indicator of affordability of childcare are developed).

6. We have the **infrastructure** and support that we need to succeed

Training	% of adults who participated in education or training in the last four weeks
Broadband	Broadband coverage and performance data
Internet use	Percentage of the population who have used the internet in the past three months
Childcare availability	To be developed

The NTCA's Corporate Plan outlines ambitions for both transport and digital connectivity.⁵³ There are links here, too, with the environmental outcomes, with calls from the public and stakeholders for active travel and green infrastructure.

When asked specifically about infrastructure in the survey, 7 in 10 (70%) did see the connection with economic wellbeing. However, only a small number (7%) identified it as their top economic wellbeing priority when compared to the other issues identified, of 'everyone having enough' and access to good work.

While people do not generally use the term 'infrastructure' in their everyday conversations, the concept of having what we need to succeed was evident in the discussions and in the call for evidence. Transport and digital infrastructure, in particular, came up multiple times.

We advise that the indicator set takes a broad view of what 'infrastructure' means, including childcare and training, as well as the more traditional components of 'roads and routers' (e.g. broadband technology).

⁵³ North of Tyne Combined Authority (2021) *Jobs, Skills and a post-Covid Economy: Corporate plan 2021-2022*.

7. All our communities, businesses and governments take responsibility for tackling the climate crisis

Energy consumption	Average domestic consumption per capita (tonnes of oil equivalent).
Renewable electricity generation	Renewable electricity generation (log KWh per person).
Household recycling	% of household waste sent for reuse, recycling, or composting.
Use of active transport	Combination of the percentage of adults walking or cycling for travel at least three days per week.
CO2 emissions	Per capita local Authority CO2 emissions estimates within the scope of influence of Local Authorities (kt CO2): industry, domestic, and transport sectors.
Biodiversity	Number of recorded species

Climate change was a key risk to wellbeing identified in the Call for Evidence. Here the perception in the North of Tyne, as with much of the country, is shifting from one of complacency to one of action.

The public polling provides some interesting food for thought. Overall, around 6 in 10 people (62%) did see the connection between tackling climate change and wellbeing. These numbers were higher among women than men (66% compared to 56%) and there was also a differential according to social groups (64% among ABC1 respondents compared to 55% among C2DE).

When we asked the group participants about environmental wellbeing, climate change did feature in their conversations, but there was a sense that personal behaviour change had to be supported, and enabled, by governments and

others. Those with lived experience of poverty or disability reminded us that evocations to be 'green' may be harder to respond to, or simply (and understandably) lower priority. We therefore selected an outcome that places responsibility for action on those that have power in our communities. We know from our review of local policy documents, and the recent Citizen's Assembly, that there is support and commitment in the region.⁵⁴

We have selected a number of indicators under this outcome including emissions, energy, biodiversity, transport and waste. Given that these relate directly to action by organisations, these indicators are a mixture of process and outcome indicators.

⁵⁴ Bryant (2021) *The North of Tyne Citizens' Assembly on Climate Change 2021*.

8. We all have access to a good quality local environment and live in neighbourhoods free from pollution and other environmental problems

Air pollution: fine particulate matter (PM2.5)	Annual concentration of human-made fine particulate matter at an area level, adjusted to account for population exposure.
Noise complaints	Noise complaints to local authorities per year per 1000 population
Private outdoor space	% of addresses with access to private outdoor space.
Public outdoor space	Average distance to nearest Park, Public Garden, or Playing Field (m).
Litter	To be developed

There are a number of direct and indirect links between local environmental quality and wellbeing. Direct links between air and noise pollution can be seen in personal wellbeing data.⁵⁵ Indirect links are made by the connection between quality of place and wellbeing, promoting activities such as physical activity and active travel.⁵⁶

In group discussions, there were both positive and negative views of the local environment in the North of Tyne, with some noting the natural beauty of the region and others highlighting incivilities such as litter, dog waste, vandalism and broken lighting.

The survey identified the local environment as an important aspect of wellbeing both in terms of the positive aspects (84% rating 'access to good quality green space' as important) and tackling

negative issues (82% rating a lack of 'litter, air, noise pollution and other issues' as important). Those with low incomes (less than £15,000 gross personal income per year) were more likely to see the latter as a priority (within the environmental wellbeing domain).

The indicator set for the local environment includes access to public and private outdoor space, (both important for personal wellbeing), and exposure to air pollution. It was harder to find indicators of low-quality environments. Given the specific concerns raised about litter and local 'incivilities', we advise that the NTCA and its partners develop further indicators to ensure this critical aspect of people's wellbeing is included in the framework.

55 Cowie et al. (2015) *Air Quality, Health, Wellbeing and Behaviour*.

56 The Kings Fund. *Active and safe travel*.

9. We are all valued and treated with respect by each other and our human rights are upheld

Tolerance and diversity	To be developed
Neighbourhood trust	Percentage of people who agree or strongly agree that people in their neighbourhood can be trusted.
Domestic abuse rates	Rate (per 1000 people) of domestic abuse-related offences (crimes) recorded by the police, by police force area.
Employment inequality (ethnicity)	Employment rate for minority ethnic groups
Employment inequality (learning disability)	Employment rate for people with learning disabilities

Our relationships with each other are often hidden in wellbeing frameworks or seen as a subset of social wellbeing. International analysis and frameworks regularly include aspects of tolerance and diversity.⁵⁷

We heard calls for tolerance most strongly from the groups that we spoke to who experienced disadvantage, whether based on race, gender, disability, or age. Each of these groups spoke about the importance of being seen and heard in society, and of a deep sense of disenfranchisement. Our evidence shows the importance to the North of Tyne of fostering a culture where all citizens are treated with respect and have their human rights upheld.

We included questions in the population survey to understand the current views within the North of Tyne. Overall we found high levels (over 8 in 10) agreeing with statements about respect. People in the North of Tyne agreed that:

- It is important that people have the freedom to live their life as they choose (83%)
- It is okay for people to live as they wish as long as they do not harm other people (89%)
- I respect other people's opinions even when I do not agree (82%)

There were less strong levels of agreement (around 6 in 10) with:

- A neighbourhood benefits from a diversity of traditions and lifestyles (68%)
- I like people who challenge me to think about the world in a different way (56%)

The only question we asked that polled lower than 50% in agreement was:

- I like to spend time with people who are different (i.e. in age, gender or ethnicity) from me in my neighbourhood (46%)

When we asked about democratic outcomes, we found that the language of respect was particularly important: almost 8 in 10 (78%) identified being valued and treated with respect as an important aspect of wellbeing. The language of human rights resonated with young people in particular (78% 18-34 year-olds identified this as important compared to 68% overall); but had less resonance for those living on very low incomes (only 60% of those with gross personal incomes of less than £10,000 per year identified it as important).

The available indicators for this outcome are limited. We have included neighbourhood trust in democracy, rather than social wellbeing. While this is not an exact match with feeling valued and respected, it acts as a reasonable proxy until better data is available. We also include data on examples where people are clearly not having their rights respected, including domestic violence rates, and examples of employment inequality.

10. We all have a voice in decisions that affect our communities and in the public services we use

BAME representation of local councillors	Disparity between % of local councillors that are BAME and % of population that is BAME.
Female representation (elected)	Proportion of council seats held by women
General election turnout	Total vote turnout (inc postal votes rejected and votes rejected at count) – General Election 2017.
Local election turnout	Total turnout at last local elections (including rejected votes if data is available)
Participatory democracy	To be developed

Being able to effect change in our lives is a critical component of personal wellbeing, and our ability to exercise our democratic voice is linked to our collective wellbeing. The people we spoke to rarely used the language of democracy, but they did talk about feelings of disenfranchisement and the impact they felt it had on their wellbeing.

Our survey asked people in the North of Tyne how much control they currently felt that they had in services that they used. A large proportion (almost 6 in 10 – 58%) said that they had too little control over the services that they use. We suspect this may be related to the restrictions in accessing services due to the COVID-19 pandemic, but still feel that it suggests a need to provide people with opportunities to voice their feelings, and make choices about their communities and public services.

When we asked people to identify whether participation was related to wellbeing, 6 in 10 (63%) did identify being 'able to participate in decisions about the public services that we use' as an important component of democracy in their neighbourhood. Those on very low incomes of less than £5,000 were more likely than others to identify this as the key priority (11%) within the democratic wellbeing domain than others (6%).

In wellbeing frameworks, there is a tendency to measure voice only through voter turnout. We can also view voice through diversity in public life, with indicators available on gender and race equality in local government. However, we advise that further work is carried out by the NTCA and its partners on how to improve measurement of participatory democracy.

5. The Roundtable's Recommendations

The Roundtable on Wellbeing in the North of Tyne was formed in May 2021, with the endorsement of the NTCA and support from Carnegie UK, to explore a wellbeing approach to the pandemic recovery for the region, and to develop a proposal for a wellbeing framework for the Combined Authority.

Between May and October 2021, Roundtable members considered evidence from international, national and local wellbeing frameworks; heard from those living and working in the region through a range of public engagement activities; conducted polling of over 1,700 individuals living in the region to help prioritise wellbeing outcomes; and developed a set of indicators to track progress towards the vision 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 our region's future.

Together, this vision statement, the wellbeing outcomes and the indicator set comprise a wellbeing framework. The Roundtable on Wellbeing in the North of Tyne recommends that the North of Tyne Combined Authority:

 **adopts** this wellbeing framework and commits to work towards delivering the wellbeing priorities of people who live and work in North of Tyne, as described in the wellbeing outcomes;

 **communicates** this wellbeing framework to people who live and work in North of Tyne, through ongoing involvement and engagement in various ways;

 **embeds** a wellbeing approach to decision making across the region, through engaging local governments, agencies and stakeholders in delivering its wellbeing outcomes; and

 **reports** on progress and **reviews** its approach at regular intervals, according to its understanding about wellbeing generated from the indicator set and public engagement.

The Roundtable's process for developing its Wellbeing Framework for the North of Tyne, and the recommendations that it is submitting to the NTCA, have been informed both by the experience of Carnegie UK working with governments to develop a wellbeing approach, and by guidance produced with the OECD.⁵⁸

By adopting these recommendations in their entirety, and entrusting the Inclusive Economy Board with responsibility for overseeing their implementation, the Roundtable believes that the NTCA can embed a wellbeing approach to the pandemic recovery that will improve the lives of people throughout the region.

⁵⁸ Coutts & Wallace (2016) *Sharpening Our Focus: Guidance on wellbeing frameworks for cities and regions*.

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Appendix 1: Terms of Reference

Background

Following a successful event in December 2020, the North of Tyne Combined Authority and Carnegie UK have agreed to work together to explore a wellbeing approach to the pandemic recovery for the region.

This will build existing expertise within the North of Tyne and its partners, and on Carnegie UK's prior knowledge and experience of supporting wellbeing approaches in government. Carnegie UK has recommended a roundtable methodology be used to bring together stakeholders in the region to explore what wellbeing means for the North of Tyne and how best it can be both measured and improved.

Aims

The Roundtable on Wellbeing in the North of Tyne will explore:

1. Whether wellbeing can inform a shared policy narrative across different departments and tiers of government in North of Tyne?
2. What are the key wellbeing outcomes for North of Tyne, aligned to existing policy commitments and public engagement?
3. What data is available to chart progress towards these outcomes?
4. What changes are required to ways of working in public authorities to support a wellbeing approach and how can they be embedded?
5. How should North of Tyne authorities report progress to the public and stakeholders?

Members

The Roundtable will be co-chaired by **Sarah McMillan, Assistant Director of Policy, Northumberland County Council** and **Professor Mark Shucksmith OBE, Carnegie UK Trustee/Newcastle University**. There will be up to 14 members from different professions, backgrounds and perspectives.

Members are invited onto the Roundtable as individuals bringing expertise and a range of experience, not as direct representatives of their organisations, although they may wish to use these connections to inform the work of the Roundtable. As individual members, they cannot delegate attendance to another person within their organisation.

The Roundtable will meet virtually over a 6-month period and members are asked to commit to approximately 5 days work over this period (including reading papers, attending meetings, and engaging with stakeholders). There will also be the opportunity for members to help with work between sessions, although no obligation to do so.

Approach

- **Evidence-based:** we will hear evidence from stakeholders, technical and professional experts and experts by experience. This evidence will inform the final report.
- **Connected:** we will engage proactively with other stakeholders in North of Tyne and elsewhere in the UK to understand how this initiative fits with others locally, nationally and internationally.
- **Collaborative:** the final report will be the report of the group and as such any differences of opinion will be openly discussed. Our intention is to resolve them prior to publication.

The programme of work will involve:

- A desk-based review of international, national and local wellbeing frameworks for review by the roundtable.
- A desk-based review of existing data on SEED wellbeing indicators available for the North of Tyne, subject to external review by local data experts.
- Public engagement activities on what matters most to the wellbeing of North of Tyne citizens.
- An open call for written evidence, and follow up evidence sessions, on key issues identified in the desk-based reviews and public engagement activities.
- Development of a draft set of indicators of wellbeing for the North of Tyne and a report with recommendations on actions that could be taken to secure collective wellbeing for citizens.

Secretariat

Secretariat for the group will be provided by Carnegie UK. The secretariat will:

- Organise meetings and provide administrative support.
- Develop and agree meeting agendas with the Co-Chairs.
- Provide minutes of key points from meetings.
- Provide background and technical papers for members.
- Establish a process for gathering and analysing evidence from stakeholders and experts (including lived experience experts).
- Provide options for the roundtable on public engagement activities.
- Provide evidence-based options for a wellbeing indicator set and for recommendations on policy and practice.
- Produce a draft report and final report for publication.
- Work with partners in NTCA and partner organisations to publicise the work of the roundtable and its final report.

Appendix 2: List of organisations who contributed to the Roundtable's understanding of wellbeing in the North of Tyne

Call for evidence written submissions

Centre for Progressive Policy

Centre for Public Impact

Chilli Studios

Community Foundation

Connected Voice

Full Circle Food

Groundwork

IPPR North

IWS

Journey Enterprises

Legatum Institute

Meadow Well connected

Mental Health Concern

Newcastle City Council

Newcastle University

North East Child Poverty Commission

North East England Chamber of Commerce

North Tyneside Council (CVS Liaison)

North Tyneside PCN

Northumberland County Council

Northumberland CVA

Northumberland Recovery Partnership

Northumberland VCS Health & Social Care Network

Northumbria Healthcare NHS Foundation Trust

Planet Action Street Arts

Sorted

Souter Consulting

The Lubber Fiend

UK Healthy Cities Network

We Are Rise

What Works Wellbeing

Community engagement sessions

Organisation	Sessions Ran
Children North East	Ran sessions with 37 young people aged 11-18 from three groups, including one BAME service.
Difference North East	Difference North East fights for equality for disabled people: they ran sessions with 10 participants.
The Elders Council of Newcastle	Consulted 20 participants over 2 groups. Group 1 was composed of South Asian women from the West End of Newcastle (12 participants). Group 2 composed of individuals living in supported accommodation in the East End of Newcastle (8 participants)
Healthworks	Healthworks works with people whose quality of life is reduced by ill health or disability and works in areas where people experience health inequalities. They ran three sessions with 7 participants.
Journey Enterprises *	Journey Enterprises are a charity supporting people with learning disabilities. * Journey Enterprises were not one of the organisations who were given funding to deliver community engagement activities; however, they facilitated some conversations within their hubs, which they fed into the Northumberland CVA response.
Meadow Well Connected	A community hub offering a range of supportive services in response to the needs identified by the local community. Ran three sessions for two groups of 8 participants.
Northern Voices/ LD North East	LD North East works with people with lived experience of learning disabilities, learning difficulties and autism: they ran three sessions with 9 participants.
Northumberland CVA	Ran sessions with 7 representatives of VCS organisations in Northumberland.
ReCoCo	A peer-led mental health education and support service. Ran three sessions with a total of 27 participants, aged 23-71.
Regional Refugee Forum	Ran three sessions with a total of 10 participants from their refugee and asylum seeker community.
Riverside Community Health Project	Ran sessions with 13 families (70 participants) from a range of ethnic backgrounds.
Springfield Community Association	Ran three sessions with 13 participants of the older age group with experiences of living in Forest Hall.

Appendix 3: Topline data from YouGov survey on wellbeing in the North of Tyne

[Q1] We would like you to think about the neighbourhood that you currently live in. By neighbourhood we mean within a 10-minute walk from your house in any direction. To what extent do you agree or disagree with each of the following statements? (Please select one option on each row)

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
I feel like I belong in my neighbourhood	23%	41%	22%	9%	4%	1%
If my home was empty I could count on someone in this area to keep an eye on it	31%	43%	11%	8%	7%	1%

[Q2] As a reminder, by neighbourhood we mean within a 10-minute walk from your house in any direction. During the past month, how often, if at all, have you been in any of the following scenarios?

	Every day	4 to 6 times a week	2 to 3 times a week	About once a week	About once every 2 weeks	Once	Not applicable I have not been in this scenario in the last month	Don't know
I have gone out of my way to help or support someone in my neighbourhood but outside my close family or household*	2%	2%	6%	14%	11%	11%	51%	2%
Someone from my neighbourhood but outside my close family or household has gone out of their way to help or support me*	1%	1%	5%	10%	9%	9%	63%	2%

* e.g. by offering practical help with childcare, shopping or a lift or providing emotional support such as listening or talking about an issue etc

- [Q3] A public service is something which is organized by the government or an official body in order to benefit all the people in a particular society or community. (e.g. healthcare, transport, education, libraries, leisure centres, waste management etc.)**
Thinking about the control that you have over the use of public services in your neighbourhood (i.e. being able to select times, being able to choose specific services, being asked for feedback about services)... Which ONE of the following statements best applies to you?

I have too much control over the services I receive	1%
I have about the right amount of control over the services I receive	25%
I have too little control over the services I receive	58%
Don't know	17%

- [Q4] Thinking generally about how people live together in neighbourhoods...**
To what extent do you agree or disagree with each of the following statements? (Please select one option on each row)

	Strongly agree	Tend to agree	Neither agree or disagree	Tend to disagree	Strongly disagree	Don't know
It is important that people have the freedom to live their life as they choose	34%	49%	12%	4%	1%	1%
It is okay for people to live as they wish as long as they do not harm other people	41%	47%	7%	3%	1%	1%
I respect other people's opinions even when I do not agree	22%	60%	14%	4%	0%	1%
A neighbourhood benefits from a diversity of traditions and lifestyles	27%	40%	22%	7%	3%	2%
I like to spend time with people who are different (i.e. in age, gender or ethnicity) from me in my neighbourhood	11%	35%	40%	8%	3%	2%
I like people who challenge me to think about the world in a different way	13%	43%	34%	7%	2%	2%

[Q5] Thinking now about your own wellbeing...

How often, if at all, would you say you experience any of the following emotions? (Please select one option in each row)

	Everyday	Several times a week	Once a week	Several times a month	Once a month	Less often than once a month	Never	Prefer not to say	Don't know
Lonely	8%	9%	5%	8%	5%	22%	38%	2%	3%
Stressed	15%	22%	9%	14%	8%	19%	10%	2%	2%
Anxious	18%	17%	7%	13%	8%	19%	15%	2%	2%

[Q6] Thinking about ANY information or content online, on news sites or social media (e.g. videos/ images on news websites or Facebook, Instagram, Twitter, etc.) you have seen in the past 3 months (i.e. since July 2021)...

How often, if at all, would you say you have seen online content that you considered to be untrue or doubtful?

Everyday	30%
Several times a week	32%
Once a week	4%
Several times a month	10%
Once a month	2%
Less often than once a month	6%
Never	3%
Don't know	12%

[Q7a] Thinking about the environmental wellbeing of your neighbourhood...
Which, if any, of the following are important to you? (Please select all that apply)

We all have access to a good quality local environment, including parks and green space	84%
All our communities, businesses and governments are involved in tackling climate change	62%
We are all able to make environmentally friendly choices (food, recycling, energy)	73%
We are all able to access environmentally friendly transport options (walking, cycling, public transport)	70%
We all live in homes and communities that are protected from flooding and other severe weather event	74%
We all live in neighbourhoods free from litter, air and noise pollution and other environmental problems	82%
None of these	2%
Don't know	3%

[Q7b] Still thinking about the environmental wellbeing of your neighbourhood...
Which one of the following is most important to you?

We all have access to a good quality local environment, including parks and green space	20%
All our communities, businesses and governments are involved in tackling climate change	18%
We are all able to make environmentally friendly choices (food, recycling, energy)	8%
We are all able to access environmentally friendly transport options (walking, cycling, public transport)	7%
We all live in homes and communities that are protected from flooding and other severe weather event	11%
We all live in neighbourhoods free from litter, air and noise pollution and other environmental problems	31%
None of these	2%
Don't know	4%

[Q8a] Thinking about the social wellbeing of your neighbourhood...
Which, if any, of the following are important to you? (Please select all that apply)

We all live long, healthy lives	68%
We all live in decent quality, safe and secure homes	83%
We are all able to access education and training to reach our potential	68%
We are all able to access health, care and other services when we need them	88%
We live in safe, welcoming communities	77%
We have a strong connection to our local heritage and culture	47%
None of these	1%
Don't know	2%

**[Q8b] Still thinking about the social wellbeing of your neighbourhood...
Which one of the following is most important to you?**

We all live long, healthy lives	15%
We all live in decent quality, safe and secure homes	18%
We are all able to access education and training to reach our potential	4%
We are all able to access health, care and other services when we need them	43%
We live in safe, welcoming communities	14%
We have a strong connection to our local heritage and culture	2%
None of these	1%
Don't know	3%

**[Q9a] Thinking about democracy in your neighbourhood...
Which, if any, of the following are important to you? (Please select all that apply)**

We are all valued and treated with respect by each other	78%
We all have a voice in decisions that affect our communities	66%
We have trust in our public and local services	73%
We live in a place where human rights are respected	68%
We work together, across generations and social groups, to build a better community	60%
We are all able to participate in decisions about the public services that we use	63%
None of these	2%
Don't know	4%

**[Q9b] Still thinking about democracy in your neighbourhood...
Which one of the following is most important to you?**

We are all valued and treated with respect by each other	36%
We all have a voice in decisions that affect our communities	9%
We have trust in our public and local services	14%
We live in a place where human rights are respected	18%
We work together, across generations and social groups, to build a better community	11%
We are all able to participate in decisions about the public services that we use	6%
None of these	2%
Don't know	5%

[Q10a] Thinking about the economic wellbeing of your neighbourhood...
Which, if any, of the following are important to you? (Please select all that apply)

We all have enough money to meet our basic needs like heating, eating and housing	86%
We have successful and innovative businesses	47%
We have the infrastructure (transport, digital etc) that we need to succeed	70%
We all have access to quality jobs and fair work	69%
We are recognised as a place where UK and international businesses choose to invest	42%
It is important to us that none of our neighbourhoods are left behind economically	65%
None of these	1%
Don't know	3%

[Q10b] Still thinking about the economic wellbeing of your neighbourhood...
Which one of the following is most important to you?

We all have enough money to meet our basic needs like heating, eating and housing	69%
We have successful and innovative businesses	1%
We have the infrastructure (transport, digital etc) that we need to succeed	7%
We all have access to quality jobs and fair work	9%
We are recognised as a place where UK and international businesses choose to invest	2%
It is important to us that none of our neighbourhoods are left behind economically	7%
None of these	1%
Don't know	4%

[Q11] Which ONE of the following (previously selected options) is closest to your ideal vision for the future of the North of Tyne?

We all have enough money to meet our basic needs like heating, eating and housing	32%
We are all able to access health, care and other services when we need them	14%
We all live long, healthy lives	5%
We are all valued and treated with respect by each other	5%
All our communities, businesses and governments are involved in tackling climate change	5%
We all live in neighbourhoods free from litter, air and noise pollution and other environmental problems	5%
We all live in decent quality, safe and secure homes	4%
We live in safe, welcoming communities	3%

Appendix 4: Wellbeing Framework Indicator List

Short description	Long description	Source	Timeliness
Outcome: We all have access to education so that we achieve our potential			
School readiness	All children achieving a good level of development at the end of reception as a % of all eligible children.	Public Health Outcomes Framework	Usually annual
Educational attainment of children	Average Attainment 8 Score per pupil (includes GCSE)	Fingertips	Usually annual
Education Attainment Gap	To be developed	N/A	N/A
Adults with no qualifications	% age 16-64 with no qualifications	Office for National Statistics	Usually annual
Level 4 qualifications	% of population aged 16-64 with qualifications at Level 4 or higher (equivalent to NVQ level 4 or higher)	Office for National Statistics	Usually annual
Outcome: We all have good quality homes in safe, welcoming communities			
Poor housing	Modelled estimate of the proportion of social and private homes that fail to meet the Decent Homes standard.	Index of Multiple Deprivation, Department for Levelling Up, Housing and Communities	Every few years
Homelessness	Numbers assessed as homeless (per 1000 households)	Department for Levelling Up, Housing and Communities, Homelessness statistics	Annual
Crime severity	Crime Severity Score (note experimental statistics)	Office for National Statistics,	Usually annual
Neighbourhood belonging	% who agree or strongly agree with the statement 'I feel like I belong to this neighbourhood'.	Understanding Society (UK data service secure access required)	Every few years

Short description	Long description	Source	Timeliness
Outcome: We all have access to health, care and other services so that we live long and healthy lives			
Long-term mental health	% reporting a long-term mental health problem.	GP patient survey	Usually annual
Suicide rate	Age-standardised mortality rate from suicide and injury of undetermined intent per 100,000 population.	Office for National Statistics	Annual
Healthy life expectancy	Healthy life expectancy at birth	Public Health England	Annual
Illness and disability	Comparative Illness and Disability Ratio	Index of Multiple Deprivation, Department for Levelling Up, Housing and Communities	Every few years
Health Inequality	Slope index of inequality in life expectancy at birth – average (SII years).	Office for National Statistics	Every few years
Journey times to key services	Average journey time by public transport or walking to schools (average of primary and secondary), food store, and GP.	Department for Transport	Every few years
Outcome: We all have access to good quality jobs and fair work			
Good jobs index	% of workers who are on permanent contracts, who earn more than the Living Wage, and are not overworked, or underworked	Office for National Statistics, Labour Force Survey	Annual
Unwillingly out of work	% of adults who want a job, who are either unemployed or economically inactive.	Office for National Statistics, NOMIS	Annual
Local business	The proportion of business units in a locality that are separate 'enterprises' based on VAT and/or PAYE records	Office for National Statistics, Interdepartmental Business Register	Annual
Regional GDP	Estimated regional GDP per head of population	Office for National Statistics	Annual
Gender pay gap	The difference between median gross hourly earnings (excluding overtime) of men and women	Office for National Statistics	Annual
Number of apprenticeships started	Rate of apprenticeship starts per 1000 people of working age.	Department for Education, Apprenticeships and traineeships data	Annual

Short description	Long description	Source	Timeliness
Outcome: We all have enough money to meet our needs, like heating, eating and housing			
Low income	% of people living in households with income below 60% of median UK household income	Office for National Statistics, Average Household Income	Annual
Income inequality	80/20 percentile weekly income difference	Office for National Statistics, Earnings and employment from Pay As You Earn	Real Time Information
Child poverty	% of children living in households with relative low income (after housing costs)	Department for Work and Pensions, Households Below Average Income	Annual
Housing affordability	Ratio of median house price to median gross annual (where available) workplace-based earnings.	Office for National Statistics, House price to workplace-based earnings ratio	Annual
Fuel poverty	% of households in Low Income Low Energy Efficiency (LILEE) fuel poverty	Department for Business, Energy & Industrial Strategy, Fuel Poverty Statistics	Experimental
Childcare affordability	To be developed	N/A	N/A
Outcome: We all have the infrastructure and support that we need to succeed			
Training	% of adults who participated in education or training in the last four weeks	Office for National Statistics, Labour Force Survey	Annual
Broadband	Broadband coverage and performance data	Ofcom, Connected Nations	Annual
Internet use	Percentage of the population who have used the internet in the past three months	Office for National Statistics, Internet Users	Annual
Childcare availability	To be developed	N/A	N/A

Short description	Long description	Source	Timeliness
Outcome: All our communities, businesses and governments take responsibility for tackling the climate crisis			
Energy consumption	Average domestic consumption per capita (tonnes of oil equivalent).	Department for Business, Energy and Industrial Strategy, Regional and local authority electricity consumption statistics	Annual
Renewable electricity generation	Renewable electricity generation (log KWh per person).	Office for National Statistics	Annual
Household recycling	% of household waste sent for reuse, recycling, or composting.	Department for Environment, Food and Rural Affairs	Annual
Use of active transport	Combination of the percentage of adults walking or cycling for travel at least three days per week.	Public Health England, Physical Activity	Annual
CO2 emissions	Per capita local Authority CO2 emissions estimates within the scope of influence of Local Authorities (kt CO2): industry, domestic, and transport sectors.	Department for Business, Energy and Industrial Strategy, UK local authority and regional carbon dioxide emissions national statistics.	Unclear
Biodiversity	Number of recorded species	National Biodiversity Network Atlas	Unclear
Outcome: We all have access to a good quality local environment and live in neighbourhoods free from pollution and other environmental problems			
Air pollution: fine particulate matter (PM2.5)	Annual concentration of human-made fine particulate matter at an area level, adjusted to account for population exposure.	Department for Environment, Food & Rural Affairs, UK Air	At least annual
Noise complaints	Noise complaints to local authorities per year per 1000 population	Chartered Institute of Environmental Health	Annual
Private outdoor space	% of addresses with access to private outdoor space.	Office for National Statistics	Annual
Public outdoor space	Average distance to nearest Park, Public Garden, or Playing Field (m).	Office for National Statistics	Annual
Litter	To be developed	N/A	N/A

Short description	Long description	Source	Timeliness
Outcome: We are all valued and treated with respect by each other, and our human rights are upheld			
Tolerance and diversity	To be developed	N/A	N/A
Neighbourhood trust	Percentage of people who agree or strongly agree that people in their neighbourhood can be trusted.	Understanding Society	Every few years
Domestic abuse rates	Rate (per 1000 people) of domestic abuse-related offences (crimes) recorded by the police, by police force area.	Office for National Statistics, Crime Statistics	Annual
Employment inequality (ethnicity)	Employment rate for minority ethnic groups	UK Government, Ethnicity facts and figures	Annual
Employment inequality (learning disability)	Employment rate for people with learning disabilities	Public Health England	Annual
Outcome: We all have a voice in decisions that affect our communities and in the public services we use			
Black and minority ethnic representation of local councillors	Disparity between % of local councillors that are BAME and % of population that is BAME.	Operation Black Vote	Unclear
Female representation (elected)	Proportion of council seats held by women	Via local authorities	As required
General election turnout	Total vote turnout (inc postal votes rejected and votes rejected at count) – General Election 2017.	UK Parliament	Immediately following general election
Local election turnout	Total turnout at last local elections (including rejected votes if data is available)	Via local authorities	As required
Participatory democracy	To be developed	N/A	N/A

Appendix 5: Background to Devolution in the North of Tyne

Devolving power in England

Following the outcome of the Scottish Independence Referendum in 2014, the then British Prime Minister, David Cameron, announced his commitment – alongside proposals to offer additional powers to the devolved jurisdictions of the UK – to increase civic engagement and ‘empower cities’ in England.⁵⁹ Building on the findings of the 2012 Heseltine Report,⁶⁰ which recommended the amalgamation of several national funding streams to offer a single fund for economic development, several think-tanks made recommendations for the transfer of powers to local authorities. The first ‘devolution deal’ was announced by the UK Government and the Greater Manchester Combined Authority in November 2014 and, following the General Election in May 2015, the Conservative Government agreed:

We will hand power from the centre to cities to give you greater control over your local transport, housing, skills and healthcare. And we’ll give the levers you need to grow your local economy and make sure local people keep the rewards.

But it’s right people have a single point of accountability: someone they elect, who takes the decisions and carries the can.

So, with these new powers for cities must come new city-wide elected mayors who work with local councils.⁶¹

By 2015, the UK Government had received 38 bids for devolved powers in England.⁶² Between 2014 and 2020, as part of this devolution agenda, various powers and budgets were devolved to Mayoral Combined Authorities (MCAs) following a series of deals between Whitehall and local leaders.⁶³ There are currently nine MCAs in England, and one additional Combined Authority without an elected mayor.⁶⁴

North of Tyne 2018 Devolution Deal

The North of Tyne Combined Authority was established in November 2018, based on a partnership of the three local authorities of Newcastle City Council, North Tyneside Council and Northumberland County Council.⁶⁵ The Devolution Deal between the UK Government, the North of Tyne and the North East Local Enterprise Partnership devolved a range of powers, funding and an elected Mayor to the North of Tyne Combined Authority (NTCA).

The Deal aims to support the NTCA to deliver its ambition of social and economic prosperity – an ‘inclusive economy’ – for those living and working in the area, as well as improving the wellbeing of communities. The Deal seeks to amplify the area’s considerable historical, cultural, economic and educational assets to increase its contribution to the UK economy. The Deal ‘package’ forecasts

59 Sandford (2020) *Devolution to local government in England*.

60 Lord Heseltine (2012) *No stone unturned: in pursuit of growth*.

61 HM Treasury (2015) *Chancellor on building a Northern powerhouse*.

62 UK Government (2015) *Landmark devolution bids submitted from right across the country*.

63 Paun et al. (2021) *Metro Mayors*.

64 Local Government Association. *Devolution Register*.

65 MHCLG (2019) *Devolution: A Mayor for the North of Tyne. What does it mean?*

adding an additional £1.1bn Gross Value Added to the UK economy through delivering over 10,000 new jobs and leveraging over £2.1bn in private sector investment. In turn, the package aims to improve the skills and opportunities for residents' wellbeing, boosting productivity and innovation. The devolution agreement included the following commitments:⁶⁶

- A new, directly elected North of Tyne Mayor, acting as Chair to a new North of Tyne Combined Authority.
- Control of a £20 million per year allocation of revenue funding, over 30 years, to be invested by the North of Tyne Combined Authority to drive growth and take forward its economic priorities.
- Establishment of an Inclusive Growth Board, with Government participation, to better integrate skills and employment programmes across the area, including a North of Tyne Education Improvement Challenge.
- Devolution of the Adult Education Budget for the area to allow North of Tyne to shape local skills provision to respond to local needs.
- Opportunity to secure funding for pilots to help North of Tyne residents with particular barriers to employment into work.
- Establishment of a Housing and Land Board, with powers to the Combined Authority to acquire and dispose of land, and mayoral powers to take forward compulsory purchases and establish Mayoral Development Corporations, as a foundation for North of Tyne's housing and regeneration ambitions.
- Driving improvements to rural growth and productivity and becoming a Rural Business Scale up Champion for England.
- More effective joint working with the Department for International Trade to boost trade and investment in the area.

- Collaborative working with Government to support North of Tyne in taking forward its considerable ambitions around digital capability and infrastructure, and low-carbon energy.
- A statutory Joint Committee to exercise transport functions jointly on behalf of the North of Tyne and North East Combined Authorities.

As part of the Deal, an elected Mayor – following parliamentary approval to confer and establish functions – exercises certain powers with personal accountability to the electorate, devolved from central Government and set out in legislation:

- Creation of new Mayoral Development Corporations, which will support delivery on strategic sites in the North of Tyne area.
- Compulsory purchase powers, subject to the agreement of the NTCA member where the relevant land is located, and to the consent of the Secretary of State for Housing, Communities and Local Government.
- Power to set a precept on local council tax bills to help pay for the Mayor's work. This would be subject to the provisions on council tax referendums, as determined each year by Parliament 10) The NTCA, working with the Mayor, will receive the following powers:
- Control of a new additional £20 million a year revenue funding allocation over 30 years to be invested to drive growth.
- Devolved 19+ adult skills funding from 2019/20.
- Broad powers to acquire and dispose of land to build houses, commercial space and infrastructure, for growth and regeneration.
- Powers to borrow for its new functions, which will allow them to invest in economically productive infrastructure, subject to an agreed cap with HM Treasury.

However, the Deal contained no new powers, funding, or functions in relation to transport.

An Inclusive Economy

The North of Tyne Deal is the first to include an explicit commitment to creating an inclusive economy, which works for all.

This commitment is built on three key aims:

- Creating a more social and inclusive economy – one which promotes wellbeing across all communities by ensuring wealth is retained locally and distributed more equitably.
- Addressing inequality and poverty, enabling our residents to access opportunities at every stage of their lives.
- Driving better coordination of education, skills, employment and health activities to help more people move into good work, and progress in work.⁶⁷

To achieve the ambition of a successful inclusive economy, the NTCA has set out to improve access to, and take-up of, skills opportunities, increase good quality, stable employment and reduce in-work poverty.

The 2018 Devolution Deal focused on; education and skills (including school improvement, adult education and higher skills); employment; energy and low carbon; internationalisation and competitiveness; housing and land; rural growth and stewardship; and, digital infrastructure and 'smart data'.

The Deal included a commitment to create a single, unified Inclusive Economy Board providing a focus for the Combined Authority's focus on education, skills and employment support, tasked with creating 'significant socially focussed interventions within the North of Tyne'.⁶⁸ More broadly, it now provides an opportunity to integrate and strengthen these activities to tackle some of the most significant challenges facing communities in North East England.⁶⁹

67 North of Tyne Combined Authority (2021) *Working Together for You: NTCA Inclusive Economy Policy Statement*.

68 HM Government (2018) *North of Tyne Devolution Deal*.

69 Round & Longlands (2020) *Child Poverty and Devolution in North East England*.

Prosperity you can be part of: Mayor Driscoll's 2019 Manifesto

Mayor Jamie Driscoll was elected as the first Metro Mayor for the North of Tyne Combined Authority in May 2019. The commitments made in the 2018 Deal were followed by his manifesto.⁷⁰ This set out his vision to build on many of the key assets in the region, whilst acknowledging the stubborn challenges and inequalities that have negatively impacted on the wellbeing of those living and working in the area for a long time. Mayor Driscoll's manifesto outlined five policies to address these issues: creating more highly-skilled, well paid jobs; community wealth building; a green industrial revolution; setting up community hubs; building affordable homes; and, promoting meaningful adult education.

Recover, redesign, reimagine: Recovery in the region

The COVID-19 pandemic hit North East England harder and more deeply than elsewhere, exacerbating existing inequalities already prevalent in the area, and exposing new ones. What is more, those living in the region have been subject to many more 'local lockdown' measures than other parts of the country.⁷¹ This may offer an explanation for the emerging evidence that COVID-19 has had a detrimental impact on mental health (particularly for younger age groups), social isolation, loneliness, and economic wellbeing. The scale of the challenge was exemplified in a report which found that 12.4 more people per 100,000 died of COVID-19, and 57.7 more people per 100,000 of all causes in the Northern Powerhouse (which includes the North of Tyne) by comparison with the rest of England.⁷²

70 Driscoll (2019) *Prosperity you can be part of: manifesto for North of Tyne Mayor 2019*.

71 Johns et al. (2020) *State of the North 2020/21: Power Up, Level Up, Rise Up*.

72 Bamba et al. (2020) *COVID-19 and the Northern Powerhouse*.

Due to the multiple inequities experienced by those living in the region, some have suggested that the North East may feel the impact of the pandemic for longer, experiencing a slower recovery.⁷³ The NTCA has set out plans to overcome these challenges, through building a more holistic, green and equitable recovery from the pandemic. The NTCA's vision for recovery in the region 'would see the creation of 35,000 jobs and 14,000 training opportunities, improvements to 50,000 homes and 3,000 new homes built, and a focus on new ways of living, working, socialising and connecting rooted in offshore innovation and digital connectivity'.⁷⁴

They see the following areas as essential for improvement:⁷⁵

- **A fast-growing technology and digital sector, recognising** the importance of baseline digital skills, which are becoming an increasingly important requirement of employment.
- **Green growth and energy** as an area of strength, with significant low-carbon and energy technology expertise in the area. Green growth and energy has been identified as a priority for ensuring residents in the North of Tyne are proud of their local environment and people want to live, work and visit.
- **Culture, creative and tourism** as an asset that could be utilised.
- A strong **finance and professional business services sector**, where there are opportunities for development, particularly in relation to financial technology and in addressing skills shortages.

- **Health, pharmaceuticals and life sciences:** the region has a unique set of health and care assets, with access to world-leading hospital trusts and a collaborative health and social care system. Addressing key skill gaps in this sector and recruiting people with ideas and technological knowledge could see substantial growth.
- **Aging and longevity** is an established and well documented challenge to wellbeing in the 21st century and is of particular significance to the North of Tyne given its demographic. With more than one in three residents living in the area over the age of 55, there are opportunities to explore how this demographic might be regarded as an economic asset, rather than a burden.

These goals, alongside new opportunities presented by the need to decarbonise the economy by 2050, could transform the North East economy. In addition to creating a new demand for UK steel,⁷⁶ the transition to low-carbon production offers the opportunity to create new jobs in the energy sector, including offshore, renewables and battery technology – a foundation on which to build ambitions for an inclusive and dynamic economy in the North of Tyne.

⁷³ Roper (2020) *R&D and innovation after Covid-19: What can we expect? A review of trends after the financial crisis.*

⁷⁴ North of Tyne Combined Authority (2020) *A Bold Economic Recovery Deal.* See also, North of Tyne Combined Authority (2020) *Working for you: Recover, Redesign, Reimagine.*

⁷⁵ North of Tyne Combined Authority (2021) *Opportunity for All: North of Tyne Strategic Skills Plan 2021-2023.*

⁷⁶ Webb (2021) *Forging the Future: A Vision for Northern Steel's Net Zero Transformation.*

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Subject: Investment Fund Update
Report of: Chief Economist
Portfolio: Economic Growth

Report Summary

The purpose of this report is to update Cabinet on progress with the North of Tyne Investment Fund, including:

- **£2.85m** to support growth of the NE film and TV sector, the North of Tyne contribution to a new £11m investment from the whole region. This will provide 5-year funding for a NE Screen Agency and a production fund to support the creation of new content, alongside investment in skills development and infrastructure. It will also ensure that the region maximises the benefits from the £25m investment in programme making from the BBC, delivering a step change in opportunities for the screen sector.
- **£712,856** of further investment from our £10m Innovation Recovery programme, through an innovation challenge which will support 100 SMEs to access new markets and stimulate product development – leading to business growth and new jobs.
- **£6m** to deliver an ambitious programme of employer-led investment in skills, stimulating economic growth in the Low Carbon, Digital and Culture & Creative sectors and ensuring that local residents secure the benefits from growth. In total, 11 new projects have been asked to develop a full business case.
- **£500,000** of technical capacity funding to maximise economic opportunities along the North Bank of the Tyne, complementing the work of the River Tyne taskforce. This will be used for the development of project propositions, business cases and feasibility studies.

These projects build on previous Investment Fund commitments of £76.42m, which are expected to create 4340 jobs, almost half the NTCA's 30-year target. Over 650 of these jobs have already been established, whilst an additional 361 'kickstart' job placements for young people have been created. The Investment Fund is also supporting longer-term growth through supporting infrastructure, innovation and skills.

Recommendations

Cabinet is recommended to:

1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing project development work, particularly in respect of the creation of new jobs for residents as a direct result of our investments.
2. Agree an allocation of £2.85m from the North of Tyne Investment Fund to support the growth of the NE Film and TV sector through the North East Screen Industry Development Programme, subject to the development and approval of a business case.
3. Authorise the Managing Director, in consultation with the Investment Panel, the Mayor and the appropriate Cabinet Member to consider and approve the business case for the North East Screen Industry Development Programme.

4. Authorise the Managing Director, in consultation with the Investment Panel, the Mayor and the Cabinet Member for Education, Inclusion and Skills, to consider and approve the business cases for the Skills for Growth Programme, including Energy Central Campus.
5. Approve £712,856 of funding for the Challenge North Tyne Open Innovation Project, which will form part of the NTCA's Recovery Innovation Fund and be delivered by the NE Local Enterprise Partnership.
6. Authorise the Managing Director to finalise the conditions to be attached to the above funding awards and authorise the Interim Monitoring Officer to complete the necessary documentation.

1. Background Information, Proposals and Timetable for Implementation

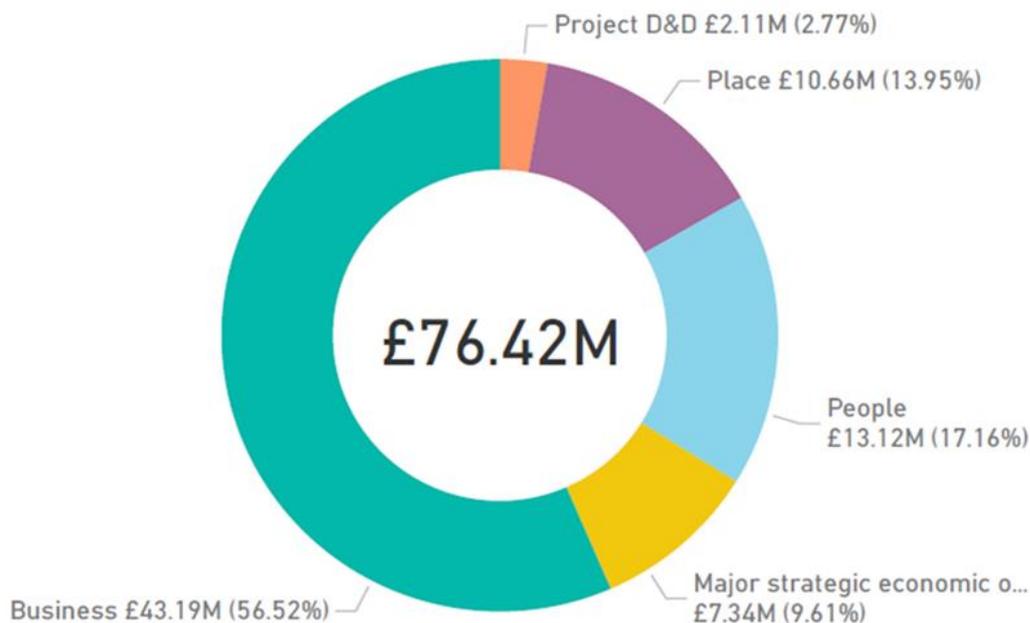
1.1 Background Information

- 1.1.1 In Autumn last year, the economy appeared to be recovering well; growth forecasts had been revised up, wages were growing and unemployment falling - although the pace of recovery was being held back by skill shortages and there remained ongoing uncertainties over the path of COVID-19.
- 1.1.2 Since then, both society and the economy have been significantly affected by the Omicron COVID-19 variant. At the time of writing this report, the full economic impact from this wave is unknown, emphasising the ongoing risks from COVID-19. But it is clear that the rapid spread of the virus, and the introduction of Government's 'Plan B' restrictions, had a major impact on hospitality, in-store retail and travel during the critical Christmas period. In addition, businesses across all sectors have been hit by high levels of COVID-related absences. One-off Government grants of up to £6,000 per premises for businesses in the hospitality and leisure sectors – plus some additional discretionary funding – will provide some support for smaller businesses. More positively, inward investment enquiries in the NTCA area remain buoyant and strong demand for the NTCA's sectoral growth programmes highlights that many businesses in the region are maintaining their expansion plans.
- 1.1.3 Against this backdrop, the North of Tyne continues to invest to support the economic economy, alongside the wider opportunities articulated in the Devolution Deal and the Corporate Plan. In total, investments by the NTCA so far are forecast to create or safeguard over 7000 jobs, with 659 jobs already secured. In addition, 361 placements for young people have been created through the NTCA's 'Kickstart programme', with 170 positions filled – meaning that successful matches are running at almost twice the national average rate of 27%.
- 1.1.4 This report presents proposals for investment in our Film and TV sector and for further development of our Innovation Recovery programme – helping businesses adapt and change in response to new economic opportunities. In addition, the report highlights the development of approximately £6m of projects which will support employer-led investment in skills and confirms that £500,000 has been agreed to complement and support the work of the River Tyne taskforce.

1.2 Investment Fund progress to date

- 1.2.1 Delivery of the Investment Fund Programme continues, with 88 projects now approved. To date, the Combined Authority has achieved:
 - A contracted spend of £76.42m against 88 investment fund projects – out of a total programme value of £90m to March 2023 (figure 1, overpage)
 - In addition, 5 housing projects have been approved, with over £3m of expenditure out of the total £23.85m fund.
 - Together, these projects will attract £255m of private sector leverage and are forecast to deliver 4340 new jobs with a further 2679 safeguarded.
 - Of these, the first 659 new jobs have been confirmed as created as a direct result of NTCA investment; in addition, 1773 have been confirmed as safeguarded.

Figure 1: Investment Fund commitments to date



1.3 North East Screen Industry Development Programme

- 1.3.1 The Culture and Creative sector continues to be a major driver of jobs growth in the region – supported by investments from the NTCA, including the sectoral recovery fund managed by Creative England, investment in tourism product development, a vibrant programme of events and a £10m digital growth programme. The BBC’s recent commitment to a minimum of £25 million of programme expenditure in the North East presents an opportunity to also grow the film and TV sector – ensuring that businesses and residents benefit from the BBC’s commitment and creating momentum to catalyse further private sector investment.
- 1.3.2 The UK’s screen industry is flourishing, generating GVA of £6.1 billion in 2016, which represents growth of 140% over the past ten years. Turnover in the industry has significantly increased over this timeframe, growing from just over £6bn in 2008 to over £14bn in 2017.
- 1.3.3 But to date, the NE has not benefited from this growth – with major programming cuts made by broadcasters in 2008 leaving the North East with one of the smallest screen sectors in the UK and the region having a relatively poorly funded Screen Agency and no production fund to bring new activity to the region. In total, less than 2% of screen content produced in the UK is currently made in North East and just 0.9% of production and post-production industry companies are based here. But there is huge potential to use the BBC’s commitment as an ‘anchor investment’ for the sector, while the re-location of Channel 4 to Leeds is opening-up additional markets for North-East-based companies. The growing interaction between film & TV and areas of the creative sector which are strong in the NE – like gaming, VR and data – is also leading to new opportunities for the screen sector.
- 1.3.4 As part of the agreement to bring the BBC investment into the region, the North East local and combined authorities agreed to invest in the growth of the screen sector. An MOU was signed by

the Leaders and Mayors in September 2021, agreeing to the creation of a new vehicle: the 'North East Screen Industries Partnership' (NESIP), through which a Screen Industries Development Programme can be funded and delivered (Appendix 1). The MOU notes NESIP's intention to seek to commit a minimum of £11m over 5 years to a range of activities; this value is based on the outcome of an initial options analysis conducted by the NTCA in partnership with Northern Film and Media (NFM), North East Combined Authority and Tees Valley Combined Authority.

- 1.3.5 The Screen Industries Development Programme is focused on economic recovery, regeneration, and growth through the sustainable development of the screen industries. This will be achieved through activity which:
- Strengthens infrastructure;
 - Grows the sector: job creation and business creation, growth and resilience;
 - Develops, attracts and retains talent;
 - Positively raises the profile of the region and builds wider awareness of the activity and offer of the screen industries; and
 - Supports the Combined Authority's agenda to attract inward investment.
- 1.3.6 There are five important activities of the proposed programme, which will run from April 2022 to March 2027:
- A sustainable and well-funded screen agency & production service;
 - Production development and a support fund;
 - Talent skills pipeline;
 - Business development; and
 - Infrastructure support.
- 1.3.7 A full business case to establish a robust set of expected outcomes from this investment is in development. However, early work has pointed towards significant benefits:
- In the Liverpool City Region, £7 was generated in the wider economy for every £1 investment via the production fund, which drives demand for and supports the growth and sustainability of local supply chains, talent development pipelines and the visitor economy.
 - BBC spend in the Nations and Regions has an economic multiplier effect of 2.63 for every £1 of spend.
 - The average medium-sized production spends the majority of its budget (circa 67%) on 'non-screen' activities, including construction, professional services, logistics and hospitality & leisure – so the benefits from investment will be felt more widely across the NTCA area, including the visitor economy.
- 1.3.8 In addition to supporting job and growth outputs, the wider programme objectives will include ensuring that there are positive opportunities for residents in all parts of the region (whilst recognising that actual production activities will not be spread evenly in each local authority area); building on, rather than duplicating, existing and sub-regional screen strengths to establish a sustainable and thriving screen industries ecosystem.
- 1.3.9 Cabinet is asked to approve an indicative allocation of £2.85m from the Investment Fund to enable the delivery of the NE Screen Industries Development Programme to the end of the 2026/27 financial year. Any subsequent funding award to the NE Screen Industries Programme would be subject to the normal process of scrutiny. Given the length of the programme, a review would be carried out prior to April 2023 to examine performance to date, financial commitments, economic impact, and the effectiveness of governance structures. Guiding principles will also be reviewed at this time.

1.4 Recovery Innovation Programme: Challenge North of Tyne

Proposal Name	Challenge North Tyne, Open Innovation Project
Lead Organisation	North East Local Enterprise Partnership
Delivery Areas	NTCA wide
Timescales	January 2022 – August 2023
Project Value	£879,523
NTCA Funding request	£712,856

- 1.4.1 The NE suffers from relatively low levels of R&D (1.4% of GDP, compared to the England excluding London average of 2.3%) and relatively low numbers of ‘innovation-active’ businesses – with both factors holding back economic growth, productivity, and wages. This proposed project will focus on boosting levels of innovation amongst SMEs, who make up less than 3% of business spend on R&D.
- 1.4.2 The project is part of the NTCA’s wider Recovery Innovation Programme and presents an opportunity to expand the role of challenge-led innovation. Through this process, the NTCA can stimulate more innovation within smaller SME’s, focussed on sector and policy areas prioritised by Cabinet, including 5G and Future Connectivity, Healthy Ageing; and Net Zero and the decarbonisation of buildings – areas in which we have active investments in a range of innovation projects. This type of approach has gained traction nationally as a way to create clearer pathways for smaller SME’s to receive the support to help them innovate and grow.
- 1.4.3 The project, which is based on an existing open innovation delivery model, will be delivered by the North East LEP and Innovation SuperNetwork (ISN), working in partnership with key stakeholders including, for example, the National Innovation Centre for Ageing (NICA), and Local Authorities. The partners will identify specific challenges and market opportunities within each challenge theme, selecting the two with the greatest potential to deliver benefits for the NTCA to launch as open innovation challenges. Both innovation-active and new-to-innovation SMEs will be invited to participate in the challenges, and they will be supported to develop economically viable solutions to each challenge.
- 1.4.4 The project will support 100 firms on their innovation journey, leading to the creation of 30 new products and at least 45 new jobs and 25 jobs safeguarded. Following an external appraisal of the business case, Investment Panel considered this project at their 14 December 2021 meeting, recommending it to Cabinet for approval subject to the funding conditions highlighted in Appendix 2.

1.5 Skills for Growth

- 1.5.1 Cabinet has previously agreed to develop a ‘Skills for Growth’ programme, to use the flexibilities provided by the NTCA’s devolved funding to enable investment in innovation and sector growth to be complemented by support for skills and talent pipeline development. Priorities include stimulating innovation in both the supply and demand for skills and building an active and employer-led response to the talent requirements of our inward investing companies, innovating firms and our wider efforts to support job transition and job creation in key growth sectors. The focus is on the follow sectors:
- Skills for Digital Innovation and Growth
 - Low carbon and Green Growth Skills programme
 - Creative People: Skills for the Culture, Creative and Tourism Sector.
- 1.5.2 During September and October 2021, NTCA launched calls for Expressions of Interest (EOI) for innovative skills projects linked to these sectors. A number of strong proposals were received and, following discussion at the December 2021 Investment Panel, 10 have been invited to submit full

business cases. Subject to satisfactory completion of the appraisal process, this means that skills providers and employers will work together to deliver on skills needs analysis and collaborate to make the most of specialist strengths and to share resources to deliver skills interventions that meet demand in key growth and recovery sectors.

- 1.5.3 In addition, Investment Panel reviewed an EOI submitted by Energy Central Campus Ltd (a company limited by guarantee, owned, and managed jointly by Port of Blyth, OREC, and Northumberland County Council). This proposal aligns with the objectives of the Skills for Growth call and is an employer-led scheme which addresses the skills requirements of the offshore and subsea sector. Subject to completion of a full business case and full appraisal, the project will establish a state-of-the-art learning environment, located in the heart of a thriving green energy industrial cluster in Blyth, available for use by the wider FE and HE provider base across the North of Tyne area to engage and support employers and learners. The project aims to establish pathways to employment in the sector, underpinned by a training and skills programme that is informed by sector employers, supports supply chain sustainability and directly support NTCA residents.
- 1.5.4 Collectively, the skills-delivery and the Energy Central Campus projects are seeking a contribution of a little over £6m of NTCA funding, out of a total proposed investment of £15m.

1.6 North Bank of Tyne Capacity Fund

- 1.6.1 In July 2021, NTCA Cabinet considered proposals associated with the North Bank of the Tyne Growth Corridor and next steps for implementation, which included establishing the Tyne Task Force and a Technical Capacity Fund to coordinate and accelerate the development of investable propositions for the economic corridor. Cabinet endorsed the recommendations in the report and agreed an allocation of up to £500k to establish a Technical Capacity Fund and related funding for project development, subject to the development of a business case.
- 1.6.2 The Tyne Taskforce – comprising the NTCA, Local Authorities, the Port of Tyne and businesses – has developed an active work programme, with a focus on increasing investment into the Tyne; Future proofing infrastructure and sites; addressing infrastructure issues and improving the marketing and promotion of the Tyne.
- 1.6.3 The taskforce has identified priorities that require technical capacity funding to enable the Tyne to maximise its economic potential. This includes the development of investment propositions and infrastructure improvements. Following the development and appraisal of a business case – and in consultation with the Investment Panel, the Mayor and the appropriate Cabinet Members – the Managing Director has approved this project.

2. Potential Impact on Objectives

- 2.1 Programme delivery as described in the report is consistent with the priorities set out in NTCA's corporate plan.

3. Key Risks

- 3.1 Programme risks are managed in line with agreed processes and individual project risks have been considered as part of the application and appraisal process.

4. Financial and Other Resources Implications

- 4.1 This paper describes projects amounting to approximately £10m of NTCA funding. The financial implications of the BBC and the Skills for Growth programmes will be examined as part of their full project appraisal, whilst the North Bank of the Tyne implications have been previously reported. However, this report also asks Cabinet to approve an additional £712,856 of funding for the

Challenge North Tyne, Open Innovation Project, with funding from the Innovation Recovery Investment Plan workstream and the funding profiled as:

NTCA FUNDING				
	2021/22	2022/23	2023/24	Total
Challenge North Tyne, Open Innovation Project	27,354	511,058	174,445	712,856

5. Legal Implications

5.1 The Interim Monitoring Officer's comments have been included in this report.

6. Equalities Implications

6.1 The NTCA seeks to actively narrow inequality under the terms of the Equality Act 2010 and we will undertake an equality impact assessment for all funding requests, in accordance with the agreed process.

7. Inclusive Economy Implications

7.1 The inclusive economy case is assessed on an individual project basis as part of the assessment process and is embedded within the Investment Fund criteria. The activity described within this report is considered to positively support the Inclusive economy priorities of the Combined Authority, particularly by supporting the development of a Poverty Truth Commission.

8. Climate Change Implications

8.1 Climate change implications are assessed on an individual project basis as part of the assessment process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority, particularly by supporting the development of local supply chains.

9. Consultation and Engagement

9.1 Stakeholders have been fully engaged in the development of the Events project proposals and as far as possible wider engagement has been sought in the development of the programme.

10. Appendices

Appendix 1: Memorandum of Understanding between the BBC and the North East Screen Industry Partnership

Appendix 2: Proposed Conditions of Funding for Challenge North Tyne, Open Innovation Project

11. Background Papers

None

12. Contact Officers

Rob Hamilton, Chief Economist

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Chrisi Page, North of Tyne Investment Programme Manager

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13. Glossary

NTCA	North of Tyne Combined Authority
SME	Small to Medium Enterprise
ONS	Office for National Statistics
NESIP	North East Screen Industries Partnership

Memorandum of Understanding between the BBC and the North East Screen Industry Partnership

Context

The BBC is the UK's primary public service broadcaster. Paid for largely by the public through a Licence Fee, it is universally available to viewers right across the UK, providing them with free access to content that informs, educates, and entertains. It is vital that the BBC reflects the lived experience of viewers from all four nations of the UK.

There has also been a growing recognition of the importance of the Licence Fee as a key investor in the creative economies of the UK's Nations and Regions, and that local voices, stories and portrayal can benefit from vibrant local production & talent ecologies.

On 18 March 2021, the BBC announced its Across the UK plan, a strategy which will shift the creative and journalistic centre of the BBC away from London and move not just people, but power and decision-making, to the UK's Nations and Regions. It will bring the BBC much closer to the communities it serves and represent them better. It will see the BBC spending at least an extra £700m outside London by 2027/28 across TV, Radio, News, Digital and Support Functions.

The North East of England has a long history of investing in the cultural and creative industries and in recent years, this commitment has been further extended through particular focus on the contribution of the creative industries – and its strategic development – to local economic regeneration plans.

The North East Screen Industries Partnership (NESIP) is a new vehicle, established to facilitate the strategic development of the TV & screen industry in the region, including screen industries and FE / HE organisations building creative talent in the region.

NESIP represents all North East Local Authorities working in partnership. It includes Tees Valley Combined Authority, (representing the five authorities of Hartlepool Borough Council, Stockton-On-Tees Borough Council, Middlesbrough Council, Darlington Borough Council and Redcar and Cleveland Borough Council), the North of Tyne Combined Authority (representing its three partner authorities Northumberland County Council, North Tyneside Council and Newcastle City Council) and the North East Combined Authority authorities of Durham County Council, Gateshead Council, Sunderland City Council and South Tyneside Council.

This Memorandum of Understanding (MOU) formally signifies the beginning of a long-term partnership and the signatories commit to working together in the coming years to ensure that the delivery of the specific components contained within this agreement provide the foundations for sustainable growth and catalyse a broader renaissance of the North East's creative and screen economy.

The agreement: working in partnership

This MOU between the BBC and NESIP sets out our shared ambitions for audiences and creators and the wider screen industries in the North East. It has been informed by the BBC's need to serve its audiences by reflecting, representing and serving the diverse communities of the UK's nations and regions, the requirements of the North East's ambitious local creative content sector, and the region's particular characteristics.

The BBC will work with NESIP and local partners in the North East to support sustainable growth in the regional production economy and to highlight the BBC's cultural and economic contribution to the region.

This agreement will significantly enhance the BBC's presence and investment across the whole of the North East with a range of complementary activity working together as a single ecology, playing to sub-regional strengths and drawing on the rich and diverse characteristics of its unique geography.

It will give our local sector access to senior BBC talent and expertise to support their development and the BBC's presence will bring with it further partners to the region. As part of its work, the BBC's ambition is to

encourage other existing sector partners to support its focus on the region. A multi-partner approach will expand the benefits across the region, accelerate activity and impacts, ensure the development of a strong and complex ecosystem and provide further opportunities for collaboration.

The NESIP commits to investing in talent, business and infrastructure to support the development of BBC productions and vibrant NE production ecology aligned with the BBC's creative ambitions.

The BBC specifically undertakes the following:

- Seek to target a minimum of £25m of Network TV commissioning spend to the North East over the next 5 years – in line with local investment in talent, business and infrastructure.
- The focus will be on strengthening unscripted production activity and skills in the short term – with the ambition of broadening the range of genres produced from the region in the longer term.
- It will do this by:
 - Basing a new daytime factual commission in the region, providing returning volume to underpin unscripted skills development.
 - Expanding BBC Three activity in the region, by launching a new creative commissioning opportunity in partnership with Northern Film + Media, to discover new factual talent, voices and ideas from the region.
 - Investing in longer-term talent development.
 - The BBC Writers Room will continue to nurture the new writing talent identified through its NE Voices and Northern Voices programmes, as well as running a shadow writing scheme in the region for CBBC's The Dumping Ground.
 - To kick-start the discovery of Comedy talent and ideas in the region by holding a series of masterclasses and events across the region as part of a significant BBC Comedy announcement.
 - Supporting talent and skills development working with the Northern Film + Media (the regional screen agency), and their relationship with HE and FE organisations in the region.
- The BBC has asked NESIP to match its investment to spark the sustainable growth of production in the region. It reserves its right to review the levels of its investment in future years if this is not possible and a sustainable infrastructure is not established to support organic development and growth.

NESIP specifically undertakes the following:

- NESIP will seek to commit a minimum of £11m funding over the next 5 years for Northern Film + Media to promote the region, attracting production businesses, as well as investing in professional talent, skills, creative business and infrastructure development.
- NESIP will create a North East wide Screen Production Fund, and will align its priorities, activities and investments to support the BBC's MOU commitments and wider ambitions in the region.
- NESIP will invest in a talent and skills pipeline with a region-wide strategy and programme of activity that links the Northern Film + Media with HE and FE and other partners with production locating in the region.
- It will, at a minimum seek to match-fund BBC investment in talent and skills development in the region associated with BBC productions or training initiatives.
- NESIP and individual Local Authorities will invest strategically in co-ordinated infrastructure support to maximise production spend in region – consulting with the BBC, and aligning delivery across the North East as a whole.
- NESIP will add to its initial agreed budget by applying for further financial support from government, industry and creative funds, and review their investment as part of future budget processes for the region.
- NESIP will provide a clear mandate, governance and budget to Northern Film + Media to deliver the region's ambitions on production and skills growth. Northern Film + Media will be the main interface between the region, the BBC and other partners.

Both parties agree to work together with other like-minded Broadcast, training and sector partners to further strengthen sustainable production activity, skills and talent in the region.

Next steps

NESIP will clarify its mandate for Northern Film + Media, including how quickly budget will be made available, and all governance and approvals required for its operation.

In addition, a regional North East Screen Industry Partnership Board will be established, consisting of appropriate representatives from senior leadership from the BBC and NESIP. It will set a roadmap of delivery over the timeframe of this agreement. It will also meet periodically to monitor the delivery of commitments within this MOU as well as how collectively all parties support the wider ambitions to grow its creative community. In the first year, the Partnership Board will meet every two months to build momentum around delivery. Thereafter, it will meet quarterly.

Proposed Conditions of Funding for Challenge North Tyne, Open Innovation Project

1. Consideration of the availability of other relevant grant funding programmes should be a formal part of the grant award process. SMEs with strong innovation projects should be supported to access funding from other programmes where appropriate. This will help to ensure that only SMEs / projects that are ineligible or unable to access other grant funding support are awarded grant funding from this project, avoiding duplication / overlap with other similar grant funding schemes available within North of Tyne.
2. The applicant provides a copy of the contract with their project delivery partner Innovation Supernetwork prior to the start of project delivery.
3. The independent evaluation should measure the economic impact of the project in terms of products successfully launched to market, additional turnover generated, and new FTE jobs created – including those filled by NTCA residents.



Subject: 2020/21 Annual Governance Statement

Report of: Risk Advisor to the North of Tyne Combined Authority

Portfolio: All Portfolios

Report Summary

The purpose of this report is to present the Authority's 2020/21 Annual Governance Statement to Cabinet for approval.

The 2020/21 Annual Governance Statement is provided at Appendix A.

Recommendations

Cabinet is recommended to approve the Annual Governance Statement for inclusion in the Authority's 2020/21 annual accounts and recommend it for signature by the Mayor, Managing Director, Chief Finance Officer and Chair of Audit and Standards Committee.

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
- 1.3 The 2020/21 Annual Governance Statement fully complies with the CIPFA Framework and provides detailed evidence against each of the above principles 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, our Freedom of Information Scheme and the Adult Education Strategic Skills Plan),

demonstrating how the Authority has implemented its commitments and complies with governance standards and principles.

- 1.4 CIPFA also introduced a new Financial Management Code which the Authority must comply with by 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 the Authority. In preparation for the first full year of compliance NTCA have undertaken a self-assessment of the Code. Whilst not considered to be a significant governance issue the outcome of the self-assessment and associated action plans are now included in Section 13 of the Annual Governance Statement (Governance and Internal Control Improvements).
- 1.5 The 2020/21 Annual Governance Statement has been prepared as the Authority recovers from the impact of Covid-19. The impact of Covid-19 on our governance and internal control environment will be kept under review and as part of our next annual review we will consider any lessons learnt during the period of the pandemic to further improve our governance and internal control arrangements.
- 1.6 The Audit and Standards Committee considered the 2020/21 Annual Governance Statement (Appendix A) at its meeting on 18 January 2022, recommending it for inclusion in the Authority's 2020/21 annual accounts and for signature by the Mayor, Managing Director, Chief Finance Officer and the Chair of Audit and Standards Committee.

2. Potential Impact on Objectives

- 2.1 No direct impact on objectives.

3. Key Risks

- 3.1 There are no specific risk implications directly arising from this report. Risk management has been considered as part of the production of the 2020/21 Annual Governance Statement.

4. Financial and Other Resources Implications

- 4.1 Production of the Annual Governance Statement has been carried out by Newcastle City Council's Risk Management Service under the Service Level Agreement for 2020/21.

5. Legal Implications

- 5.1 There are no direct legal implications arising from this report.

6. Equalities Implications

- 6.1 There are no direct equalities implications arising from this report.

7. Inclusive Economy Implications

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

8. Climate Change Implications

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

9. Consultation and Engagement

- 9.1 The Mayor, Managing Director, Monitoring Officer and Chief Finance Officer have been consulted on the 2020/21 Annual Governance Statement.

10. Appendices

Appendix A – 2020/21 Annual Governance Statement

11. Background Papers

None.

12. Contact Officers

Philip Slater – Chief Internal Auditor, Newcastle City Council (acting as Risk Advisor for NTCA)
Philip.slater@newcastle.gov.uk
Telephone – 0191 2116511

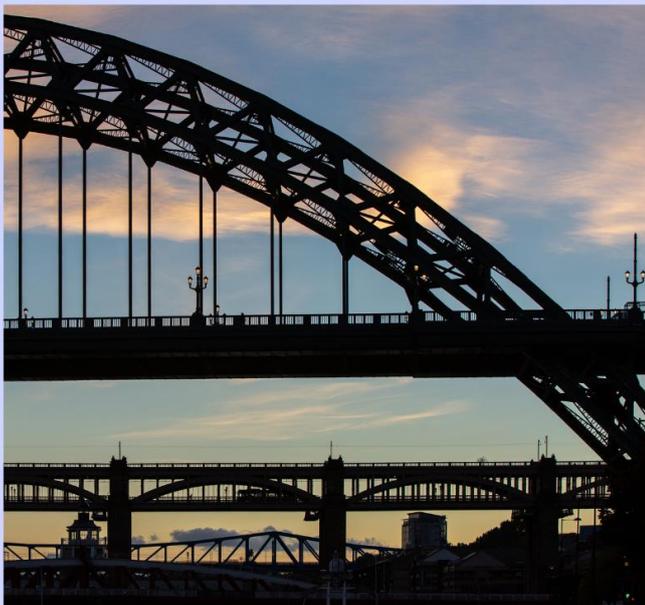
13. Glossary

None

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ANNUAL GOVERNANCE STATEMENT 2020/21



**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 2020/21, including how they are reviewed annually to ensure they remain effective, as the North East responds to the impact of Covid-19.

## Section 2: Scope Of Responsibility

NTCA was established on 2 November 2018 to give effect to a "minded to" devolution deal which was agreed between Newcastle, North Tyneside and Northumberland Councils, the North East Local Enterprise Partnership and Central Government. 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.

Our 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 ensure that all residents have a stake in our region's future.

We will continue to work with the North East Combined Authority (NECA) on a number of areas to support the region, including transport. To oversee strategic transport functions a North East Joint Transport Committee has been established with members from both Combined Authorities.

All seven Local Authorities are members of the North East Local Enterprise Partnership (North East LEP) to support delivery of the objectives of the regions Strategic Economic Plan, which is the North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

On 1 April 2020 accountable body functions for the North East LEP were transferred to NTCA from NECA. As the accountable body or 'Host Authority' NTCA will support the North East LEP manage its resources with all funding decisions being held to account through the NTCA.

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 2021 and up to the date of approval of the Authority’s Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (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

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

| <b>The Governance Framework</b>                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                        |
| <b><i>The Authority's Commitment of 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>                                                                   |
| <p><b>Behaving with Integrity</b></p>                                                                                | <p>The 2021 budget and our medium-term financial plan 2022-23/2024-25 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 can be 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 Chief Finance Officer.</p> | <p><a href="#">2021-2025 Budget Proposals</a> (Agenda item 7a)</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 will 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.

On 2 June 2020 Cabinet agreed policies relating to: Data Protection and Confidentiality; Environmental; Equalities and Diversity; Modern Slavery; and Social Value.

We have worked 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](#)

[Cabinet report – agenda item 9](#)

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

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.

A revised scheme of officer delegations was approved by Cabinet on 29 September 2020. 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.

[revised scheme of officer delegations](#)

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

## B. Ensuring openness and comprehensive stakeholder engagement

| The Authority's Commitment to Good Governance                                                                | How the Authority meets these principles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Where you can see Governance in action                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Ensuring Openness</b><br/>Engaging Comprehensively with Institutional Stakeholders</p> <p>Page 123</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 'Working Together For You' 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></p> <p><a href="#">Working Together For You – Annual Report</a></p> <p><a href="#">Cabinet Scrutiny Protocol</a> (Agenda item 6)</p> <p><a href="#">North East Joint Transport Committee</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><a href="#">Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023</a></p>                                                                                                                                                                             |
| <p>Engaging stakeholders effectively, including individual citizens and service users</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 124</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). However, during the ongoing situation regarding Covid-19, Cabinet meetings and all other Committees were held virtually, in accordance with their usual timescales, and live streamed for the public to view.</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>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>We have set up a dedicated Coronavirus webpage which provides support for our businesses and communities, providing the latest government advice and available support.</p> | <p>NTCA <a href="#">website</a></p> <p><a href="#">Forward Plan</a></p> <p><a href="#">Freedom of Information Scheme</a></p> <p>VCSE <a href="#">Accord Agenda item 4</a></p> <p><a href="#">Coronavirus webpage</a></p> <p><a href="#">Brexit Support webpage</a></p> |

The website also signposts businesses to specialist sources of Brexit preparedness advice and support.

We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.

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.

We have worked closely with our adult education providers providing stability and flexibility to ensure delivery is maintained throughout and beyond the Covid-19 pandemic. We have already received much feedback on how this funding is making a positive impact to people’s lives and we have case studies from a number of residents providing us with ‘their story’ on how the courses they are taking are building their confidence and skills, and supporting them on their next steps.

[Transparency Information](#)

[The Cedarwood Trust AEB case study \(Appendix 2 page 18\)](#)

**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 | <a href="#">Corporate Plan 2021/22</a>               |

|                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                              |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                 | <p>– to drive jobs, inclusion, new homes and positive economic change in our region.</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>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>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.</p> <p>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 will enable 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.</p> | <p><a href="#">North of Tyne Citizens’ Assembly on Climate Change</a></p> <p><a href="#">Social Value Policy</a></p> <p><a href="#">Good Work Pledge</a></p> |

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

We will continue to engage with adult education providers working to respond to the Coronavirus pandemic looking for provision, which is responsive to the challenges the crisis brings, helping residents get on in work and life around the terms of Covid-19 recovery.

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.

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.

[Covid-19 Capacity Fund](#)

[Digital Inclusion Scheme](#)

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
|  | <p>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.</p> <p>Crowdfund North of Tyne will fund projects to help communities recover from the Coronavirus pandemic - 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.</p> | <p><a href="#">Poverty Truth Commission</a></p> <p><a href="#">Crowdfund North of Tyne</a></p> |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|

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

| <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>                                                                                                                  |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Determining Interventions</p>                            | <p>Cabinet approved its draft budget for 2021/22, and the medium-term financial plan for the period 2022/23 to 2024/25 at its January 2021 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 href="#">Cabinet Report (Agenda item 7)</a></p> <p><a href="#">Constitution (Part 1.2)</a></p> <p><a href="#">Cabinet Scrutiny Protocol (Agenda item 6)</a></p> |

|                                             |                                                                                                                                                                                                                                                                                                                                                                       |                                                         |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
|                                             | A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting in June 2021.                                                                                                                                                                                                                                                                                 | <a href="#">Scrutiny Annual Report (Agenda item 12)</a> |
| Optimising Achievement of Intended Outcomes | 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. | <a href="#">Recover, Redesign, Reimagine</a>            |

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

| <b>The Authority's Commitment to Good Governance</b>                             | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                                                                                                  | <b>Where you can see Governance in action</b> |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Developing the Organisation's Capacity                                           | 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. |                                               |
| Developing the Capability of the Organisation's Leadership and Other Individuals | 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>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 has been 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

| <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> |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Managing Risk                                        | 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. |                                               |
| Managing Performance                                 | Cabinet and Overview and Scrutiny Committees receive quarterly finance reports, monitoring the Authority's financial position and treasury management activity.                                                                                                                                                                                            |                                               |

|                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                     |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
|                                                | <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>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                     |
| <p>Effective Overview and Scrutiny</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 (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>Robust Internal Control</p> <p>Page 131</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 2020/21 to support this Annual Governance Statement.</p> | <p><a href="#">Data Protection and Confidentiality Strategy</a></p> |

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                      |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|                                           | <p>A 2020/21 Strategic Audit Plan which was approved by Audit and Standards Committee on 28 July 2020, has been prepared to ensure Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority. Progress against the 2020/21 Audit Plan was reported to Audit and Standards Committee at its January 2021 meeting.</p> <p>Audit and Standards Committee endorsed the Authority's Strategic Audit Plan for 2021/22 at its January 2021 meeting.</p> | <p><a href="#">Internal Audit report January 2021 – Agenda item 4a &amp; 4b)</a></p> |
| <p>Managing Data<br/>Page 132</p>         | <p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2021/22.</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>                                                                                                                | <p><a href="#">Freedom of Information Scheme</a></p>                                 |
| <p>Strong Public Financial Management</p> | <p>The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2020/21 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.</p>                                                                                                                                                                                                                            |                                                                                      |

**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

| <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>We publish details of delegated decisions on our website.</p> | <p>Mayor's Facebook Page - Mayor's question time</p> <p>YouTube - My week in a minute</p> <p><a href="#">delegated decisions on our website.</a></p> |
| 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>                                                                 |                                                                                                                                                      |
| 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> </ul>                                                                                                                     |                                                                                                                                                      |

- Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes

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.

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.

The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations.

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.

## 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. The Acting Chief Internal Auditor's report to the July 2021 Audit and Standards Committee gives the following opinion on the adequacy and effectiveness of the framework of governance, risk management and control in place for the North of Tyne Combined Authority for 2020/21: *The opinion of the Acting Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall, at this stage in the authority's development and given the range of responsibilities it is required to discharge. This is a positive assessment of the control environment of the organisation*
- (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. The external auditors Annual Audit Letter and Audit Completion Report provides (Note: opinion will be included once provided)
- (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 Investment Fund Programme is well underway; £76.42m is committed against a wide range of projects and programmes, with project delivery well underway. Forecast expenditure for 2020/21 currently stands at c£20m. In addition, a healthy pipeline of high-quality projects is in place with several significant investments planned in the coming months. This includes investment in our digital and offshore sectors, 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. The Combined Authority has worked closely with project sponsors throughout the last year to provide additional support and enable the development of alternative delivery methods where appropriate to realise outcomes. The impact of Covid-19 continues 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 approach taken has been a process of co-design, including representation across all work programmes. 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. 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 £400.000m national Brownfield Housing Fund. The funding will be delivered over five years up to 31 March 2025, to support the development of at least 1,500 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 £21.5m by October and legally committing £10m by March 2021.

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

In August 2020 the Combined Authority took control of a £23.145million Adult Education Budget (AEB), secured as part of the devolution deal. An additional allocation of £959,064 for one year only was received in September 2020 to invest in High Value Courses and sector-based work academy programmes as part of the Chancellor's announcement on the 'Plan for Jobs' to support young people during the COVID-19 crisis. For the period April-July 2021 NTCA have also received an additional £409,894 of 'delegated' funding for the delivery of the Level 3 Adult Offer of the Government's Lifetime Skills Guarantee.

With Cabinet approval, the devolved AEB has been allocated to 29 education providers across 10 Grant Agreements and 19 Contract for Services (via the establishment of a procurement framework).

NTCA have made use of the flexibilities afforded by devolution of AEB in relation to its funding rules, rates and eligibility criteria to ensure the funding can be targeted where it is needed most. We have successfully secured provision which is based in the heart of our communities for innovative programmes that would not have been funded through non-devolved AEB.

The impact of Covid-19 is being closely monitored, both in terms of learner engagement during the pandemic and providers performance against delivery plans and payment profiles that were set out at the beginning of the academic year. Performance against delivery is reviewed at quarterly monitoring points.

Providers have implemented innovative plans to ensure delivery continues. This has included transferring provision on-line, supporting vulnerable learners through one to one video calls and where classrooms have been able to open delivering to groups of learners with effective safety measures in place.

NTCA implemented new funding flexibilities in January 2021 following consultation with providers on the impact of the crisis. These flexibilities included a fully funded non-accredited learning aim which can be utilised to provide informal activity to support learner engagement. A further flexibility removed the requirement for employed residents to contribute 50% towards the cost of their learning and enable fully funded accredited learning at Level 2 and Level 3 and non-accredited work-related training.

The AEB team are exploring a number of options for consideration in relation to the management of funding allocations for the remainder of this Academic Year (AY) 2020-21 and for AY 2021-22 to enable providers to respond quickly and flexibly when lockdown restrictions end.

## **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 2020/21.

## **Section 10: Covid-19 Response and Recovery**

The region, via its Local Resilience Forum and a range of additional partners, continues to collaborate strongly in response to Covid-19. The LA7 Local Authorities from Durham to

Northumberland are actively collaborating at a political and officer level, and the NTCA has played an ongoing role supporting these efforts and leading elements of recovery planning.

The Combined Authority has taken a proactive approach to support for particular sectors impacted by the pandemic, including the continuation of support to enhance short-term skills, jobs and inclusive economy interventions such as Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector.

North of Tyne's Digital Inclusion programme was piloted in June 2020, as part of the Covid-19 response. It sought to provide 2,675 residents with technology to allow them to become more digitally included. Primarily, this focussed upon providing equipment to school children, adults enrolled in education and employability programmes and those in care homes across the region. Through an investment of £686,000, the three constituent local authorities were able to provide resources and support to those that it targeted.

As a member of the North East Covid-19 Economic Response Group, NTCA has worked with regional colleagues to support the submission to government for recovery support and finance for the North East. The Group has published its North East Recovery and Renewal Deal, which asks government for investment to prioritise jobs and skills which will strengthen the economic recovery, as we invest in our people, alongside infrastructure and innovation.

The programme of activity is built around five themes:

1. **Job recovery:** Rapid and sustained interventions to help people into jobs and training, including a jobs recovery programme that will provide jobs and training for 20,000
2. **Building the economy of the future:** Maximising the potential of our existing assets and exploring opportunities to enter new markets and supply chains – powered by innovation
3. **Supporting businesses:** Rapid recovery of businesses and sectors
4. **Communities and place:** Creating resilient places and strong communities as they adapt to living with Covid-19, as well as other challenges and opportunities and supporting the cultural recovery
5. **Digital and connectivity infrastructure investment:** Building infrastructure to lead transformation and encourage future investment

In addition to this NTCA has allocated £10m of Investment funds to proceed with a North of Tyne Recovery Innovation Deal supporting businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis. This funding could be used to help businesses adapt to digital ways of working, creating new Covid-19 secure spaces and supporting the development of stronger local supply chains.

## Section 11: 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 12: Conclusion

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

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

We propose over the coming year to improve our governance and internal control arrangements and consider any lessons learnt during the period of the Coronavirus pandemic, as part of our next annual review.

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

**Full Name: Jamie Driscoll**

**Signature:**

**Date:**

**Managing Director**

**Full Name: Henry Kippin**

**Signature:**

**Date:**

**Chair of Audit and Standards Committee**

**Full Name: Doug Ross**

**Signature:**

**Date:**

**Chief Finance Officer**

**Full Name: Janice Gillespie**

**Signature:**

**Date:**

**CIPFA Financial Management Code**

**Background Risk**

The Financial Management Code (FM Code) is an additional requirement in 2020/21, 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 (2021/22) the Combined Authority has undertaken a self-assessment to ensure that it complies 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**

| <b>Action(s) required to enhance effectiveness</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Implementation date</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <p><b>Assurance Principle</b> – Standard (F) The authority has carried out a credible and transparent financial resilience assessment.<br/> <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</i></p> | <p>March 2023</p>          |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <p><i>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>Standards Principle</b> – Standard (H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.<br/><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>                                                                                                                                                                                                                                                                                                                                                                                                                                                      | March 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?<br/><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> | September 2022 |
| <p><b>Transparency Principle</b> - 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?<br/><i>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.</i></p>                                                                                                                                                                                                                                           | March 2022     |

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Subject: NTCA 2020-21 Statement of Accounts

Report of: Chief Finance Officer

Portfolio: Investment and Resources

## Report Summary

The purpose of this report is to present Cabinet with the Statement of Accounts for the year ended 31 March 2021. The report covers the regulations under which the Statement of Accounts are prepared and details the items included within the Statement of Accounts including and an update on the status of the Audit and Audit Completion Report.

At the time of writing this report the audit on the NTCA accounts was not quite complete. The auditors will provide an update on any findings since tabling their draft Audit Completion Report (ACR) at January Audit and Standards Committee with the hope the final ACR will be presented at Cabinet. Should this not be possible, this report seeks authorisation for the Managing Director and Chief Finance Officer in consultation with the Mayor to agree any final amendments or changes to the NTCA 2020/21 Statement of Accounts.

## Recommendations

The Cabinet is recommended to:

1. Approve the Annual Governance Statement 2020/21 as presented for signature by the Mayor and Managing Director.
2. Approve the Audited Statement of Accounts 2020/21 including the Narrative Report in line with Audit and Accounting Regulations 2015 as presented, taking account of the views of the Audit and Standards Committee.
3. Authorise the Managing Director and the Chief Finance Officer in consultation with the Mayor to agree to any final amendments or changes to the NTCA 2020/21 Statement of Accounts, Narrative Statement and Annual Governance Statement made by the external auditors after the Cabinet meeting and to approve the final 2020-21 Final Statement of accounts.

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

- 1.1 The NTCA Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2021 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.2 The Accounts and Audit Regulations 2020-21, which took effect from the 31 March 2021, extended the statutory requirement for the completion and publication for the draft Statement of Accounts from the 31 May to 31 July. With the audited accounts to be published from 31 July to 30 September. Due to capacity issues reflected nationally across all public sector audit firms, the external audit fieldwork was delayed to late November after the required publication date of 30 September 2021.
- 1.3 In line with the Accounts and Audit Regulations 2020-21 NTCA are presenting the NTCA Statement of Accounts to Audit and Standards Committee on the 18 January 2022 for consideration and recommendation to the NTCA Cabinet on the 25 January 2022.

- 1.4 The Statement of Accounts includes:
- Audit Completion Report (to follow)
  - Annual Governance Statement (Appendix A)
  - Narrative Report (Appendix B)
  - NTCA Audited Statement of Accounts for the year ended 31 March 2021 (Appendix C) – this also includes the Group Accounts consolidating the accounts of Nexus Group within the NTCA Single Entity Accounts.
- 1.5 The NTCA Accounts reflect the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order), which established the North of Tyne Combined Authority (NTCA) on 2 November 2018. That order required the North East Combined Authority (NECA) and NTCA to appoint a Joint Transport Committee (JTC) through which the two combined authorities must exercise transport functions. The order also provided that the transport assets held by NECA should be held jointly with NTCA and managed through the JTC. The Constitution of the JTC is such that it meets the definition of Joint Control and is classified accordingly as a Joint Operation. In order to comply with the requirements outlined above NECA as accountable body must split the revenue, expenditure, and assets and liabilities into those which relate to NTCA and NECA based on population.
- 1.6 The Accounts, on approval, must be signed by the Mayor on behalf of Cabinet and signed by the Chief Finance Officer on behalf of the Combined Authority and published on the website.
- 1.7 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
- 1.8 The Audit and Standards Committee will consider the Annual Governance Statement at its meeting on 18 January 2022, and then it will be subsequently reported to Cabinet on the 25 January 2022.
- 1.9 The Audit Completion Report (ACR) will be presented by our External Auditors, Mazars, providing their opinion in relation to the Financial Statements. At the time of writing this report the audit on the NTCA accounts was not quite complete, hence the draft Narrative Report and Statement of Accounts attached at this point. The auditors will provide a draft ACR to Audit and Standards on 18 January 2022, with a verbal update on any findings, with hope that a final ACR be presented to Cabinet 25 January 2022, the final ACR when ready will be circulated with updated Statement of Accounts as required. The Cabinet have been asked within this report to authorise the Chief Finance Officer and the Managing Director in consultation with the Mayor any changes or amendments made by the external auditors after the Cabinet meeting and to approve the final 2020-21 Final Statement of accounts should this be required.

## **2 Potential Impact on Objectives**

- 2.1 There are no direct implications arising from this report in respect of NTCA's vision, policies, and priorities.

## **3 Key Risks**

- 3.1 There are no specific risk implications directly rising from this report. Risk management has been considered as part of the production of the 2020/21 Annual Governance Statement.

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

- 4.1 The Statement of Accounts were prepared by North Tyneside's SLA to the North of Tyne Combined Authority.

## **5 Legal Implications**

- 5.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices. A publication notice was published on the NTCA website prior to the 30 September 2021 to notify the publication date for the Audited Statement of Accounts was missed.

## **6 Equalities Implications**

- 6.1 There are no equality 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 The draft Statement of Accounts was published on the NTCA Website on 30 July 2021. The Mayor and Cabinet member have been consulted and a full report was presented to the Audit and Standards Committee on 18 January 2022.

## **10 Appendices**

Appendix A Annual Governance Statement  
Appendix B Narrative Report  
Appendix C Annual Statement of Accounts

## **11 Background Papers**

None

## **12 Contact Officers**

Janice Gillespie, Chief Finance Officer

Tel: 0191 6435701 email: [Janice.gillespie@northtyneside.gov.uk](mailto:Janice.gillespie@northtyneside.gov.uk)

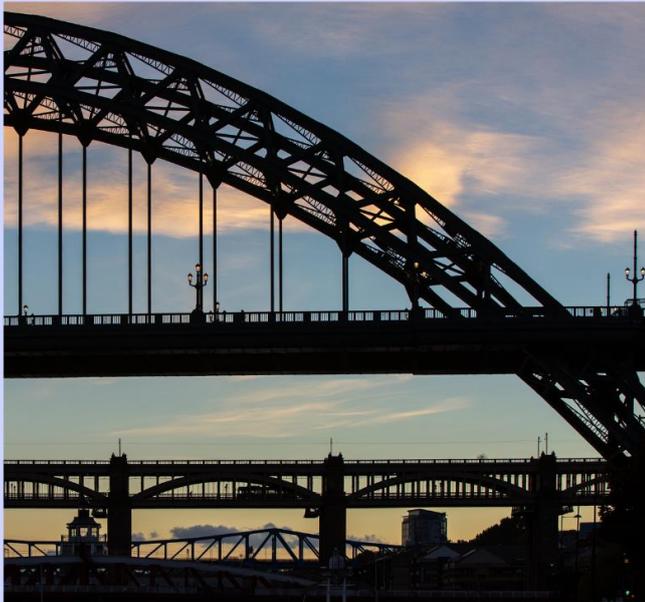
## **13 Glossary**

|      |                               |
|------|-------------------------------|
| ACR  | Audit Completion Report       |
| AGS  | Annual Governance Statement   |
| SLA  | Service Level Agreement       |
| NECA | North East Combined Authority |
| JTC  | Joint Transport Committee     |

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# ANNUAL GOVERNANCE STATEMENT 2020/21



**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 2020/21, including how they are reviewed annually to ensure they remain effective, as the North East responds to the impact of Covid-19.

## Section 2: Scope Of Responsibility

NTCA was established on 2 November 2018 to give effect to a "minded to" devolution deal which was agreed between Newcastle, North Tyneside and Northumberland Councils, the North East Local Enterprise Partnership and Central Government. 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.

Our 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 ensure that all residents have a stake in our region's future.

We will continue to work with the North East Combined Authority (NECA) on a number of areas to support the region, including transport. To oversee strategic transport functions a North East Joint Transport Committee has been established with members from both Combined Authorities.

All seven Local Authorities are members of the North East Local Enterprise Partnership (North East LEP) to support delivery of the objectives of the regions Strategic Economic Plan, which is the North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

On 1 April 2020 accountable body functions for the North East LEP were transferred to NTCA from NECA. As the accountable body or 'Host Authority' NTCA will support the North East LEP manage its resources with all funding decisions being held to account through the NTCA.

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 2021 and up to the date of approval of the Authority’s Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (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

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

| <b>The Governance Framework</b>                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                        |
| <b><i>The Authority's Commitment of 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>                                                                   |
| <p><b>Behaving with Integrity</b></p>                                                                                | <p>The 2021 budget and our medium-term financial plan 2022-23/2024-25 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 can be 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 Chief Finance Officer.</p> | <p><a href="#">2021-2025 Budget Proposals</a> (Agenda item 7a)</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 will 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.

On 2 June 2020 Cabinet agreed policies relating to: Data Protection and Confidentiality; Environmental; Equalities and Diversity; Modern Slavery; and Social Value.

We have worked 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](#)

[Cabinet report – agenda item 9](#)

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

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.

A revised scheme of officer delegations was approved by Cabinet on 29 September 2020. 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.

[revised scheme of officer delegations](#)

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

## B. Ensuring openness and comprehensive stakeholder engagement

| The Authority's Commitment to Good Governance                                                                | How the Authority meets these principles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Where you can see Governance in action                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Ensuring Openness</b><br/>Engaging Comprehensively with Institutional Stakeholders</p> <p>Page 153</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 'Working Together For You' 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></p> <p><a href="#">Working Together For You – Annual Report</a></p> <p><a href="#">Cabinet Scrutiny Protocol</a> (Agenda item 6)</p> <p><a href="#">North East Joint Transport Committee</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><a href="#">Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023</a></p>                                                                                                                                                                             |
| <p>Engaging stakeholders effectively, including individual citizens and service users</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 154</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). However, during the ongoing situation regarding Covid-19, Cabinet meetings and all other Committees were held virtually, in accordance with their usual timescales, and live streamed for the public to view.</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>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>We have set up a dedicated Coronavirus webpage which provides support for our businesses and communities, providing the latest government advice and available support.</p> | <p>NTCA <a href="#">website</a></p> <p><a href="#">Forward Plan</a></p> <p><a href="#">Freedom of Information Scheme</a></p> <p>VCSE <a href="#">Accord Agenda item 4</a></p> <p><a href="#">Coronavirus webpage</a></p> <p><a href="#">Brexit Support webpage</a></p> |

The website also signposts businesses to specialist sources of Brexit preparedness advice and support.

We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.

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.

We have worked closely with our adult education providers providing stability and flexibility to ensure delivery is maintained throughout and beyond the Covid-19 pandemic. We have already received much feedback on how this funding is making a positive impact to people’s lives and we have case studies from a number of residents providing us with ‘their story’ on how the courses they are taking are building their confidence and skills, and supporting them on their next steps.

[Transparency Information](#)

[The Cedarwood Trust AEB case study \(Appendix 2 page 18\)](#)

**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 | <a href="#">Corporate Plan 2021/22</a>               |

|                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                              |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                 | <p>– to drive jobs, inclusion, new homes and positive economic change in our region.</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>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>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.</p> <p>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 will enable 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.</p> | <p><a href="#">North of Tyne Citizens’ Assembly on Climate Change</a></p> <p><a href="#">Social Value Policy</a></p> <p><a href="#">Good Work Pledge</a></p> |

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

We will continue to engage with adult education providers working to respond to the Coronavirus pandemic looking for provision, which is responsive to the challenges the crisis brings, helping residents get on in work and life around the terms of Covid-19 recovery.

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.

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.

[Covid-19 Capacity Fund](#)

[Digital Inclusion Scheme](#)

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
|  | <p>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.</p> <p>Crowdfund North of Tyne will fund projects to help communities recover from the Coronavirus pandemic - 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.</p> | <p><a href="#">Poverty Truth Commission</a></p> <p><a href="#">Crowdfund North of Tyne</a></p> |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|

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

| <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>                                                                                                                  |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Determining Interventions</p>                            | <p>Cabinet approved its draft budget for 2021/22, and the medium-term financial plan for the period 2022/23 to 2024/25 at its January 2021 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 href="#">Cabinet Report (Agenda item 7)</a></p> <p><a href="#">Constitution (Part 1.2)</a></p> <p><a href="#">Cabinet Scrutiny Protocol (Agenda item 6)</a></p> |

|                                             |                                                                                                                                                                                                                                                                                                                                                                       |                                                         |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
|                                             | A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting in June 2021.                                                                                                                                                                                                                                                                                 | <a href="#">Scrutiny Annual Report (Agenda item 12)</a> |
| Optimising Achievement of Intended Outcomes | 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. | <a href="#">Recover, Redesign, Reimagine</a>            |

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

| <b>The Authority's Commitment to Good Governance</b>                             | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                                                                                                  | <b>Where you can see Governance in action</b> |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Developing the Organisation's Capacity                                           | 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. |                                               |
| Developing the Capability of the Organisation's Leadership and Other Individuals | 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>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 has been 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

| <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> |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Managing Risk                                        | 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. |                                               |
| Managing Performance                                 | Cabinet and Overview and Scrutiny Committees receive quarterly finance reports, monitoring the Authority's financial position and treasury management activity.                                                                                                                                                                                            |                                               |

|                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                     |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
|                                                | <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>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                     |
| <p>Effective Overview and Scrutiny</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 (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>Robust Internal Control</p> <p>Page 161</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 2020/21 to support this Annual Governance Statement.</p> | <p><a href="#">Data Protection and Confidentiality Strategy</a></p> |

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                      |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|                                           | <p>A 2020/21 Strategic Audit Plan which was approved by Audit and Standards Committee on 28 July 2020, has been prepared to ensure Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority. Progress against the 2020/21 Audit Plan was reported to Audit and Standards Committee at its January 2021 meeting.</p> <p>Audit and Standards Committee endorsed the Authority's Strategic Audit Plan for 2021/22 at its January 2021 meeting.</p> | <p><a href="#">Internal Audit report January 2021 – Agenda item 4a &amp; 4b)</a></p> |
| <p>Managing Data<br/>Page 162</p>         | <p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2021/22.</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>                                                                                                                | <p><a href="#">Freedom of Information Scheme</a></p>                                 |
| <p>Strong Public Financial Management</p> | <p>The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2020/21 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.</p>                                                                                                                                                                                                                            |                                                                                      |

**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

| <b>The Authority's Commitment to Good Governance</b> | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                                                                       | <b>Where you can see Governance in action</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>We publish details of delegated decisions on our website.</p> | <p>Mayor's Facebook Page - Mayor's question time</p> <p>YouTube - My week in a minute</p> <p><a href="#">delegated decisions on our website.</a></p> |
| 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>                                                                 |                                                                                                                                                      |
| 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> </ul>                                                                                                                     |                                                                                                                                                      |

- Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes

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.

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.

The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations.

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.

## 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. The Acting Chief Internal Auditor's report to the July 2021 Audit and Standards Committee gives the following opinion on the adequacy and effectiveness of the framework of governance, risk management and control in place for the North of Tyne Combined Authority for 2020/21: *The opinion of the Acting Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall, at this stage in the authority's development and given the range of responsibilities it is required to discharge. This is a positive assessment of the control environment of the organisation*
- (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. The external auditors Annual Audit Letter and Audit Completion Report provides (Note: opinion will be included once provided)
- (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 Investment Fund Programme is well underway; £76.42m is committed against a wide range of projects and programmes, with project delivery well underway. Forecast expenditure for 2020/21 currently stands at c£20m. In addition, a healthy pipeline of high-quality projects is in place with several significant investments planned in the coming months. This includes investment in our digital and offshore sectors, 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. The Combined Authority has worked closely with project sponsors throughout the last year to provide additional support and enable the development of alternative delivery methods where appropriate to realise outcomes. The impact of Covid-19 continues 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 approach taken has been a process of co-design, including representation across all work programmes. 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. 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 £400.000m national Brownfield Housing Fund. The funding will be delivered over five years up to 31 March 2025, to support the development of at least 1,500 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 £21.5m by October and legally committing £10m by March 2021.

## Section 8: Adult Education Budget

In August 2020 the Combined Authority took control of a £23.145million Adult Education Budget (AEB), secured as part of the devolution deal. An additional allocation of £959,064 for one year only was received in September 2020 to invest in High Value Courses and sector-based work academy programmes as part of the Chancellor's announcement on the 'Plan for Jobs' to support young people during the COVID-19 crisis. For the period April-July 2021 NTCA have also received an additional £409,894 of 'delegated' funding for the delivery of the Level 3 Adult Offer of the Government's Lifetime Skills Guarantee.

With Cabinet approval, the devolved AEB has been allocated to 29 education providers across 10 Grant Agreements and 19 Contract for Services (via the establishment of a procurement framework).

NTCA have made use of the flexibilities afforded by devolution of AEB in relation to its funding rules, rates and eligibility criteria to ensure the funding can be targeted where it is needed most. We have successfully secured provision which is based in the heart of our communities for innovative programmes that would not have been funded through non-devolved AEB.

The impact of Covid-19 is being closely monitored, both in terms of learner engagement during the pandemic and providers performance against delivery plans and payment profiles that were set out at the beginning of the academic year. Performance against delivery is reviewed at quarterly monitoring points.

Providers have implemented innovative plans to ensure delivery continues. This has included transferring provision on-line, supporting vulnerable learners through one to one video calls and where classrooms have been able to open delivering to groups of learners with effective safety measures in place.

NTCA implemented new funding flexibilities in January 2021 following consultation with providers on the impact of the crisis. These flexibilities included a fully funded non-accredited learning aim which can be utilised to provide informal activity to support learner engagement. A further flexibility removed the requirement for employed residents to contribute 50% towards the cost of their learning and enable fully funded accredited learning at Level 2 and Level 3 and non-accredited work-related training.

The AEB team are exploring a number of options for consideration in relation to the management of funding allocations for the remainder of this Academic Year (AY) 2020-21 and for AY 2021-22 to enable providers to respond quickly and flexibly when lockdown restrictions end.

## 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 2020/21.

## Section 10: Covid-19 Response and Recovery

The region, via its Local Resilience Forum and a range of additional partners, continues to collaborate strongly in response to Covid-19. The LA7 Local Authorities from Durham to

Northumberland are actively collaborating at a political and officer level, and the NTCA has played an ongoing role supporting these efforts and leading elements of recovery planning.

The Combined Authority has taken a proactive approach to support for particular sectors impacted by the pandemic, including the continuation of support to enhance short-term skills, jobs and inclusive economy interventions such as Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector.

North of Tyne's Digital Inclusion programme was piloted in June 2020, as part of the Covid-19 response. It sought to provide 2,675 residents with technology to allow them to become more digitally included. Primarily, this focussed upon providing equipment to school children, adults enrolled in education and employability programmes and those in care homes across the region. Through an investment of £686,000, the three constituent local authorities were able to provide resources and support to those that it targeted.

As a member of the North East Covid-19 Economic Response Group, NTCA has worked with regional colleagues to support the submission to government for recovery support and finance for the North East. The Group has published its North East Recovery and Renewal Deal, which asks government for investment to prioritise jobs and skills which will strengthen the economic recovery, as we invest in our people, alongside infrastructure and innovation.

The programme of activity is built around five themes:

1. **Job recovery:** Rapid and sustained interventions to help people into jobs and training, including a jobs recovery programme that will provide jobs and training for 20,000
2. **Building the economy of the future:** Maximising the potential of our existing assets and exploring opportunities to enter new markets and supply chains – powered by innovation
3. **Supporting businesses:** Rapid recovery of businesses and sectors
4. **Communities and place:** Creating resilient places and strong communities as they adapt to living with Covid-19, as well as other challenges and opportunities and supporting the cultural recovery
5. **Digital and connectivity infrastructure investment:** Building infrastructure to lead transformation and encourage future investment

In addition to this NTCA has allocated £10m of Investment funds to proceed with a North of Tyne Recovery Innovation Deal supporting businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis. This funding could be used to help businesses adapt to digital ways of working, creating new Covid-19 secure spaces and supporting the development of stronger local supply chains.

## Section 11: 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 12: Conclusion

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

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

We propose over the coming year to improve our governance and internal control arrangements and consider any lessons learnt during the period of the Coronavirus pandemic, as part of our next annual review.

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

**Full Name: Jamie Driscoll**

**Signature:**

**Date:**

**Managing Director**

**Full Name: Henry Kippin**

**Signature:**

**Date:**

**Chair of Audit and Standards Committee**

**Full Name: Doug Ross**

**Signature:**

**Date:**

**Chief Finance Officer**

**Full Name: Janice Gillespie**

**Signature:**

**Date:**

## Section 13: Governance and Internal Control Improvements

## Appendix A

### CIPFA Financial Management Code

#### Background Risk

The Financial Management Code (FM Code) is an additional requirement in 2020/21, 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 (2021/22) the Combined Authority has undertaken a self-assessment to ensure that it complies 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

**Assurance Principle** – Standard (F) The authority has carried out a credible and transparent financial resilience assessment.

March 2023

*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*

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <p><i>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>Standards Principle</b> – Standard (H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.<br/><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>                                                                                                                                                                                                                                                                                                                                                                                                                                                      | March 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?<br/><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> | September 2022 |
| <p><b>Transparency Principle</b> - 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?<br/><i>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.</i></p>                                                                                                                                                                                                                                           | March 2022     |

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# Draft Narrative Report year ended 31 March 2021



# 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 2020/21 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 2021.
- A look ahead to 2021/22 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, including the financial position of the North East Local Enterprise Partnership (North East LEP) and Invest North East England (INEE) which the North of Tyne Combined Authority became the accountable body for 1 April 2020, together with details of the non-financial performance of the Authority during 2020/21. 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 2020/21 including the North East LEP (North East LEP) and Invest North East England (INEE).
- Non-Financial Performance of the Combined Authority 2020/21.
- Key Priorities and upcoming Milestones
- Significant Issues for 2021/22 and beyond.
- Explanation of Accounting Statements included within the Statement of Accounts.
- Implementation of the Devolution Order.
- Joint Transport Committee.

## **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 20 July 2021. 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:

[20-July-2021-Audit-Standards-Agenda-Pack](#)

## About North of Tyne Combined Authority (NTCA)

NTCA was established to give effect to a 'minded to' devolution deal which was agreed between the three councils, the 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 North of Tyne Combined Authority

- 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 £18.863m, over 374,000 jobs and it is home to 24,950 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.

## 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 North of Tyne Combined Authority website: [NorthofTyne](#)

## 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. In June 2021 the Director of Economic Growth was designated as the permanent Head of Paid Service for NTCA and his title was changed to Managing Director.

The Combined Authority has grown to 48 employees during 2020/21 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

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.

## North of Tyne Vision and Purpose

The North of Tyne 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 our region's future.

NTCA work in partnership, to create connections between programmes and their projects and are inclusive. Devolution has given the NTCA chance to make their own decisions about their own future targeting investment where it is needed most,

making a strong connection between economic growth and providing people with the skills, education and confidence to benefit from the opportunities that follow.

## NORTH OF TYNE, A SNAPSHOT



The economic impact of Covid continues to be felt by citizens, businesses and places:



The North of Tyne has specific challenges which will shape the nature of recovery and Levelling Up:



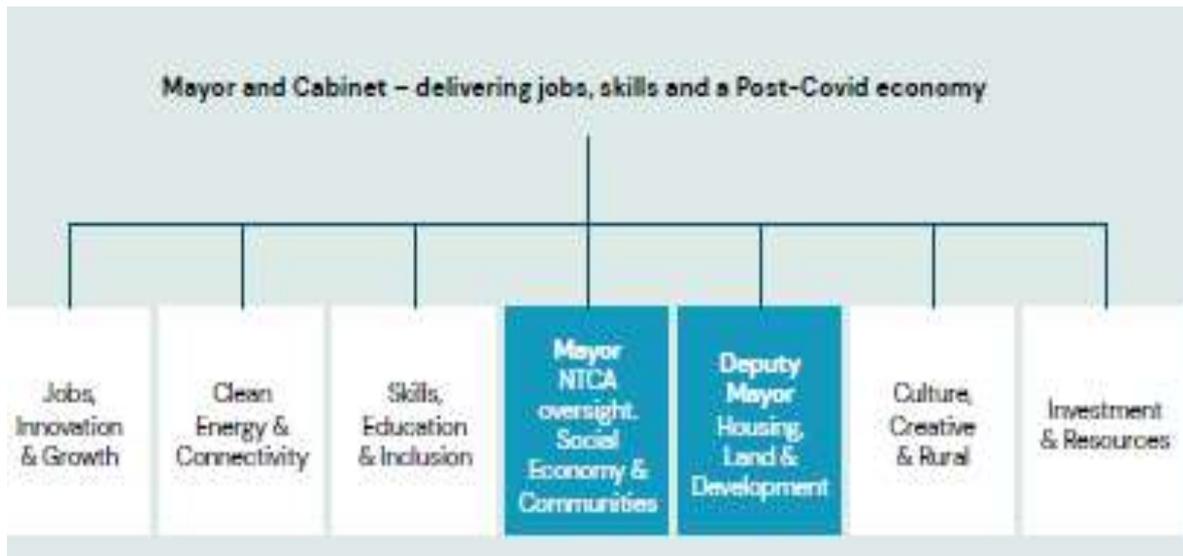
### BUT...

We are confident about our recovery. The basis for us to pivot towards a sustainable and inclusive future economy is here:



## Delivering together...

NTCA are addressing the regional challenges, outlined above, through a bold programme of investment and reform – which is designed, delivered, and governed through collaboration. NTCA Cabinet has overseen rapid progress through the first year of operation, and works together to ensure that we deliver the biggest social, economic and climate return possible.

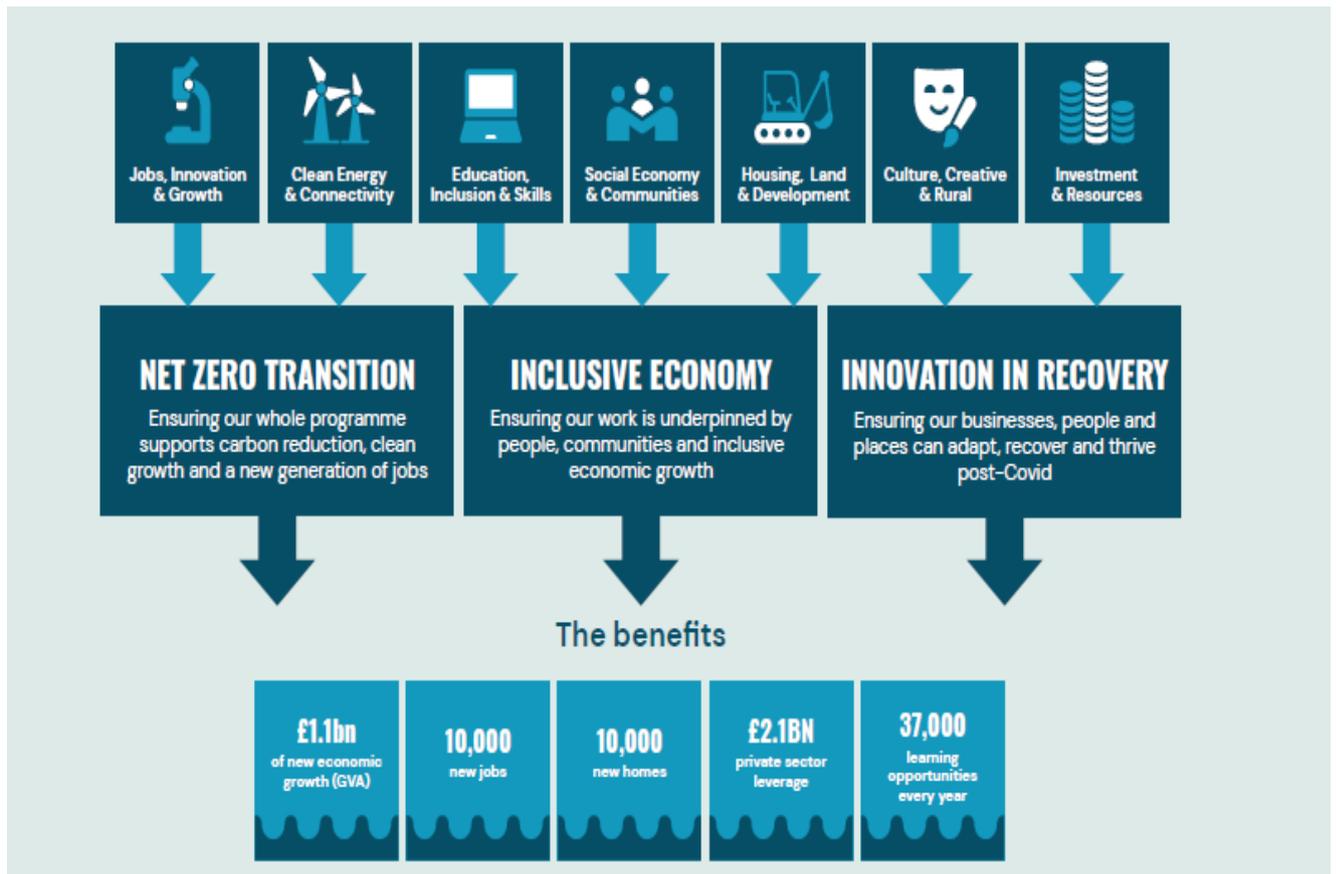


Cabinet Members lead specific portfolios and give collective strategic direction and oversight of NTCA work. This also ensures that local priorities are reflected, and that the connection is maximised between our urban, rural, and coastal geographies and our unique local assets and strengths.

The Mayor chairs the Cabinet, provides oversight of the programme, and plays a key role engaging with citizens, businesses, voluntary sector partners and with Government. All are supported by an executive team built on close partnership between NTCA and constituent Local Authority officers.

## Cross-cutting Themes

NTCA portfolios are underpinned by three cross-cutting priorities, which underpin everything the Combined Authority do. They are net zero, an inclusive economy and innovation in recovery. Together these portfolios and priorities form the NTCA strategic plan.



## Funding, Investment and Resources

The foundation of NTCA investment is a £600m fully devolved investment fund, which delivers £20m per year over a thirty-year period. The purpose of the fund is to support accelerated, inclusive growth which creates new jobs and skills opportunities, which helps build the foundation for long term, sustainable growth in the region.

The NTCA Investment Fund is augmented by new funding streams worth almost £700m which have been secured since the original Deal, including the Adult Education Budget, Brownfield Housing Fund and ERDF Growth Funds.

The North of Tyne Cabinet agreed a headline Investment Plan in April 2019 which set out ambitions for delivery across a five-year period utilising the first £100m of Investment funds. This plan covers 'business', 'people' and 'place' elements as well as providing flexibility for NTCA to pursue strategic opportunities as they arise. A small proportion is used to enable the Combined Authority to realise and effectively manage project delivery.

Over £70 million of this initial tranche has been allocated, with a significant proportion (over £62m) formally, and contractually committed into tangible project delivery.

## Headline Targets

The devolution deal committed to adding an additional £1.1bn Gross Valued Added (GVA) to the economy, delivering 10,000 new jobs and leveraging over £2.1bn in private sector investment. This is a 'job a day' through the lifetime of the deal with every £1 invested generating a further minimum of £3.50 of private sector investment.

NTCA are on track to meet and exceed these targets, with over 4,000 projected new jobs already in the pipeline which we will work hard to turn into real, sustainable careers for our citizens.

## Financial Performance of the Combined Authority 2020/21

The financial position of the NTCA at 31 March 2021 is shown in Table 1 below:

**Table 1: 2020/21 Budget Outturn**

| <b>Summary Outturn<br/>2020/21</b> | <b>Budget<br/>2020/21</b> | <b>Outturn<br/>2020/21</b> | <b>Variance</b> |
|------------------------------------|---------------------------|----------------------------|-----------------|
|                                    | £m                        | £m                         | £m              |
| Investment Fund Budget             | (15.423)                  | 7.488                      | (7.935)         |
| Corporate Budget                   | 0                         | (0.599)                    | (0.599)         |
| <b>Total</b>                       | <b>(15.423)</b>           | <b>6.889</b>               | <b>(8.534)</b>  |

### Corporate Budget Outturn

A more detailed outturn for 2020/21 Corporate Budget is set out below in Table 2 overleaf:

**Table 2: Corporate Budget Outturn**

| <b>Corporate Budget 2020/21</b>            | <b>2020/21 Budget</b> | <b>2020/21 Outturn</b> | <b>Variance</b> |
|--------------------------------------------|-----------------------|------------------------|-----------------|
| <b>Expenditure</b>                         | <b>£m</b>             | <b>£m</b>              | <b>£m</b>       |
| Staffing/Secondments                       | 2.401                 | 2.210                  | (0.191)         |
| Advisors External                          | 0.070                 | 0.094                  | 0.024           |
| Other Expenditure                          | 0.539                 | 0.583                  | 0.044           |
| SLA with Constituent Authorities           | 0.403                 | 0.298                  | (0.105)         |
| Use of Reserves BR Pilot/EU Exit/Veterans  | 0                     | 5.057                  | 5.057           |
| JTC Levy                                   | 27.074                | 27.074                 | 0               |
| <b>Gross Expenditure</b>                   | <b>30.487</b>         | <b>35.316</b>          | <b>4.829</b>    |
|                                            |                       |                        |                 |
| <b>Income</b>                              |                       |                        |                 |
| Investment Fund (IF) Contribution          | (1.400)               | (1.400)                | 0               |
| Mayoral Capacity Fund                      | (0.750)               | (1.000)                | (0.250)         |
| Adult Education Budget Contribution        | (0.526)               | (0.541)                | (0.015)         |
| Contributions from Constituent Authorities | (0.111)               | (0.111)                | 0               |
| Programme support costs recovered from IF  | (0.451)               | (0.315)                | 0.136           |
| Brownfield Housing Programme Costs         | 0                     | (0.194)                | (0.194)         |
| Use of Reserves                            | 0                     | (5.057)                | (5.057)         |
| Investment Interest Receivable             | (0.175)               | (0.373)                | (0.198)         |
| JTC Levy                                   | (27.074)              | (27.074)               | 0               |
| <b>Gross Income</b>                        | <b>(30.487)</b>       | <b>(36.065)</b>        | <b>(5.578)</b>  |
| <b>Net Income/Expenditure</b>              | <b>0</b>              | <b>(0.749)</b>         | <b>(0.749)</b>  |
| C/F Sector Commissioning underspend        | 0                     | 0.150                  | 0.150           |
| <b>Transfer to Investment Fund Reserve</b> | <b>0</b>              | <b>0.599</b>           | <b>0.599</b>    |
| <b>2020/21 Outturn</b>                     | <b>0</b>              | <b>0</b>               | <b>0</b>        |

### Investment Fund Outturn

Table 3 overleaf sets out the detailed outturn against the budget for the Investment Fund:

**Table 3 2020/21 Investment Fund Budget Outturn**

|                                     | 2020/21<br>Budget | 2020/21<br>Outturn | 2020/21<br>Variance |
|-------------------------------------|-------------------|--------------------|---------------------|
|                                     | £m                | £m                 | £m                  |
| <b>Expenditure</b>                  |                   |                    |                     |
| Business Case Development Fund      | 1.023             | 0.244              | (0.779)             |
| Workstreams                         | 12.750            | 5.466              | (7.284)             |
| Technical Support                   | 0.250             | 0.140              | (0.110)             |
| Corporate Contribution              | 1.400             | 1.400              | 0.000               |
| Corporate resource recharges        |                   | 0.238              | 0.238               |
| <b>Total Expenditure</b>            | <b>15.423</b>     | <b>7.488</b>       | <b>(7.935)</b>      |
| <b>Income</b>                       |                   |                    |                     |
| Total Income                        | (20.000)          | (20.000)           | 0.000               |
|                                     |                   |                    |                     |
| Net position (Income)/Expenditure   | (4.577)           | (12.512)           | (7.935)             |
| Transfer to Investment Fund Reserve | 4.577             | 12.512             | 7.935               |
| <b>Net Outturn Position</b>         | <b>0</b>          | <b>0</b>           | <b>0</b>            |

In totality the Investment Fund has committed £62.380m against 66 projects with a forecast to deliver 4,193 jobs.

**Table 4 Commitment against Investment Fund Thematic Area**

|                                        | Committed    | Allocation   | % Allocated   |
|----------------------------------------|--------------|--------------|---------------|
|                                        | £m           | £m           |               |
| Business                               | 37.2         | 45.30        | 82.12%        |
| People                                 | 9.49         | 17.30        | 54.86%        |
| Place                                  | 6.59         | 13.25        | 49.74%        |
| Major Strategic Economic Opportunities | 7.15         | 9.65         | 74.09%        |
| Business Case Development Fund         | 1.95         | 4.50         | 43.33%        |
|                                        | <b>62.38</b> | <b>90.00</b> | <b>69.31%</b> |

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.

## Brownfield Housing Fund

NTCA secured £23.850m from Government's £400m national Brownfield Housing Fund during 2020/21. The Brownfield Housing Fund is the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least 1,500 new homes, by remediating and revitalising brownfield sites across the North of Tyne area.

**Table 5 Brownfield Housing Funding Profile updated for Year 1 underspend**

|                                                                  | Total         | Year 1       | Year 2        | Year 3       | Year 4       | Year 5       |
|------------------------------------------------------------------|---------------|--------------|---------------|--------------|--------------|--------------|
|                                                                  | £m            | £m           | £m            | £m           | £m           | £m           |
| <b>Funding Profile</b>                                           | 24.000        | 5.000        | 8.100         | 6.700        | 3.100        | 1.100        |
| <b>Funding Profile with underspend carried forward to year 2</b> | 23.854        | 0.585        | 12.368        | 6.700        | 3.100        | 1.100        |
| <b>Projected Programme Spend</b>                                 | <b>26.184</b> | <b>0.585</b> | <b>11.693</b> | <b>6.925</b> | <b>6.687</b> | <b>0.293</b> |

## Adult Education Budget (AEB)

In August 2020 the NTCA took control of a £23.145m Adult Education Budget (AEB) for the academic year 2020/21, secured as part of the devolution deal. With Cabinet approval the devolved AEB was allocated to 29 education providers across 10 Grant Agreements and 21 Contracts for Services (via the establishment of a procurement framework).

**Table 6 Adult Education Budget 2020/21 Outturn**

|                                          | Academic Year August to March 2021 |                |                  |
|------------------------------------------|------------------------------------|----------------|------------------|
|                                          | Budget 2020/21                     | Actual 2020/21 | Variance 2020/21 |
| <b>AEB Outturn 2020/21</b>               |                                    |                |                  |
| <b>Expenditure</b>                       | <b>£m</b>                          | <b>£m</b>      | <b>£m</b>        |
| Grant Awards                             | 8.965                              | 9.282          | 0.317            |
| Procured Services                        | 3.884                              | 3.729          | (0.155)          |
| High Value Courses                       | 0.000                              | 0.137          | 0.137            |
| Swaps                                    | 0.000                              | 0.013          | 0.013            |
| Corporate Contribution                   | 0.396                              | 0.425          | 0.029            |
| <b>Total Expenditure</b>                 | <b>13.245</b>                      | <b>13.586</b>  | <b>0.341</b>     |
| <b>Income</b>                            |                                    |                |                  |
| Funding Sources                          | (13.245)                           | (13.586)       | (0.341)          |
| <b>Net position (Income)/Expenditure</b> | <b>0</b>                           | <b>0</b>       | <b>0</b>         |

## Reserves Statement

Reserves held at 31 March 2021 are set out in Table 7 below:

**Table 7 Reserves as at 31 March 2021**

| Reserves Statement                     | 2019/20       | Movement in Reserve | 2020/21       |
|----------------------------------------|---------------|---------------------|---------------|
|                                        | £m            | £m                  | £m            |
| Homeless Veteran Grant Reserve         | 0.091         | (0.091)             | 0             |
| Preparing to Exit Europe Grant         | 0.272         | (0.090)             | 0.182         |
| Business Rates Pilot 2019/20           | 4.909         | (4.909)             | 0             |
| Strategic Reserve                      | 0.200         | 0                   | 0.200         |
| Investment Fund Reserve                | 36.839        | 13.111              | 49.950        |
| <b>Total General (Usable) Reserves</b> | <b>42.311</b> | <b>8.021</b>        | <b>50.332</b> |

Usable Reserves have increased by £8.021m to £50.332m. The movement is due to the drawdown of the Business Rates Pilot Reserve to be paid back out to the three Constituent Authorities to provide support in relation to Covid-19 (£4.909m). The Homeless Veteran Grant (£0.091m) was drawn down and paid out in equal amounts to the three Constituent Authorities for specific delivery in line with grant objectives. Preparing to Exit Europe Grant of (£0.090m) was drawn down and paid over to the North East LEP for delivery in relation to Brexit.

## 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.

## North East Local Enterprise Partnership (NE LEP)

NTCA became the accountable body for the NE LEP on the 1 April 2020 and these accounts include details of its income and expenditure. The NE LEP brings together business leaders, universities, and the Leaders and Elected Mayor of the seven local authorities in the North East LEP area. It is the fourth largest LEP in the country and covers the seven local authorities in the North East area. It is responsible for promoting and developing economic growth in the area and works together with NTCA to ensure there is coordination across a range of activities. The North East LEP core budget covers operational activity and also management of the Local Growth Fund (LGF) programme and the new Getting Building Fund (GBF) other activities undertaken by the LEP and funded by additional income. Table 8 below provides a summary of actual spend against the revised budget for the year.

Table 8 2020/21 LEP Outturn Position

|                                                       | 2020/21                |                 |              |
|-------------------------------------------------------|------------------------|-----------------|--------------|
|                                                       | Revised Budget 2020/21 | Outturn 2020/21 | Variance     |
|                                                       | £'000                  | £'000           | £'000        |
| Employees                                             | 3,240                  | 2,981           | (259)        |
| Premises                                              | 207                    | 213             | 6            |
| Communications                                        | 250                    | 261             | 11           |
| Transport LGF Monitoring                              | 26                     | 25              | (1)          |
| Growth Hub Operational Costs                          | 74                     | 73              | (1)          |
| Invite (Horizon 2020) Operational Costs               | 72                     | 72              | 0            |
| Innovation Challenge - Covid                          | 464                    | 151             | (313)        |
| Other Operational Costs                               | 636                    | 365             | (271)        |
| North East Ambition Operational Costs (ESF)           | 144                    | 132             | (12)         |
| North East Ambition Operational Costs (LGF)           | 0                      | 302             | 302          |
| Growth Hub Covid-19 & Cluster Management              | 309                    | 281             | (28)         |
| Peer Networks                                         | 510                    | 253             | (257)        |
| Covid Intelligence                                    | 40                     | 45              | 5            |
| LGF High Potential Operational                        | 164                    | 148             | (16)         |
| EU Transition Advisory Resource & Business Engagement |                        | 89              | 89           |
| Brexit Policy Work Programme (Strategy & Policy)      | 73                     | 41              | (32)         |
| Mine Energy White Paper                               | 45                     | 45              | (0)          |
| Energy LGF                                            | 23                     | 23              | 0            |
| Feasibility Study (AHSN + LGF)                        | 33                     | 33              | 0            |
| Skills Other Operational Costs (EY)(L6040)            | 136                    | 12              | (124)        |
| CEC operational (L6030)                               | 65                     | 65              | 0            |
| CITE Primary (L6045)                                  | 69                     | 50              | (19)         |
| DfE                                                   | 52                     | 14              | (38)         |
| DfE One Vision                                        | 42                     | 57              | 16           |
| Inward Investment Contribution                        | 140                    | 140             | 0            |
| EZ NEIF Costs                                         |                        | 126             | 126          |
| LGF Project Management                                | 78                     | 173             | 95           |
| Getting Building Fund Project Management              | 205                    | 177             | (29)         |
| <b>GROSS EXPENDITURE</b>                              | <b>7,097</b>           | <b>6,345</b>    | <b>(752)</b> |
| LEP Core & Strategy Grant from DCLG                   | (500)                  | (500)           | 0            |
| GBF Capacity Funding                                  | (100)                  | (100)           | 0            |
| Local Authority Match Contributions                   | (250)                  | (250)           | 0            |
| <b>CORE FUNDING</b>                                   | <b>(850)</b>           | <b>(850)</b>    | <b>0</b>     |
| Local Growth Fund (programme mgmt costs)              | (747)                  | (769)           | (22)         |
| Getting Building Fund                                 | (357)                  | (296)           | 61           |
| Interest Generated on Funds                           | (140)                  | (191)           | (51)         |
| Growth Hub                                            | (410)                  | (410)           | 0            |
| Growth Hub Covid-19/Cluster Management                | (370)                  | (312)           | 58           |
| Peer Networks                                         | (510)                  | (273)           | 237          |
| Enterprise Adviser grant - CEC                        | (279)                  | (302)           | (23)         |
| Enterprise Adviser grant - CEC (Non-salary)           | (255)                  | (65)            | 190          |
| CITE Primary                                          | (70)                   | (50)            | 20           |
| Invite (Horizon 20/20)                                | (74)                   | (86)            | (12)         |
| Innovation Challenge Covid                            | (464)                  | (151)           | 313          |
| Innovation Development funding (LGF)                  | (79)                   | (79)            | 0            |
| ERDF + Digital Catapult                               | (36)                   | (30)            | 6            |
| Academic Health Science Network (AHSN)                | (45)                   | (40)            | 4            |
| Feasibility Study                                     | (33)                   | (33)            | (0)          |
| NEIF Contribution to cover activity costs             | (124)                  | (173)           | (49)         |
| EZ Contribution to cover activity costs               | (139)                  | (169)           | (30)         |
| Education Challenge                                   | (144)                  | (29)            | 115          |
| European Social Fund North East Ambition              | (547)                  | (726)           | (179)        |
| LGF match North East Ambition (ESF project)           | (314)                  | (302)           | 12           |
| EY Foundation                                         | (166)                  | (12)            | 153          |
| DfE                                                   | (87)                   | (25)            | 62           |
| LA Contributions re ESIF Co-ordinator                 | (20)                   | (18)            | 2            |
| LGF High Potential                                    | (211)                  | (189)           | 22           |
| EU Transition Advisory Resource and Engagement        |                        | (25)            | (25)         |
| EU Transition Business Engagement                     |                        | (84)            | (84)         |
| Brexit Policy Work Programme                          | (146)                  | (99)            | 47           |
| Energy Strategy BEIS / TVCA, RCEF, OREC               | (322)                  | (264)           | 58           |
| DFE - One Vision                                      |                        | (130)           | (130)        |
| Contribution Pension - NTCA                           | (147)                  | (129)           | 18           |
| Other Income                                          | (23)                   | (44)            | (21)         |
| <b>EXTERNAL FUNDING</b>                               | <b>(6,257)</b>         | <b>(5,505)</b>  | <b>752</b>   |
| <b>GROSS INCOME</b>                                   | <b>(7,107)</b>         | <b>(6,355)</b>  | <b>752</b>   |
| <b>NET BUDGET</b>                                     | <b>(11)</b>            | <b>(10)</b>     | <b>(0)</b>   |
| <b>BROUGHT FORWARD BALANCE</b>                        | <b>(603)</b>           | <b>(603)</b>    |              |
| <b>Use or (Contribution) LEP Reserves</b>             | <b>(11)</b>            | <b>(10)</b>     |              |
| <b>CARRY FORWARD BALANCE</b>                          | <b>(614)</b>           | <b>(613)</b>    |              |

Total revenue expenditure amounted to £6.345m, which was within the revised budget for the year. There was a small surplus of £0.010m for the year, which was as per the revised budget position with LEP reserves of £0.613m to be carried into 2021/22. Considerable additional business support and advice was provided by the LEP's North East Growth Hub in the run up to Brexit and towards the year end in relation to the impact of the Covid-19 pandemic and this additional work was undertaken by existing staff and resources.

## **Local Growth Fund and North-East Investment Fund**

The LGF programme delivered over £19m of activity during 2020/21 across the Strategic Economic Plan (SEP) themes making full use of all LGF grant available for the year and cumulatively. This is considered a very good performance by MHCLG.

### **North East Investment Fund**

The NEIF initial £55m allocation was made up of £25m Growing Places and £30m Regional Growth Funding. The Regional Growth Funding (RGF) project had originally tighter restrictions on the use of the funding, however, the North East LEP has worked with MHCLG on closing the original RGF programme and releasing this funding to be used to support the Commercial Property Development Fund (CPIF). The NEIF supports a number of projects through loans which are now making repayments, recycling the funding available for reinvestment in new projects and other opportunities.

### **Enterprise Zones**

Round 1 Enterprise Zones are located across four local authority areas: Newcastle, North Tyneside, Northumberland, and Sunderland. Business rates growth generated on these designated sites accrues to the benefit of the North East LEP for a 25-year period, 2020/21 was the eighth year of the Round 1 zones' life.

In April 2017 these were joined by a further ten sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1st April 2018 to complete the coverage. With the exception of the IAMP, it is the fourth year of the round 2 sites life. Ramparts (Northumberland) and Follingsby North (Gateshead) have generated Business Rates Growth Income during 2020/21, as the result of occupation on parts of the sites requiring no capital investment to enable occupation to occur.

Table 9 below provides a summary of the Enterprise Zone account over the last three years and a summary of the position for 2020/21 compared with a budget reported in January 2021. Business Rate Income for 2020/21 and interest amounted to £2.614m and was higher than the budget of £2.4m reported in May 2020. Income was slightly lower than the revised estimate reported in January 2021 of £2.719m mainly because new buildings on the Airport site and the IAMP site had not been issued with rateable values during the year. The income from these two buildings estimated for the time that they were open in 2020/21 is estimated at c. £0.34m and should be received in 2021/22. The income figure for North Tyneside\* is an estimate, which will be confirmed shortly. Expenditure was also below the budget, which resulted in an increased surplus for the year of £0.645m and a cumulative surplus of £3.692m.

**Table 9 Enterprise Zone Account**

|                                                  | Actual<br>2017/18<br>£000 | Actual<br>2018/19<br>£000 | Actual<br>2019/20<br>£000 | Budget<br>2020/21<br>£000 | Actual<br>2020/21<br>£000 | Variance<br>£000 |
|--------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|------------------|
| <b>Business Rates<br/>Income</b>                 |                           |                           |                           |                           |                           |                  |
| <b>Round 1</b>                                   |                           |                           |                           |                           |                           |                  |
| Newcastle – North<br>Bank                        | 437                       | 501                       | 508                       | 483                       | 537                       | 54               |
| North Tyneside –<br>Swans                        | 160                       | 194                       | 160                       | 138                       | 180*                      | 42               |
| Northumberland-<br>Blyth sites                   | 321                       | 334                       | 308                       | 309                       | 334                       | 25               |
| Sunderland – A19<br>Corridor                     | 708                       | 750                       | 752                       | 754                       | 628                       | (126)            |
| <b>Round 2</b>                                   |                           |                           |                           |                           |                           |                  |
| Durham - Jade                                    |                           |                           |                           | 46                        | 51                        | 5                |
| Gateshead -<br>Follingsby                        |                           |                           | 242                       | 217                       | 255                       | 38               |
| Northumberland-<br>Ramparts                      |                           | 40                        | 40                        | 38                        | 34                        | (4)              |
| Sunderland & South<br>Tyneside - IAMP            |                           |                           |                           | 667                       | 581                       | (86)             |
| <b>Total Rates Income</b>                        | <b>1,626</b>              | <b>1,819</b>              | <b>2010</b>               | <b>2,704</b>              | <b>2,600</b>              | <b>(104)</b>     |
| Interest                                         | 11                        | 25                        | 20                        | 15                        | 14                        | (1)              |
| Grant income                                     | 30                        |                           |                           |                           |                           |                  |
| <b>Total Income</b>                              | <b>1,667</b>              | <b>1,844</b>              | <b>2030</b>               | <b>2,719</b>              | <b>2,614</b>              | <b>(105)</b>     |
| <b>Expenditure</b>                               |                           |                           |                           |                           |                           |                  |
| NEIF/LGF Loan<br>repayments                      | 1,302                     | 1,238                     | 1,438                     | 651                       | 651                       | -                |
| Other Financing<br>Costs (including<br>interest) | 0                         | 235                       | 258                       | 1,450                     | 1,154                     | (296)            |
| Invest North East<br>Contribution                | 148                       | 71                        | 66                        | 170                       | 65                        | (105)            |
| Operating Costs                                  | 112                       | 100                       | 128                       | 150                       | 99                        | (51)             |
| <b>Total Costs</b>                               | <b>1,562</b>              | <b>1,644</b>              | <b>1,890</b>              | <b>2,421</b>              | <b>1,969</b>              | <b>(452)</b>     |
| <b>Annual Surplus</b>                            | <b>105</b>                | <b>200</b>                | <b>140</b>                | <b>298</b>                | <b>645</b>                | <b>347</b>       |
| <b>Cumulative Surplus</b>                        | <b>2,707</b>              | <b>2,907</b>              | <b>3,047</b>              | <b>3,345</b>              | <b>3,692</b>              | <b>347</b>       |

## Invest North East England (INEE)

NTCA became the accountable body for Invest North East England (INEE) as of 1 April 2020.

Invest North East England acts as the strategic inward investment service in the North East. It works collaboratively with its seven local authority partners, two combined authorities, and other key stakeholders such as the North East LEP, Department of International Trade, and Universities to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses.

Operationally, INEE's work has a few key guiding principles:

- INEE's primary function is to focus on attracting new inward investment to the North East (rather than seeking to secure re-investment in existing companies)
- INEE works closely with, and on behalf of, all seven constituent authorities,

its aim being to maximise levels of inward investment regardless of location in North East (a 'North East First' principle).

- INEE activity aims not to duplicate but add value to activities undertaken by the constituent local authorities.
- INEE engages in proactive lead generation activity which is sector-based, focussed on: Digital Technology; Energy; Life Sciences; Advanced Manufacturing; Financial, Professional and Business Services.
- INEE focus of activity will be on strategic inward investment projects which require regional-level promotion, coordination, and collaboration in the first instance, before a focus on a specific site.
- As far as possible, INEE will aim to attract investment opportunities which will lead to significant numbers of high-quality jobs (more and better jobs).

## Performance

After a very challenging year, dealing with the negative impact on inward investment of the Covid-19 pandemic and Brexit, the INEE Team is confident that 2021/22 will bring increased activity. The Team is involved in several very significant projects and is developing new approaches with partners in a number of areas including developing strategies to attract new north shoring and electrification projects, as well as significant offshore wind supply chain activity.

The Invest North East England Budget is supported from the seven Local Authority Contributions of £20,000 each (£140,000) and the North East LEP through interest on investment income (£140,000) and any balance, in 2020/21 £61,756 from North East Investment Fund (NEIF). The Outturn for 20-21 and the proposed budget for 2021-22 is set out in Table 10 below.

**2020-21 Outturn and 2021/22 Budget Invest North East England**

| Invest North East England (INEE)               | 2020-21<br>Original<br>Budget<br>£ | 2020-21<br>Actual<br>£ | 2020-21<br>Variance<br>£ | 2021-22<br>Original<br>Budget<br>£ |
|------------------------------------------------|------------------------------------|------------------------|--------------------------|------------------------------------|
| <b>Expenditure</b>                             |                                    |                        |                          |                                    |
| Salaries                                       | 166,000                            | 165,194                | (806)                    | 166,000                            |
| Staff training                                 | 2,000                              | 0                      | (2,000)                  | 2,000                              |
| Travel Subsistence (Inc. International Travel) | 9,000                              | 8,832                  | (168)                    | 9,000                              |
| Web, telecoms and computing                    | 8,000                              | 1,999                  | (6,001)                  | 8,000                              |
| Marketing/Comms/Events                         | 100,000                            | 40,840                 | (59,160)                 | 100,000                            |
| Membership Fees                                | 3,000                              | 2,815                  | (185)                    | 3,000                              |
| Visit Hospitality costs                        | 7,000                              | 30                     | (6,970)                  | 7,000                              |
| Professional Consultancy                       | 20,000                             | 14,950                 | (5,050)                  | 20,000                             |
| Lead generation / representation               | 110,000                            | 71,290                 | (38,710)                 | 110,000                            |
| Research resource licenses                     | 25,000                             | 24,000                 | (1,000)                  | 25,000                             |
| Propositions refresh                           | 10,000                             | 17,500                 | 7,500                    | 10,000                             |
| <b>Total Expenditure</b>                       | <b>460,000</b>                     | <b>347,450</b>         | <b>(112,550)</b>         | <b>460,000</b>                     |
| <b>Income</b>                                  |                                    |                        |                          |                                    |
| Local Authority contributions                  | (140,000)                          | (140,000)              | 0                        | (140,000)                          |
| Private sector contributions to events         | (10,000)                           | (6,306)                | 3,694                    | (10,000)                           |
| North East LEP                                 | (310,000)                          | (201,144)              | 108,856                  | (310,000)                          |
| <b>Total Income</b>                            | <b>(460,000)</b>                   | <b>0</b>               | <b>112,550</b>           | <b>(460,000)</b>                   |

## **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 including the North East LEP and INEE, it 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 Comprehensive Income & Expenditure Statement is showing a surplus of (£28.875m) for the year ended 31 March 2021.

### **Balance Sheet**

The Balance Sheet is set out on page 6 within the Statement of Accounts. The net assets of the Combined Authority are £178.714m for the year ended 31 March 2021 and are financed by Usable Reserves of £124.373m and Unusable Reserves of £54.341m. More details of the reserves contained on the Balance Sheet are shown in Notes 23 and 25. 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 75.

During the year Nexus invested £83.449m 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 £472.701m, adequate to cover both short-term fluctuations and future commitments from usable 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 2021 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population – 55.46% in the NECA accounts and 44.54% in the NTCA accounts.

## **Non-Financial Performance of the Authority**

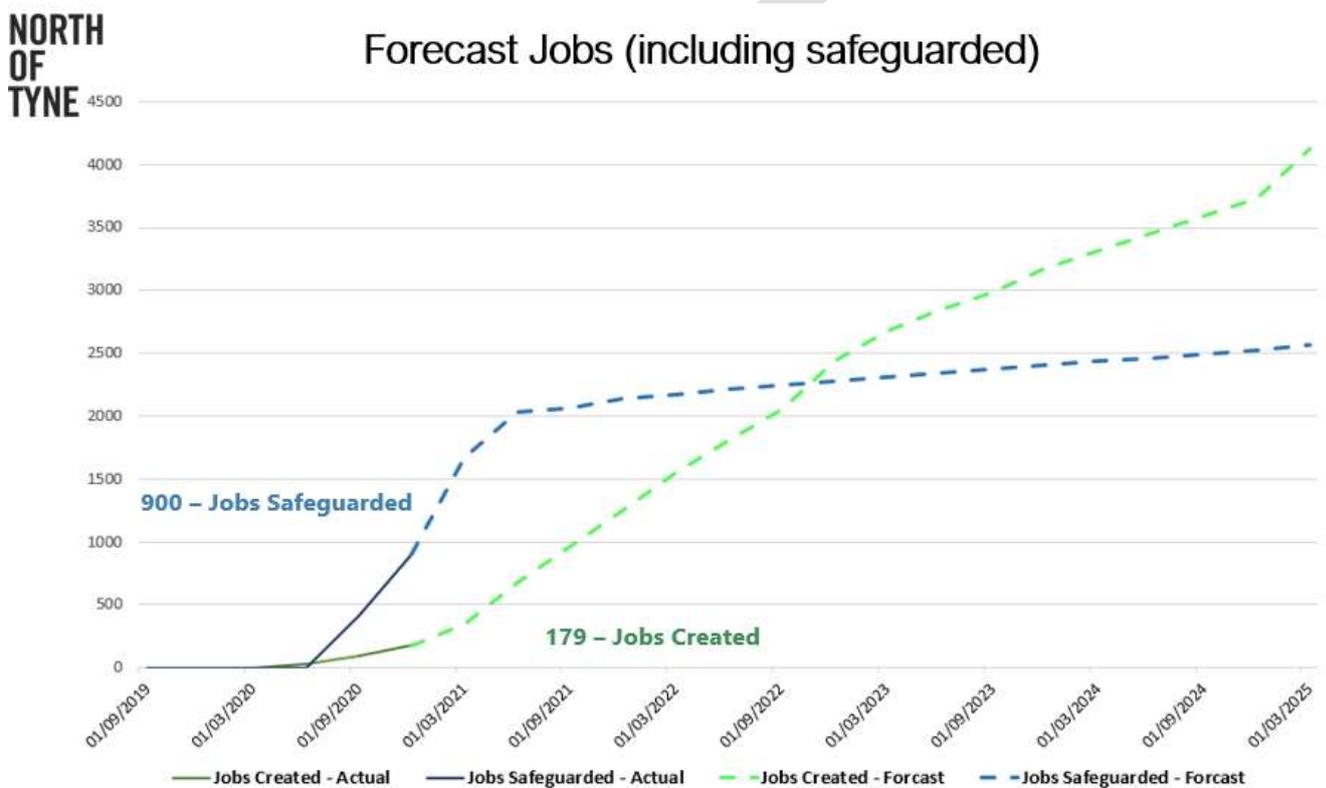
### **Investment Fund non-financial performance**

As at the end of financial year 2020/21 the Investment Fund total commitments stood at £62.380m against 66 live contracts. A strong pipeline of high-quality projects is in development with several significant investments planned over the coming months. This includes interventions to grow our digital and ageing sectors, as well support for our residents, creating opportunities to develop new skills and progress into employment

To date the Combined Authority has achieved:

- A commitment of £62.38m against 66 live projects – out of a total programme value of £90m to March 2023
- These projects will attract £193m of private sector leverage and are forecast to deliver 4193 jobs and safeguard a further 2673.
- Of these, the first 179 new jobs have been created and 900 safeguarded.

The Chart below shows the trajectory of forecast jobs and safeguarded jobs.



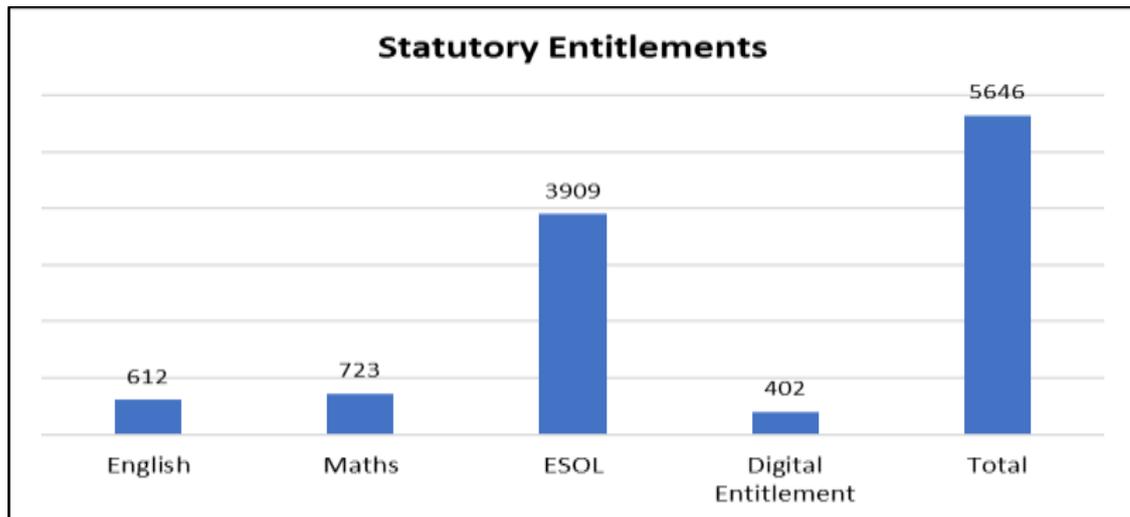
### Brownfield Housing Non-financial Performance

- Contracted projects are forecasting the creation of 1402 housing units with the extended pipeline accounting for 4171. Our contracted target with MHCLG is 1500.
- Contracted projects will remediate 23.42 hectares of Brownfield land which will be either reclaimed, re-developed or resembled.

### Adult Education Budget Non-financial Performance

- By April 2021, over 18,000 enrolment opportunities have been delivered or are being undertaken, an increase of 2000 enrolment opportunities on the previous month.

This is shown below as per constituent authority.



## Key Priorities and upcoming Milestones

The NTCA Corporate Plan outlined the following commitments below:

### Clear investment and delivery plans for these issues will be brought through Cabinet during the next year:

**Northumberland Line Economic Corridor Investment** – a bold joint NTCA-Govt package supporting Northumberland Line economic corridor strategic sites – with clear investment priorities within each Authority and potential to accelerate housing and skills progress.

**Clean Energy 'Arc of Innovation' Funding Package** – an investment package securing growth and skills gains from Blyth, BV and Tyne Corridor – ensuring we are ready to take advantage of the investment potential of our clean energy sector and supply chain.

**Expansion of our North of Tyne Digital fund** – including NTCA 5G – expansion of our £20m digital programme – securing further rural connectivity, 5G, digital business growth and strong public sector digital collaboration to drive recovery, inclusion and growth.

**Investment Vehicle for new jobs through Health Innovation** – creating strong incentives for health and public service innovation, start-up, job and cluster creation – building on our National Innovation Centres and strong health R&D base.

**City, Towns, High Streets and Rural Recovery** – expansion of recovery and innovation support augmenting Govt schemes and supporting our places, sectors and specific housing sites. This may include a future high streets and city centre funding component.

**Skills for Growth and Inclusive Economy Innovation Fund** – expanding our funding to tackle unemployment, augment AEB & education improvement programmes, and leverage large-scale social investment.

**'Reawakening the Tyne' investment plan** – including flagship investments building on our 'North Bank of the Tyne' prospectus and North Shields Masterplan area.

**Investment in Climate Action** – following through on our citizens assembly, green economy summit, and collaborative working to support net zero transition in key industries and sectors

**Building our Small Business Base** – exploring ways of supporting SMEs, social enterprise and community-owned enterprise and support local supply chain innovation

## Our role in regional transport

The NTCA exercises shared transport powers through the North East's Joint Transport Committee, and delivers these priorities through strong cross-regional and cross-sector collaboration. Cabinet's priorities include:



### Maximising investment in our network

– including through access to the Intra-City Transport Fund, augmented bus partnership funding, future Metro revenue and capital, and through securing the remaining funding component of the Northumberland Line



### Supporting major cross-regional priorities

– such as East Coast Mainline upgrade, Leamside Line, Metro extension programme and sustainable rural bus networks.



**Prioritising active travel and efforts to reduce CO2 emissions across the network** – including through cycling and walking programmes, smart travel and future mobility initiatives.



### Creating strong incentives to augment digital connectivity

– both through NTCA's investment programmes, and across the North East more widely.

The NTCA team continue to work closely with the Transport North East team to realise these priorities.

## Significant issues relating to 2021/22 and beyond

The 2021/22 Budget was prepared in exceptional circumstances. Nationally, the Comprehensive Spending Review (CSR), which sets out the Government's spending plans over the next three years, was delayed, a one-year spending round was announced by the Chancellor on 25 November 2020. The Combined Authority's request for further devolution was clearly set out in the submission to the CSR however, there was no firm response on this matter.

When the 2020/21 Budget and MTFP were agreed in February, nobody could have predicted the financial impact of the Covid-19 pandemic both nationally and locally. Reports published by both the Office for National Statistics and the Office for Budget Responsibility describe the significant economic impact that Covid-19 has had on public sector finances, this impact has also been felt locally.

Throughout the response to the pandemic, the Combined Authority has worked with Regional colleagues to support the submission for Recovery Support and Finance for the North East. In addition, the Combined Authority took a proactive approach to support for particular sectors impacted by the Pandemic, some examples of this include the continuation of the support to enhance short-term skills, jobs, and inclusive economy interventions – Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector. An allocation of £10.000m of Investment Funds has been made to proceed with a North of Tyne Recovery Innovation Deal to supporting our businesses, social enterprises, and Local Authorities to

proactively innovate business models and sustain jobs in sectors that have been hit by the crisis.

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. 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 commitments 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. 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.

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

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

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

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

Publication of the Government's Integrated Rail Plan (IRP) is still awaited. This will give greater clarity on future priorities for investment in key connections such as the East Coast Main Line.

Further improvements to infrastructure for Electric Vehicles, including the new Electric Vehicle filling station in Sunderland, have been delivered as part of the Go Ultra Low (North East) project. Further funding has now also been secured by the North East Joint Transport Committee from the Local Growth Fund to fund further expansion of the network of charge points available.

It is estimated that increases in traffic levels at the Tyne Tunnels will occur at each stage of lockdown easing in spring/summer 2021, but there is no certainty that traffic levels will again reach the previous pre-Covid-19 levels. Many businesses and individuals have changed their journey habits due to Covid-19, for example shifts in modes of transport, more online meetings and more home-working, all of which may mean fewer journeys overall on a permanent basis.

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

The cross-partner North East Brexit Group continues to meet and provides a forum for sharing intelligence across sectors. This information and intelligence have 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 indicates that resident populations shall be used as a basis of apportionment.

For the 2020/21 accounts the mid-year estimated population published by the Office of National Statistics as at June 2018 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2021 is shown in Table 11 below.

**Table 11 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA**

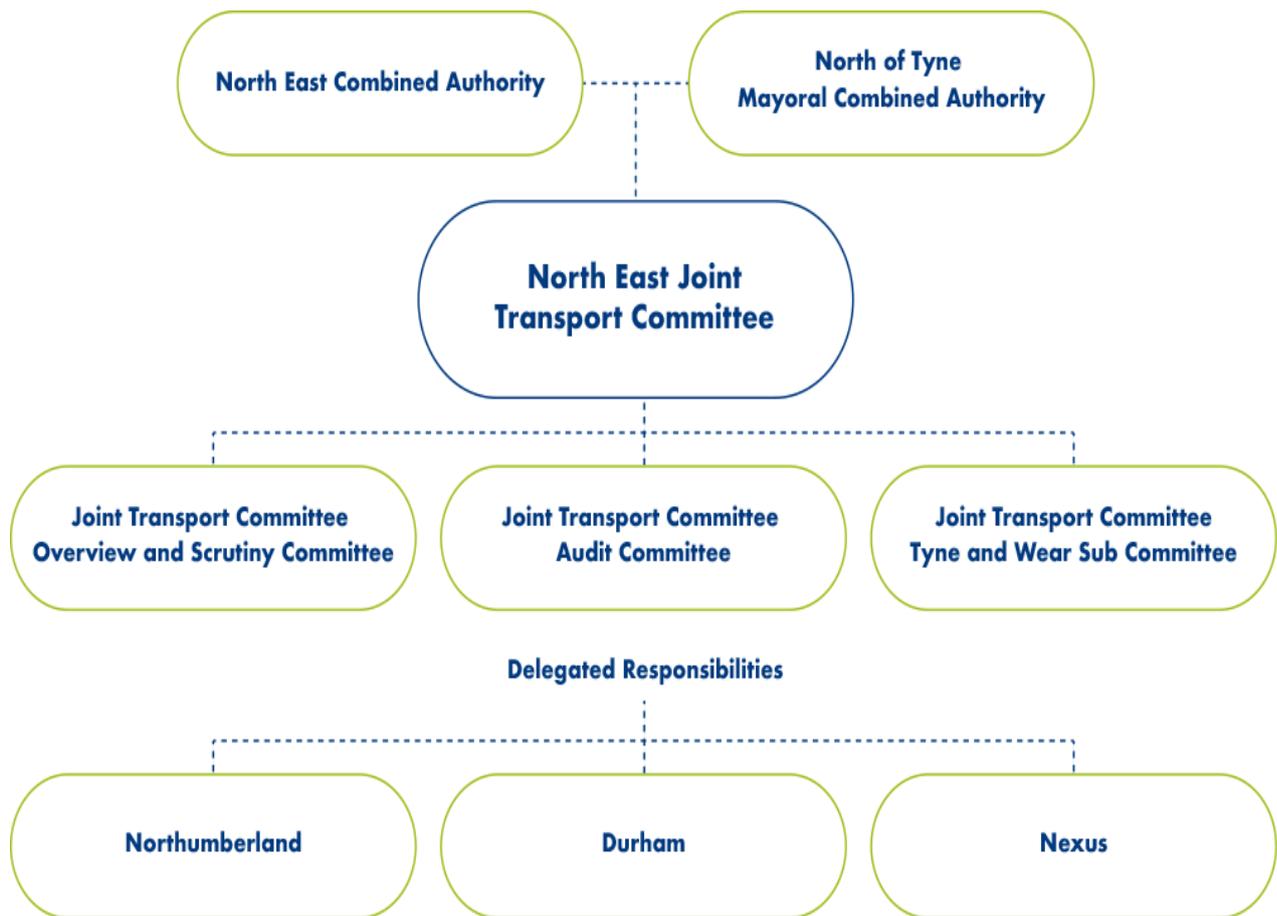
|                            | Mid-Year 2018<br>Population | Proportion |
|----------------------------|-----------------------------|------------|
|                            | People                      | Proportion |
| <b>NECA</b>                |                             |            |
| - Gateshead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

## 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 overleaf.



**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.

Table 12 overleaf shows Tyne Tunnel Flow data shows a small increase in traffic in 2020/21 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 12: Tyne Tunnel Traffic Flow data**

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

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

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

### **Tyne and Wear Passenger Transport Executive – Nexus**

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

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

## 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.

The Chartered Institute of Public Finance and Accountancy (CIPFA) 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 these are:

- 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.

### NTCA Staffing

There are now 48 staff directly employed by the Combined Authority, reflecting an increase in numbers of projects and programmes, resulting in recruitment of a number of temporary posts to lead on the delivery of the projects. A workforce planning exercise is currently being undertaken with the aim of creating a long-term staffing plan set within the context of a consistent set of agreed principles appropriate for the authority.

**Table 13 – Change in Staffing numbers during 2020/21**

|         | <b>NTCA Employees at the year end</b> | <b>North East LEP Employees at year end</b> | <b>Invest North East Employees at year end</b> |
|---------|---------------------------------------|---------------------------------------------|------------------------------------------------|
| 2020/21 | 48                                    | 62                                          | 3                                              |
| 2019/20 | 34                                    | 56*                                         | 3*                                             |
| 2018/19 | 1                                     | 39*                                         | 3*                                             |

- As per North East Combined Authority Narrative Report

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency, and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2021/22, available on the NTCA website [Cabinet-26-January-2021](#) 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 (S73 Officer)**

**North of Tyne Combined Authority**  
**Draft Statement of Accounts**  
**2020/21**

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# 1.0 Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the officer is the Chief Finance Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('The Code').

In preparing this Statement of Accounts the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts for the period ended 31 March 2021, required by the Accounts and Audit Regulations 2015 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2021.

**Signed:**

**Janice Gillespie**

**Chief Finance Officer (Section 73 Officer)**

**Date:**

## 2.0 Core Financial Statements and Explanatory Notes

DRAFT

## 2.1 Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Total Comprehensive Income and Expenditure line shows the accounting cost of providing the Combined Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance. The net increase or decrease before transfers to earmarked reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Combined Authority.

|                                                                        |    | General Fund Balances | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|------------------------------------------------------------------------|----|-----------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|
|                                                                        |    | £000                  | £000               | £000                     | £000                     | £000                  | £000              | £000                     |
| <b>Balance at 31 March 2019</b>                                        |    | <b>(9,643)</b>        | <b>(26,972)</b>    | <b>-</b>                 | <b>(4,167)</b>           | <b>(40,782)</b>       | <b>(39,338)</b>   | <b>(80,120)</b>          |
| Total Comprehensive Income & Expenditure                               |    | (28,563)              | -                  | -                        | -                        | (28,563)              | 196               | (28,367)                 |
| Adjustments between accounting basis & funding basis under regulations |    | 3,611                 | -                  | -                        | (1,683)                  | 1,928                 | (1,928)           | -                        |
| (Increase)/ decrease in year                                           |    | (24,952)              | -                  | -                        | (1,623)                  | (26,635)              | (1,732)           | (28,367)                 |
| Transfers (to)/from Earmarked Reserves                                 | 24 | 23,904                | (23,904)           | -                        | -                        | -                     | -                 | -                        |
| <b>Balance at 31 March 2020 carried forward</b>                        |    | <b>(10,691)</b>       | <b>(50,876)</b>    | <b>0</b>                 | <b>(5,850)</b>           | <b>(67,417)</b>       | <b>(41,070)</b>   | <b>(108,487)</b>         |
| Transfer of balances from NECA at 1 April 2020                         | 2  | <b>(649)</b>          | <b>(17,841)</b>    | <b>(8,889)</b>           | <b>(249)</b>             | <b>(27,628)</b>       | <b>(13,724)</b>   | <b>(41,352)</b>          |
| Total Comprehensive Income & Expenditure                               |    | (30,707)              | -                  | -                        | -                        | (30,707)              | 1,832             | (28,875)                 |
| Adjustments between accounting basis & funding basis under regulations |    | 18,572                | -                  | -                        | (17,193)                 | 1,379                 | (1,379)           | -                        |
| (Increase)/ decrease in year                                           |    | (12,135)              | -                  | -                        | (17,193)                 | (27,492)              | 453               | (28,875)                 |
| Transfers (to)/from Earmarked Reserves                                 | 24 | 17,289                | (17,289)           | -                        | -                        | -                     | -                 | -                        |
| <b>Balance at 31 March 2021 carried forward</b>                        |    | <b>(6,186)</b>        | <b>(86,006)</b>    | <b>(8,889)</b>           | <b>(23,292)</b>          | <b>(124,373)</b>      | <b>(54,341)</b>   | <b>(178,714)</b>         |

## 2.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount charged to the General Fund which is set out in the Movement in Reserves Statement.

As part of the creation of the Combined Authority (NTCA) it was stated that a Joint Transport Committee (JTC) must be appointed which is endowed with the powers of the Integrated Transport Authority, which were previously endowed upon the North East Combined Authority (NECA) when the seven Local Authorities were part of it. NECA was appointed as the accountable body for the JTC.

NECA as the accountable body must split revenue, expenditure, assets and liabilities into those which relate to NECA and NTCA. The accounts for the Combined Authority thereby include a split of all income and expenditure relating to transport activity associated with the constituent authorities of North of Tyne.

| 2019/20           |                   |                 |                                                     | 2020/21           |                   |                 |
|-------------------|-------------------|-----------------|-----------------------------------------------------|-------------------|-------------------|-----------------|
| Gross Exp<br>£000 | Gross Inc<br>£000 | Net Exp<br>£000 | Note                                                | Gross Exp<br>£000 | Gross Inc<br>£000 | Net Exp<br>£000 |
| 735               | -                 | 735             | Investment Fund                                     | 5,898             | (66)              | 5,832           |
| 3,677             | (6,047)           | (2,370)         | Corporate Costs                                     | 11,443            | (2,328)           | 9,115           |
| 136               | (382)             | (246)           | Adult Education Budget                              | 13,405            | (14,640)          | (1,235)         |
| 51,532            | (25,705)          | 25,827          | Joint Transport Committee                           | 57,430            | (39,097)          | 18,333          |
|                   |                   |                 | <u>Services transferred from NECA</u>               |                   |                   |                 |
|                   |                   |                 | Invest North East                                   | 534               | (438)             | 96              |
| -                 | -                 | -               | Local Enterprise Partnership                        | 47,896            | (15,278)          | 32,618          |
| <b>56,080</b>     | <b>(32,134)</b>   | <b>23,946</b>   | <b>Cost of Services</b>                             | <b>136,606</b>    | <b>(71,847)</b>   | <b>64,759</b>   |
| 3,289             | (1,080)           | 2,209           | Financing and Investment Income and Expenditure     | 3,295             | (2,060)           | 1,235           |
| -                 | (54,718)          | (54,718)        | Taxation and Non-Specific Grant Income              | -                 | (96,701)          | (96,701)        |
| <b>59,369</b>     | <b>(87,932)</b>   | <b>(28,563)</b> | <b>Surplus on Provision of Service</b>              | <b>139,901</b>    | <b>(170,608)</b>  | <b>(30,707)</b> |
|                   |                   | 196             | Other Comprehensive Income and Expenditure          |                   |                   | 1,832           |
|                   |                   | <b>(28,367)</b> | <b>Total Comprehensive Income &amp; Expenditure</b> |                   |                   | <b>(28,875)</b> |

## 2.3 Balance Sheet as at 31 March 2021

The Balance sheet shows the values as at the Balance Sheet date, 31 March each year, of the assets and liabilities recognised by the Combined Authority. The Net Assets of the Combined Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories – Usable and Unusable. Unusable Reserves includes 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 in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

| 31 March<br>2020<br>£000 |                              | Note | 31 March<br>2021<br>£000 |
|--------------------------|------------------------------|------|--------------------------|
| 153,621                  | Property, Plant & Equipment  | 14   | 153,133                  |
| 15,595                   | Long Term Debtors            | 18   | 28,184                   |
| <b>169,216</b>           | <b>Long Term Assets</b>      |      | <b>181,317</b>           |
| 35,581                   | Short Term Investments       | 15   | 142,617                  |
| 6,532                    | Short Term Debtors           | 17   | 11,487                   |
| 42,704                   | Cash & Cash Equivalents      | 19   | 39,055                   |
| <b>84,817</b>            | <b>Current Assets</b>        |      | <b>193,159</b>           |
| (1,032)                  | Short Term Borrowing         | 15   | (21,023)                 |
| (27,606)                 | Short Term Creditors         | 20   | (51,624)                 |
| (427)                    | Grants Receipts in Advance   | 9    | (2,696)                  |
| (2,256)                  | Public Private Partnerships  | 21   | (2,268)                  |
| <b>(31,321)</b>          | <b>Current Liabilities</b>   |      | <b>(77,611)</b>          |
| (75,595)                 | Long Term Borrowing          | 16   | (75,724)                 |
| (38,345)                 | Public Private Partnerships  | 21   | (36,292)                 |
| -                        | Provisions                   |      | (1,148)                  |
| (285)                    | Pension Liability            | 22   | (4,987)                  |
| <b>(114,225)</b>         | <b>Long Term Liabilities</b> |      | <b>(118,151)</b>         |
| <b>108,487</b>           | <b>Net Assets</b>            |      | <b>178,714</b>           |
|                          | <b>Financed By:</b>          |      |                          |
| (67,417)                 | Usable Reserves              | 23   | (124,373)                |
| (41,070)                 | Unusable Reserves            | 25   | (54,341)                 |
| <b>(108,487)</b>         | <b>Total Reserves</b>        |      | <b>(178,714)</b>         |

I certify that the Statement of Accounts for the period ended 31 March 2021, required by the Accounts and Audit Regulations 2015 give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2021.

**Signed:**

**Date:**

Janice Gillespie, Chief Finance Officer (Section 73 Officer)

## 2.4 Cash Flow Statement for period ended 31 March 2021

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The Statement shows how the Combined 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 Combined 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 Combined Authority.

| 2019/20<br>£000 |                                                                                                                            | Note | 2020/21<br>£000 |
|-----------------|----------------------------------------------------------------------------------------------------------------------------|------|-----------------|
| 28,563          | Net surplus on the provision of services                                                                                   |      | 30,707          |
| (7,588)         | Adjustments to net surplus on the provision of services for non- cash movements                                            | 27   | 10,395          |
| (11,034)        | Adjustments for items included in the net surplus on the provision of services that are investing and financing activities | 27   | (67,330)        |
| <b>9,914</b>    | <b>Net Cash Flows from Operating Activities</b>                                                                            |      | <b>(26,228)</b> |
| 1,651           | Net Cash flow from Investing Activities                                                                                    | 28   | (38,879)        |
| 1,963           | Net Cash flow from Financing Activities                                                                                    | 29   | 20,106          |
| <b>13,555</b>   | <b>Net Increase in cash and cash equivalents</b>                                                                           |      | <b>(45,001)</b> |
| 29,149          | Cash and cash equivalents at the beginning of the reporting period                                                         | 19   | 42,704          |
| -               | Transfer from NECA in respect Local Enterprise Partnership balances                                                        | 2    | 41,352          |
| <b>42,704</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>                                                        |      | <b>39,055</b>   |

## 2.5 Index to the Notes to the Financial Statements

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## 1. Narrative Explanatory Note on Devolution

### Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority

On 2 November 2018, under the terms of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 a new entity, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority was created known as North of Tyne Combined Authority (NTCA).

At this date, Newcastle City Council, North Tyneside Metropolitan District Council and Northumberland County Council ceased to be members of the North East Combined Authority and became a member of the new NTCA; and the business of the North East Combined Authority, and the associated assets and liabilities, relating to the geography of Newcastle upon Tyne, North Tyneside and Northumberland transferred to the new NTCA.

Under the Order, it is stated that NECA and NTCA must appoint a Joint Transport Committee (JTC), which is endowed with the powers of the Integrated Transport Authority previously endowed upon NECA. The Constitution of the JTC is such that at it meets the definition of Joint Control and it is classified accordingly as a Joint Operation.

At its first meeting on 20 November 2018, the JTC appointed NECA as its accountable body. As the accountable body NECA must split the revenue, expenditure, and assets and liabilities into those which relate to NECA and those which relate to NTCA:

- That which relates to Northumberland is wholly allocated to NTCA.
- That which relates to Durham is wholly allocated to NECA.
- That which relates to Tyne and Wear is allocated between NECA and NTCA on the basis of population using the ONS statistics used as a basis of dividing levy contributions.

## 2. Transfer of North East Local Enterprise Partnership

As part of the process of establishing the Combined Authority, it was recognised that joint working would be maintained across the region in terms of the continued operation of the North East Local Enterprise Partnership (LEP) and the creation of the JTC, as outlined in the note above.

The LEP, which is a partnership of private sector and public sector representatives, is not a corporate entity and, as such, it cannot hold funding and property or employ staff in its' own right.

It can only do so through a legal entity acting on its behalf as an "accountable body". Sunderland City Council acted as the accountable body for the LEP when it was first established and then NECA took over this role when it was established.

Prior to the creation of the Combined Authority, the seven local authorities and NECA entered into a Deed of Co-operation which set out the parties' intention that NECA would be the accountable body for the JTC and the Combined Authority would be the accountable body for the LEP.

The Combined Authority became the accountable body for the LEP on 1 April 2020. At this date any reserves and balances in respect of the LEP transferred across from NECA and have been reflected within the 2020/21 accounts of the Combined Authority as appropriate. The table below shows the balances that were transferred across at this date.

|                                         | <b>£000</b>     |
|-----------------------------------------|-----------------|
| <u>Usable Reserves</u>                  |                 |
| General Balances                        | (649)           |
| Earmarked Reserves                      | (17,841)        |
| Capital Receipts Reserve                | (8,889)         |
| Capital Grants Unapplied                | (249)           |
| Total Usable Reserves                   | (27,628)        |
| <u>Unusable Reserves</u>                |                 |
| Capital Adjustment Account              | (16,282)        |
| Financial Instrument Adjustment Account | 2,558           |
| Total Unusable Reserves                 | (13,724)        |
| <b>Total Reserves</b>                   | <b>(41,352)</b> |

### 3. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (e.g. government grants and levies) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

It also shows how this expenditure is allocated for decision making between the different areas of the NTCA (including JTC) budget. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The EFA presented in the accounts reconciles between the amounts in the Movement in Reserves Statement and Comprehensive Income and Expenditure Statement.

## 2020/21

|                                        | Net Exp Chargeable to General Fund<br>£000 | Adjs for Capital Purposes<br>£000 | Pension Adjs<br>£000 | Other Adjs<br>£000 | Net Exp in CIES<br>£000 |
|----------------------------------------|--------------------------------------------|-----------------------------------|----------------------|--------------------|-------------------------|
| Investment Fund                        | 5,585                                      | -                                 | 197                  | 50                 | 5,832                   |
| Corporate Costs                        | 7,032                                      | -                                 | 2,051                | 32                 | 9,115                   |
| Adult Education Budget                 | (1,277)                                    | -                                 | 33                   | 9                  | (1,235)                 |
| Joint Transport Committee              | 35,289                                     | (16,956)                          | -                    | -                  | 18,333                  |
| <u>Services transferred from NECA</u>  |                                            |                                   |                      |                    |                         |
| Invest North East                      | 66                                         | -                                 | 30                   | -                  | 96                      |
| Local Enterprise Partnership           | 31,394                                     | 249                               | 510                  | 465                | 32,618                  |
| <b>Net Cost of Services</b>            | <b>78,089</b>                              | <b>(16,707)</b>                   | <b>2,821</b>         | <b>556</b>         | <b>64,759</b>           |
| Other Income & Expenditure             | (90,224)                                   | (4,862)                           | 49                   | (429)              | (95,466)                |
| <b>Surplus on Provision of Service</b> | <b>(12,135)</b>                            | <b>(21,569)</b>                   | <b>2,870</b>         | <b>127</b>         | <b>(30,707)</b>         |

|                                                               |                 |
|---------------------------------------------------------------|-----------------|
| Opening General Fund Balances                                 | <b>(10,691)</b> |
| Transfer from NECA in respect of Local Enterprise Partnership | (649)           |
| Surplus on General Fund Balances in Year                      | (12,135)        |
| Transfer to Earmarked Reserves                                | 17,289          |
| <b>General Fund Balances at 31 March 2021</b>                 | <b>(6,186)</b>  |

## 2019/20

|                                        | Net Exp Chargeable to General Fund<br>£000 | Adjs for Capital Purposes<br>£000 | Pension Adjs<br>£000 | Other Adjs<br>£000 | Net Exp in CIES<br>£000 |
|----------------------------------------|--------------------------------------------|-----------------------------------|----------------------|--------------------|-------------------------|
| Investment Fund                        | 735                                        | -                                 | -                    | -                  | 735                     |
| Corporate Costs                        | (2,461)                                    | -                                 | 91                   | -                  | (2,370)                 |
| Adult Education Budget                 | (246)                                      | -                                 | -                    | -                  | (246)                   |
| Joint Transport Committee              | 28,855                                     | (3,028)                           | -                    | -                  | 25,827                  |
| <b>Net Cost of Services</b>            | <b>26,883</b>                              | <b>(3,028)</b>                    | <b>91</b>            | <b>-</b>           | <b>23,946</b>           |
| Other Income & Expenditure             | (51,835)                                   | (309)                             | (2)                  | (363)              | (52,509)                |
| <b>Surplus on Provision of Service</b> | <b>(24,952)</b>                            | <b>(3,337)</b>                    | <b>89</b>            | <b>(363)</b>       | <b>(28,563)</b>         |

|                                               |                 |
|-----------------------------------------------|-----------------|
| Opening General Fund Balances                 | <b>(9,643)</b>  |
| Surplus on General Fund Balances in Year      | (24,952)        |
| Transfer to Earmarked Reserves                | 23,904          |
| <b>General Fund Balances at 31 March 2020</b> | <b>(10,691)</b> |

## Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets;
- Financing and Investment Income and Expenditure – the statutory charges for capital i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from that receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Combined Authority as allowed by statute and the replacement with current service costs and past service costs; and
- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute include:

- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and
- For services this includes adjustments made from accruing compensated absences earned but not taken in the year

#### 4. Income and Expenditure Analysed by Nature

| 2019/20         |                                                                                             | 2020/21                 |                                    |                  |
|-----------------|---------------------------------------------------------------------------------------------|-------------------------|------------------------------------|------------------|
|                 |                                                                                             | Cost of Service<br>£000 | Other Income & Expenditure<br>£000 | Total<br>£000    |
| 1,723           | Employee benefit expenses                                                                   | 9,064                   | -                                  | 9,064            |
| 43,336          | Other service expenses                                                                      | 77,961                  | -                                  | 77,961           |
| 298             | Support service recharges                                                                   | 421                     | -                                  | 421              |
| 10,723          | Depreciation, impairment and revenue expenditure funded from capital under statute (REFCUS) | 49,160                  | -                                  | 49,160           |
| 3,289           | Interest payments                                                                           | -                       | 3,295                              | 3,295            |
| <b>59,369</b>   | <b>Total Expenditure</b>                                                                    | <b>136,606</b>          | <b>3,295</b>                       | <b>139,901</b>   |
| (12,616)        | Fees, charges and other service income (Tyne Tunnels tolls)*                                | (19,406)                | -                                  | (19,406)         |
| (1,080)         | Interest and Investment Income                                                              | -                       | (2,060)                            | (2,060)          |
| (33,168)        | Income from transport levy                                                                  | -                       | (33,450)                           | (33,450)         |
| (33,864)        | Government grants and contributions                                                         | (48,432)                | (63,251)                           | (111,683)        |
| (7,204)         | Other Income                                                                                | (4,009)                 | -                                  | (4,009)          |
| <b>(87,932)</b> | <b>Total Income</b>                                                                         | <b>(71,847)</b>         | <b>(98,761)</b>                    | <b>(170,608)</b> |
| <b>(28,563)</b> | <b>Surplus on the provision of services</b>                                                 | <b>64,759</b>           | <b>(95,466)</b>                    | <b>(30,707)</b>  |

\*Fees, charges and other service income relates wholly to tolls paid by users of the Tyne Tunnels.

## 5. Adjustments to Prior Year Analysis on Comprehensive Income and Expenditure Statement

Changes in the presentation of the Comprehensive Income and Expenditure Statement have been made to reflect how information is provided to Cabinet around budget monitoring.

This has resulted in the comparator figures for 2019/20 being restated. The following table shows the published figures for 2019/20 in the original format and how they are now reflected (only the lines that have changed are shown).

| Published Figures |                   |                 |                                      | Restated Figures  |                   |                 |
|-------------------|-------------------|-----------------|--------------------------------------|-------------------|-------------------|-----------------|
| Gross Exp<br>£000 | Gross Inc<br>£000 | Net Exp<br>£000 |                                      | Gross Exp<br>£000 | Gross Inc<br>£000 | Net Exp<br>£000 |
| 2,422             | (6,044)           | (3,622)         | Corporate Costs                      | 3,677             | (6,047)           | (2,370)         |
| 207               | -                 | 207             | Mayors Office (line removed)         |                   |                   |                 |
| 1,048             | (3)               | 1,045           | Elections (line removed)             |                   |                   |                 |
| <b>3,677</b>      | <b>(6,047)</b>    | <b>(2,370)</b>  | <b>Total</b>                         | <b>3,677</b>      | <b>(6,047)</b>    | <b>(2,370)</b>  |
|                   |                   |                 | Joint Transport Committee (new line) | 51,532            | (25,705)          | 25,827          |
| 6,094             | -                 | 6,094           | Transport – Northumberland           |                   |                   |                 |
| 114               | -                 | 114             | Transport – Retained Levy Budget     |                   |                   |                 |
| 24,657            | -                 | 24,657          | Transport – Tyne & Wear              |                   |                   |                 |
| 11,331            | (14,884)          | (3,553)         | Transport – Tyne Tunnels             |                   |                   |                 |
| 9,336             | (10,821)          | (1,485)         | Transport – Other                    |                   |                   |                 |
| <b>51,532</b>     | <b>(25,705)</b>   | <b>25,827</b>   | <b>Total</b>                         | <b>51,532</b>     | <b>(25,705)</b>   | <b>25,827</b>   |

The revised presentation is also shown in the Expenditure and Funding Analysis note. These changes are also reflected within the Group Statements and associated notes.

## 6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure recognised by the Combined Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Combined Authority to meet future capital and revenue expenditure.

| 2019/20                                                                     |                          |                          |                   | 2020/21      |                          |                          |                   |
|-----------------------------------------------------------------------------|--------------------------|--------------------------|-------------------|--------------|--------------------------|--------------------------|-------------------|
| General Fund                                                                | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves | General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves |
| £000                                                                        | £000                     | £000                     | £000              | £000         | £000                     | £000                     | £000              |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>       |                          |                          |                   |              |                          |                          |                   |
| (1,842)                                                                     | -                        | -                        | 1,842             | (1,930)      | -                        | -                        | 1,930             |
| 2,256                                                                       | -                        | -                        | (2,256)           | 2,268        | -                        | -                        | (2,268)           |
| 6,435                                                                       | -                        | -                        | (6,435)           | 48,614       | -                        | -                        | (48,614)          |
| (8,881)                                                                     | -                        | -                        | 8,881             | (47,230)     | -                        | -                        | 47,230            |
| 766                                                                         | -                        | -                        | (766)             | 1,117        | -                        | -                        | (1,117)           |
| 4                                                                           | -                        | -                        | (4)               | 15           | -                        | -                        | (15)              |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b> |                          |                          |                   |              |                          |                          |                   |
| 4,599                                                                       | -                        | (4,599)                  | -                 | 18,715       | -                        | (18,715)                 | -                 |
| -                                                                           | -                        | 2,916                    | (2,916)           | -            | -                        | 1,522                    | (1,522)           |

2019/20

2020/21

| General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves |
|--------------|--------------------------|--------------------------|-------------------|
| £000         | £000                     | £000                     | £000              |

| General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves |
|--------------|--------------------------|--------------------------|-------------------|
| £000         | £000                     | £000                     | £000              |

**Adjustments involving the Capital Receipts Reserve**

|   |       |   |       |                                                      |   |       |   |       |
|---|-------|---|-------|------------------------------------------------------|---|-------|---|-------|
| - | (698) | - | 698   | Loan principal repayments                            | - | (676) | - | 676   |
| - | 698   | - | (698) | Application of capital receipts to repayment of debt | - | 676   | - | (676) |

**Adjustments involving the Financial Instruments**

|     |   |   |       |                                                                                                                                                     |     |   |   |       |
|-----|---|---|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----|---|---|-------|
| 363 | - | - | (363) | Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 429 | - | - | (429) |
|-----|---|---|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----|---|---|-------|

**Adjustments involving the Accumulated Absences Reserve**

|   |   |   |   |                                                                                                                                                                               |       |   |   |     |
|---|---|---|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---|---|-----|
| - | - | - | - | Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (556) | - | - | 556 |
|---|---|---|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---|---|-----|

**Adjustments involving the Pensions Reserve**

|              |          |                |                |                                                                                        |               |          |                 |                |
|--------------|----------|----------------|----------------|----------------------------------------------------------------------------------------|---------------|----------|-----------------|----------------|
| (269)        | -        | -              | 269            | Reversal of items relating to retirement benefits debited or credited to CIES          | (3,036)       | -        | -               | 3,036          |
| 178          | -        | -              | (178)          | Employer's pension contributions and direct payments to pensioners payable in the year | 215           | -        | -               | (215)          |
| 2            | -        | -              | (2)            | Interest expense on net defined liability/(asset)                                      | (49)          | -        | -               | 49             |
| <b>3,611</b> | <b>0</b> | <b>(1,693)</b> | <b>(1,928)</b> | <b>Total Adjustments</b>                                                               | <b>18,572</b> | <b>-</b> | <b>(17,193)</b> | <b>(1,379)</b> |

## 7. Financing and Investment Income and Expenditure

The financing and investment income & expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

|                                        | Note | 2019/20<br>£000 | 2020/21<br>£000 |
|----------------------------------------|------|-----------------|-----------------|
| Interest payable and similar charges   |      | 3,289           | 3,246           |
| Interest on defined benefit liability  | 22   | (2)             | 49              |
| Interest receivable and similar income |      | (1,078)         | (2,060)         |
| <b>Total</b>                           |      | <b>2,209</b>    | <b>1,235</b>    |

## 8. Taxation and Non-Specific Grant Income

The taxation and non-specific grant income shown in the Comprehensive Income and Expenditure Statement consists of:

|                                  | 2019/20<br>£000 | 2020/21<br>£000 |
|----------------------------------|-----------------|-----------------|
| Transport Levy                   | (33,168)        | (33,450)        |
| Non-ringfenced Government Grants | (20,182)        | (20,000)        |
| Non Specific Capital Grants      | (1,368)         | (43,251)        |
| <b>Total</b>                     | <b>(54,718)</b> | <b>(96,701)</b> |

## 9. Grants and Contributions Income

The Combined Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

|                                                    | 31 March<br>2020<br>£000 | 31 March<br>2021<br>£000 |
|----------------------------------------------------|--------------------------|--------------------------|
| <u>Capital Receipts in Advance</u>                 |                          |                          |
| Covid 19 Grants                                    | -                        | (2,583)                  |
| NECA North East Smart Ticketing Initiative         | (91)                     | -                        |
| NECA Office for Low Emission Vehicles              | (112)                    | (56)                     |
| Other Grants                                       | (224)                    | (57)                     |
| <b>Total</b>                                       | <b>(427)</b>             | <b>(2,696)</b>           |
| Shown as Short-Term Liability on the Balance Sheet | (427)                    | (2,696)                  |
| <b>Total</b>                                       | <b>(427)</b>             | <b>(2,696)</b>           |

The following grants were credited to the net cost of service within the Comprehensive Income and Expenditure Statement during the year:

|                                                             | *Restated       |                 |
|-------------------------------------------------------------|-----------------|-----------------|
|                                                             | 2019/20<br>£000 | 2020/21<br>£000 |
| Adult Education Budget                                      | -               | (15,064)        |
| Transforming Cities Fund                                    | (4,386)         | (11,170)        |
| Local Transport Plan                                        | (6,179)         | (6,213)         |
| Covid 19 Business Support                                   | -               | (5,168)         |
| Active Travel Fund                                          | -               | (3,225)         |
| European Grants                                             | (220)           | (1,178)         |
| Mayoral Capacity Fund                                       | (1,000)         | (1,000)         |
| LEP Core Funding                                            | -               | (600)           |
| Brownfield Housing Fund                                     | -               | (551)           |
| Enterprise Advisor Programme                                | -               | (487)           |
| Growth Hub                                                  | -               | (410)           |
| Local Growth Fund                                           | -               | (409)           |
| Peer Networks                                               | -               | (292)           |
| Education Vision                                            | -               | (263)           |
| Section 31 Grants                                           | (1,001)         | (228)           |
| Education Challenge                                         | -               | (144)           |
| Adult Education Implementation Fund                         | (382)           | (116)           |
| EY Primary Pilot                                            | -               | (115)           |
| EU Exit Funding                                             | (182)           | (109)           |
| North East Smart Ticketing Initiative                       | (160)           | (91)            |
| Office for Low Emission Vehicles                            | (240)           | (57)            |
| Other grants and contributions (individually under £0.100m) | (114)           | (1,542)         |
| <b>Total</b>                                                | <b>(13,864)</b> | <b>(48,432)</b> |

## 10. Members' Allowances

|              | 31 March<br>2020<br>£000 | 31 March<br>2021<br>£000 |
|--------------|--------------------------|--------------------------|
| Allowances   | 68                       | 67                       |
| <b>Total</b> | <b>68</b>                | <b>67</b>                |

## 11. Officers' Remuneration

The remuneration paid to the Combined Authority's Senior Officers was as follows:

**Table 1**

| 2019/20                           |                               |               |                                               | 2020/21                           |                               |               |
|-----------------------------------|-------------------------------|---------------|-----------------------------------------------|-----------------------------------|-------------------------------|---------------|
| Salary, Fees & Allowances<br>£000 | Pension Contributions<br>£000 | Total<br>£000 |                                               | Salary, Fees & Allowances<br>£000 | Pension Contributions<br>£000 | Total<br>£000 |
| -                                 | -                             | -             | Helen Golightly Chief Executive (LEP)*        | 135                               | 17                            | 152           |
| 46                                | 10                            | 56            | Director of Economic Growth                   | 130                               | 17                            | 147           |
| 35                                | 9                             | 44            | Director of Performance and Policy            | 109                               | 14                            | 123           |
| -                                 | -                             | -             | Innovation Director (LEP)*                    | 94                                | 12                            | 106           |
| -                                 | -                             | -             | Director Invest North East *                  | 68                                | 8                             | 76            |
| -                                 | -                             | -             | Skills Director (LEP)*                        | 68                                | 8                             | 76            |
| -                                 | -                             | -             | Strategy & Policy Director (LEP)*             | 69                                | 8                             | 77            |
| -                                 | -                             | -             | Business Growth Director (LEP)*               | 68                                | 8                             | 76            |
| 127                               | -                             | 127           | Managing Director of Transport Arrangements** | 131                               | -                             | 131           |
| <b>208</b>                        | <b>19</b>                     | <b>227</b>    | <b>Total</b>                                  | <b>872</b>                        | <b>92</b>                     | <b>964</b>    |

\*The Combined Authority became the accountable body for the North East Local Enterprise Partnership (LEP) at the 1 April 2020 and at that point these employees were transferred across under TUPE arrangements.

\*\* The Managing Director of Transport Arrangements is a NECA employee, working on behalf of the Joint Transport Committee, therefore under the Joint Transport Committee arrangements the remuneration paid to the Managing Director of Transport Operations is included in the table above, although NTCA are only responsible for their proportion of his salary costs based on the population split.

The three Statutory Officers of the Combined Authority, Head of Paid Service, Chief Finance Officer and Monitoring Officer are not formal employees of the Combined Authority, and are not therefore included in the statutory disclosures above. Their services are based on agreed

number of days per week and charged including expenses by their respective local authority employers, these are shown in the interests of transparency. The Director of Economic Growth and Director of Policy and Performance posts were originally seconded to the Combined Authority, however during 2019/20 these posts were appointed permanently by NTCA.

**Table 2**

| 2019/20                 |          |            |                                                                                            | 2020/21                 |          |           |
|-------------------------|----------|------------|--------------------------------------------------------------------------------------------|-------------------------|----------|-----------|
| Payment for agreed days | Expenses | Total      |                                                                                            | Payment for agreed days | Expenses | Total     |
| £000                    | £000     | £000       |                                                                                            | £000                    | £000     | £000      |
| 10                      | -        | 10         | Paul Hanson, Head of Paid Service from 1 Jan 2020 (SLA North Tyneside Council)             | 40                      | -        | 40        |
| 31                      | -        | 31         | Pat Ritchie, Head of Paid Service until 31 December 2019 (SLA Newcastle City Council)      | -                       | -        | -         |
| 24                      | -        | 24         | Janice Gillespie, Interim Chief Finance Officer, S.73 Officer (SLA North Tyneside Council) | 25                      | -        | 25        |
| 19                      | -        | 19         | John Softly Interim Monitoring Officer (SLA Newcastle City Council)                        | 29                      | -        | 29        |
| 115                     | 1        | 116        | Interim Director of Economic Growth until 2 Dec 2019* (Newcastle City Council)             | -                       | -        | -         |
| 85                      | -        | 85         | Interim Director of Policy & Performance until 2 Dec 2019* (Newcastle City Council)        | -                       | -        | -         |
| <b>284</b>              | <b>1</b> | <b>285</b> | <b>Total</b>                                                                               | <b>94</b>               | <b>-</b> | <b>94</b> |

\*These posts became permanent positions within the Combined Authority during 2019/20 - see Table 1 for details of their remuneration costs

The number of other officers who are directly employed by the NTCA, who received remuneration greater than £50,000 (excluding employers' pension contributions) was as follows:

|                 | 2019/20 | 2020/21 |
|-----------------|---------|---------|
| £50,000-£54,999 | -       | 5       |
| £55,000-£59,999 | -       | 4       |
| £60,000-£64,999 | 1       | 1       |
| £65,000-£69,999 | -       | 2       |
| £70,000-£74,999 | -       | 1       |
| £75,000-£79,999 | -       | -       |
| £80,000-£84,999 | -       | -       |
| £85,000-£89,999 | -       | -       |
| £90,000-£94,999 | -       | -       |
| £95,000-£99,999 | -       | -       |

## 12. Audit Costs

The Combined Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

|                                                                                         | 2019/20<br>£000 | 2020/21<br>£000 |
|-----------------------------------------------------------------------------------------|-----------------|-----------------|
| Fees payable to the appointed Auditor under the Local Audit and Accountability Act 2014 | 36              | 28              |

The figure reported in the 2019/20 Statement of Accounts in relation to the year 2019/20 was £0.028m as that was the proposed costs at that stage. This figure was subsequently changed with agreement by the Public Sector Auditors Appointments Ltd (PSAA) and the Cabinet of the Combined Authority. The revised figures is shown in the table above.

## 13. Related Party Transactions

The Combined Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Combined Authority or to be controlled or influenced by the Combined Authority. Disclosure of these transactions allows readers to assess the extent to which the Combined Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Combined Authority.

In this context, related parties include:

- Central Government
- Members of the Cabinet
- Officers of the Combined Authority
- NTCA Constituent Authorities
- Joint Transport Committee Constituent Authorities
- Other Public Bodies
- Other Entities

*Central Government* is responsible for providing the statutory framework within which the Combined Authority operates and provides much of its funding in the form of grants and prescribes the terms of some of the transactions that the Combined Authority has with other parties. Grants received from government departments are set out in **Note 9**.

*Members of the Cabinet* have direct control over the Combined Authority's financial and operating policies. The total of Members' allowances payable to elected members of the Combined Authority is shown in **Note 10**. During 2020/21 no works or services were commissioned from companies in which any members had an interest.

*Officers* – During 2020/21 there have been no pecuniary interests involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Combined Authority.

*NTCA Constituent Authorities* – The leaders of the three constituent authorities serve as members on the NTCA Cabinet. Details of material transactions with the seven north east authorities are set out in the table below.

*Joint Transport Committee Constituent Authorities* – From 2 November 2018, the Joint Transport Committee has been in establishment, comprised of the seven North East local authorities. Figures reported in these accounts include the NTCA share of Joint Transport Committee activity, and details of material transactions with the seven authorities are set out in the table below.

*Other public bodies* – The Combined Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus) through the North East Combined Authority (NECA). Details of material transactions with Nexus are set out in the table below.

| 2019/20     |          |             |          | 2020/21     |          |             |          |
|-------------|----------|-------------|----------|-------------|----------|-------------|----------|
| Receivables | Income   | Expenditure | Payables | Receivables | Income   | Expenditure | Payables |
| £000        | £000     | £000        | £000     | £000        | £000     | £000        | £000     |
|             |          |             |          |             |          |             |          |
| (783)       | (7,871)  | 1,519       | 1,189    | (539)       | (11,191) | 6,984       | 2,957    |
| (1,918)     | (6,863)  | 1,237       | 286      | (374)       | (16,331) | 3,076       | 1,020    |
| (2,359)     | (8,468)  | 7,507       | 88       | (437)       | (6,349)  | 10,413      | 2,607    |
|             |          |             |          |             |          |             |          |
|             |          |             |          |             |          |             |          |
| -           | -        | 1,383       | 69       | (329)       | (15,567) | 21,640      | 1,833    |
| -           | (4,850)  | 853         | 21       | (256)       | (10,989) | 7,780       | 1,046    |
| -           | (3,583)  | 535         | 610      | 0           | (8,180)  | 1,253       | 1,943    |
| -           | (6,643)  | 1,000       | 105      | (1,372)     | (15,017) | 10,244      | 572      |
|             |          |             |          |             |          |             |          |
|             |          |             |          |             |          |             |          |
| -           | -        | 8           | 8        | (355)       | (77)     | 34,367      | 2,044    |
| (672)       | -        | 27,226      | 22,609   | (695)       | (761)    | 37,234      | 33,671   |
| (5,732)     | (38,278) | 41,268      | 24,985   | (4,357)     | (84,462) | 132,991     | 47,693   |

NECA is the accountable body for the Joint Transport Committee and as such must split revenue, expenditure and assets and liabilities into those which relate to NECA and those which relate to NTCA. The basis of dividing the levy contributions is done on a proportion of population in respect of the five Tyne & Wear authorities, with North of Tyne authorities proportion based on Newcastle and North Tyneside population and the NECA authorities split on the population of Gateshead, South Tyneside and Sunderland. The contribution relating to Northumberland, however, is administered by North of Tyne and therefore shown as wholly allocated within the North of Tyne accounts and Durham is wholly shown in the NECA accounts.

## 14. Property, Plant and Equipment

**2020/21**

|                                                                                     | Vehicles, Plant,<br>Furniture &<br>Equipment<br>£000 | Infra-<br>structure<br>Assets<br>£000 | Assets<br>Under<br>Construction<br>£000 | Total Property,<br>Plant &<br>Equipment<br>£000 | Service<br>Concession<br>Assets<br>included in<br>PPE<br>£000 |
|-------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------|-----------------------------------------|-------------------------------------------------|---------------------------------------------------------------|
| <b>Cost or Valuation</b>                                                            |                                                      |                                       |                                         |                                                 |                                                               |
| At 1 April 2020                                                                     | 1,754                                                | 174,306                               | 934                                     | 176,994                                         | 174,306                                                       |
| Additions                                                                           | -                                                    | 424                                   | 152                                     | 576                                             | 424                                                           |
| Reclassification                                                                    | 544                                                  | -                                     | (544)                                   | -                                               | -                                                             |
| Revaluations decreases<br>recognised in the Surplus on the<br>Provision of Services | -                                                    | (16)                                  | -                                       | (16)                                            | (16)                                                          |
| Impairment recognised in the<br>Surplus on the Provision of<br>Services             | -                                                    | 865                                   | -                                       | 865                                             | 865                                                           |
| <b>At 31 March 2021</b>                                                             | <b>2,298</b>                                         | <b>175,579</b>                        | <b>542</b>                              | <b>178,419</b>                                  | <b>175,579</b>                                                |
| <b>Accumulated Depreciation &amp;<br/>Impairments</b>                               |                                                      |                                       |                                         |                                                 |                                                               |
| At 1 April 2020                                                                     | (599)                                                | (22,773)                              | -                                       | (23,372)                                        | (22,773)                                                      |
| Depreciation charge                                                                 | (129)                                                | (1,785)                               | -                                       | (1,914)                                         | (1,785)                                                       |
| <b>At 31 March 2021</b>                                                             | <b>(728)</b>                                         | <b>(24,558)</b>                       | <b>-</b>                                | <b>(25,286)</b>                                 | <b>(24,558)</b>                                               |
| <b>Net Book Value</b>                                                               |                                                      |                                       |                                         |                                                 |                                                               |
| At 1 April 2020                                                                     | 1,155                                                | 151,533                               | 934                                     | 153,621                                         | 151,533                                                       |
| <b>At 31 March 2021</b>                                                             | <b>1,570</b>                                         | <b>151,021</b>                        | <b>542</b>                              | <b>153,133</b>                                  | <b>151,021</b>                                                |

**2019/20**

|                                                                               | <b>Vehicles, Plant,<br/>Furniture &amp;<br/>Equipment</b> | <b>Infra-<br/>structure Assets</b> | <b>Assets<br/>Under<br/>Construction</b> | <b>Total Property,<br/>Plant &amp;<br/>Equipment</b> | <b>Service<br/>Concession<br/>Assets included in<br/>PPE</b> |
|-------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------|------------------------------------------|------------------------------------------------------|--------------------------------------------------------------|
|                                                                               | <b>£000</b>                                               | <b>£000</b>                        | <b>£000</b>                              | <b>£000</b>                                          | <b>£000</b>                                                  |
| <b>Cost or Valuation</b>                                                      |                                                           |                                    |                                          |                                                      |                                                              |
| At 1 April 2019                                                               | 1,420                                                     | 166,202                            | 7,999                                    | 175,621                                              | 166,202                                                      |
| Additions                                                                     | -                                                         | -                                  | 1,373                                    | 1,373                                                | -                                                            |
| Reclassification                                                              | 334                                                       | 8,104                              | (8,438)                                  | -                                                    | 8,104                                                        |
| Revaluations decreases recognised in the Surplus on the Provision of Services | -                                                         | -                                  | -                                        | -                                                    | -                                                            |
| Impairment recognised in the Surplus on the Provision of Services             | -                                                         | -                                  | -                                        | -                                                    | -                                                            |
| <b>At 31 March 2020</b>                                                       | <b>1,754</b>                                              | <b>174,306</b>                     | <b>934</b>                               | <b>176,994</b>                                       | <b>174,306</b>                                               |
| <b>Accumulated Depreciation &amp; Impairments</b>                             |                                                           |                                    |                                          |                                                      |                                                              |
| At 1 April 2019                                                               | (525)                                                     | (21,005)                           | -                                        | (21,530)                                             | (21,005)                                                     |
| Depreciation charge                                                           | (74)                                                      | (1,768)                            | -                                        | (1,842)                                              | (1,768)                                                      |
| <b>At 31 March 2020</b>                                                       | <b>(599)</b>                                              | <b>(22,773)</b>                    | <b>-</b>                                 | <b>(23,372)</b>                                      | <b>(22,773)</b>                                              |
| <b>Net Book Value</b>                                                         |                                                           |                                    |                                          |                                                      |                                                              |
| At 1 April 2019                                                               | 895                                                       | 145,197                            | 7,999                                    | 154,091                                              | 145,197                                                      |
| <b>At 31 March 2020</b>                                                       | <b>1,155</b>                                              | <b>151,533</b>                     | <b>934</b>                               | <b>153,621</b>                                       | <b>151,533</b>                                               |

## 15. Financial Instruments

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Combined Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Combined Authority during the year are held under the following classifications:

| Financial Assets              | Non-Current                 |                             |                             |                             | Current                     |                             |                             |                             |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                               | Investments                 |                             | Debtors                     |                             | Investments                 |                             | Debtors                     |                             |
|                               | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 |
| Amortised cost                | -                           | -                           | 15,595                      | 28,184                      | 35,581                      | 142,617                     | 1,376                       | 10,757                      |
| <b>Total Financial Assets</b> | -                           | -                           | <b>15,595</b>               | <b>28,184</b>               | <b>35,581</b>               | <b>142,617</b>              | <b>1,376</b>                | <b>10,757</b>               |
| Non-financial Assets          | -                           | -                           | -                           | -                           | -                           | -                           | 5,156                       | 730                         |
| <b>Total</b>                  | -                           | -                           | <b>15,595</b>               | <b>28,184</b>               | <b>35,581</b>               | <b>142,617</b>              | <b>6,532</b>                | <b>11,487</b>               |

### Financial assets held at amortised costs

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

All of the financial assets fit these criteria and are classified at amortised cost.

### Trade receivables

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments, their carrying value is considered to be the same as their fair value.

### Financial liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Combined Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Combined Authority.



- Loans borrowed by the Combined Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;
- The value of 'Lender's Option Borrower's Option' (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;
- No early repayment or impairment is recognised for any financial instrument; and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximate to the carrying amount.

For 2020/21 the fair values shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices;
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of "Lender's Option Borrower's Options" (LOBO) loans have been increased by the value of the embedded options: lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

|                                              | Level | 31 March 2020           |                    | 31 March 2021           |                    |
|----------------------------------------------|-------|-------------------------|--------------------|-------------------------|--------------------|
|                                              |       | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Financial liabilities held at amortised cost | 2     | (76,627)                | (132,125)          | (96,747)                | (142,065)          |
| <b>Total</b>                                 |       | <b>(76,627)</b>         | <b>(132,125)</b>   | <b>(96,747)</b>         | <b>(142,065)</b>   |
| <b>Financial Assets at amortised cost</b>    |       |                         |                    |                         |                    |
| Held to Maturity Investments                 | 2     | 35,581                  | 35,581             | 142,617                 | 142,617            |
| Nexus loan debtor                            | 2     | 15,595                  | 27,152             | 15,032                  | 24,137             |
| Other loan debtors                           | 3     | -                       | -                  | 13,152                  | 13,152             |
| <b>Total Financial Assets</b>                |       | <b>51,176</b>           | <b>62,733</b>      | <b>170,801</b>          | <b>179,906</b>     |

## 16. Nature and Extent of risks arising from Financial Instruments

The Combined Authority's activities expose it to a variety of financial risks:

- Credit Risk- the possibility that other parties might fail to pay amounts due to the Combined Authority;
- Liquidity Risk- the possibility that the Combined Authority might not have funds available to meet its commitments to make payments; and
- Market Risk- the possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and financial market movements.

The Combined Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Combined Authority in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Combined Authority's customers. This deposit risk is minimised through the Treasury Management Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Statement also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Combined Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the Combined Authority's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by Treasury Management advisors and focuses on the long-term investment grade rating issued to each financial institution. The highest possible rating is AAA and the lowest rating is BBB:

| <b>Rating</b>                                                  | <b>2020/21<br/>£000</b> |
|----------------------------------------------------------------|-------------------------|
| AAA                                                            | 14,254                  |
| <b>Total Cash Equivalent</b>                                   | <b>14,254</b>           |
| n/a – investments with UK Local Authorities                    | 142,617                 |
| n/a – investments with unrated building societies <sup>1</sup> | -                       |
| <b>Total Short-Term Investments</b>                            | <b>142,617</b>          |

<sup>1</sup> In line with its agreed Investment Strategy, NTCA at the point of these accounts, did not place investments with any Building Society. NECA (in regard of those Investments which relate to JTC Investments) place investments for up to 1 year and up to £5m each with UK Building Societies without credit ratings with assets greater than £250m.

The Combined Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Combined Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Combined Authority. The Combined Authority has a low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

Credit risk is taken into account in determining the appropriate rate of interest to be applied to the North East Investment Fund loans and in whether an investment decision is agreed.

### **Liquidity Risk**

The Combined Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Combined Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Combined Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Combined Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure maturing loans may be replaced through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

|                        | <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2021<br/>£000</b> |
|------------------------|-----------------------------------|-----------------------------------|
| Between 1 and 2 years  | (295)                             | (297)                             |
| Between 2 and 5 years  | (886)                             | (891)                             |
| Between 5 and 10 years | (443)                             | (148)                             |
| More than 10 years     | (73,971)                          | (74,388)                          |
|                        | <b>(75,595)</b>                   | <b>(75,724)</b>                   |
| Less than 1 year       | <b>(1,032)</b>                    | <b>(21,023)</b>                   |
| <b>Total Borrowing</b> | <b>(76,627)</b>                   | <b>(96,747)</b>                   |

All trade and other payables are due to be paid in less than one year.

## Market Risk

### Interest Rate Risk

The Combined Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Combined Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates - the fair value of liabilities will fall;
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Combined Authority has a number of strategies for managing interest rate risk. The policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

**Interest rate sensitivity analysis:** an example of the impact of a change in interest rates is calculated in the risk assessment shown below. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal and maturity periods being held constant). The results of this assessment are shown in the following table:

|                                                                         | <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2021<br/>£000</b> |
|-------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Increase in interest payable on variable rate borrowing                 | -                                 | (3)                               |
| Increase/(decrease) in interest receivable on variable rate investments | 149                               | (95)                              |
| <b>Impact on the Surplus on Provision for Services</b>                  | <b>149</b>                        | <b>(98)</b>                       |

The increase in interest payable on variable rate borrowings is nil, because all NECA's borrowings, as related to JTC balances are at fixed rates. A decrease in the fair value of fixed rate borrowings liabilities would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above, but with the movements being reversed. There have been no changes from the previous period in the methods and assumptions used.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease of £24.591m in the fair value of fixed rate borrowings, although this would not impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

## 17. Short Term Debtors

Central Government Bodies  
Other local authorities  
Other Entities and Individuals  
**Total**

| <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2021<br/>£000</b> |
|-----------------------------------|-----------------------------------|
| 790                               | 1,752                             |
| 5,070                             | 3,572                             |
| 672                               | 6,163                             |
| <b>6,532</b>                      | <b>11,487</b>                     |

## 18. Long Term Debtors

Local Enterprise Partnership Loans  
Nexus borrowing  
**Total**

| <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2021<br/>£000</b> |
|-----------------------------------|-----------------------------------|
| -                                 | 13,152                            |
| 15,595                            | 15,032                            |
| <b>15,595</b>                     | <b>28,184</b>                     |

## 19. Cash and Cash Equivalents

Cash held by the Combined Authority  
Cash equivalents  
**Total**

| <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2021<br/>£000</b> |
|-----------------------------------|-----------------------------------|
| 7,173                             | 24,801                            |
| 35,531                            | 14,254                            |
| <b>42,704</b>                     | <b>39,055</b>                     |

## 20. Short Term Creditors

Central Government Bodies  
Other Local Authorities  
Other Entities and Individuals  
**Total**

| <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2021<br/>£000</b> |
|-----------------------------------|-----------------------------------|
| (78)                              | (221)                             |
| (24,827)                          | (12,983)                          |
| (2,701)                           | (38,420)                          |
| <b>(27,606)</b>                   | <b>(51,624)</b>                   |

## 21. Private Finance Initiatives and Similar Contracts

In November 2007, the then Tyne & Wear Passenger Transport Authority entered into a 30-year contract with TT2 Ltd to construct a second vehicle tunnel under the River Tyne, refurbish the existing Tyne Tunnel and operate both vehicle tunnels alongside the pedestrian and cycle tunnels for the life of the contract. The second tunnel was opened 25 February 2011, and the refurbished original tunnel opened 21 November 2011. Both are included on the public sector Balance Sheet.

In 2020/21 the total payment under the contract was £12.717m (2019/20 £21.123m) of which £5.665m is shown in the accounts of the Combined Authority with the remaining £7.052m being shown in the accounts of the North East Combined Authority. The reduction between years is a direct result of the consequences of reduced traffic volumes in 2020/21 due to the Covid-19 pandemic.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2020/21 total value of £86.568m (2019/20 £91.661m), of which £38.560m is shown in the accounts of the Combined Authority with the remaining £48.008m being shown in the accounts of the North East Combined Authority. The table below shows an analysis of the Combined Authority's deferred income balances.

| <b>Deferred Income Release</b> |                         |
|--------------------------------|-------------------------|
| <b>2019/20<br/>£000</b>        | <b>2020/21<br/>£000</b> |
| (2,256)                        | (2,268)                 |
| (9,022)                        | (9,073)                 |
| (11,278)                       | (11,341)                |
| (11,278)                       | (11,341)                |
| (6,766)                        | (4,537)                 |
| <b>(40,600)</b>                | <b>(38,560)</b>         |

Payable in 2021/22  
 Payable within 2 to 5 years  
 Payable within 6 to 10 years  
 Payable within 11 to 15 years  
 Payable within 16 to 20 years  
**Total**

## Payments

Payments made by the Combined Authority to TT2 Ltd are based on actual traffic volumes using the tunnel and so will vary from year to year.

## 22. Defined Benefits Pension Scheme

The Combined Authority currently participates in one post-employment scheme:

- Tyne and Wear Pension Fund administered locally by South Tyneside Council. This is a funded, defined benefit scheme, meaning that the Combined Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments.

The Tyne & Wear Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of the Fund's Pension Committee which consists of eight members from South Tyneside Council (which has legal responsibility for the Fund), four members from the other councils in Tyne & Wear, and three members each nominated by the trade unions and the employers. During 2017/18, the Fund, along with eleven other funds, created and now owns a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited.

## Amounts recognised in Profit and Loss and Other Comprehensive Income

| Comprehensive Income & Expenditure Statement                                                 | LGPS            |                 |
|----------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                              | 2019/20<br>£000 | 2020/21<br>£000 |
| <b>Cost of Services</b>                                                                      |                 |                 |
| Current Service Costs                                                                        | 250             | 1,093           |
| Past Service Costs                                                                           | 19              | -               |
| Settlement Costs                                                                             | -               | 2,080           |
| <b>Financing and Investment Income and Expenditure</b>                                       |                 |                 |
| Interest on net defined benefit asset                                                        | (2)             | 49              |
| <b>Total Post Employment Benefit Charged to the Surplus on the Provision of Services</b>     | <b>267</b>      | <b>3,222</b>    |
| Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement: |                 |                 |
| Return on plan assets (excluding the amount included in the net interest expense)            | (386)           | (901)           |
| Actuarial gains due to changes in financial assumptions                                      | (12)            | 2,688           |
| Actuarial losses due to changes in liability assumptions                                     | 594             | 45              |
| <b>Total Amount recognised in Other Comprehensive Income &amp; Expenditure</b>               | <b>196</b>      | <b>1,832</b>    |
| <b>Total amount recognised in the CIES</b>                                                   | <b>463</b>      | <b>5,054</b>    |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Reconciliation of the Fair Value of the Scheme Assets

|                                            | LGPS            |                 |
|--------------------------------------------|-----------------|-----------------|
|                                            | 2019/20<br>£000 | 2020/21<br>£000 |
| <b>Opening fair value of scheme assets</b> | <b>2</b>        | <b>625</b>      |
| Interest Income                            | 3               | 113             |
| Remeasurement gain on plan assets          | 386             | 901             |
| Employer contributions                     | 178             | 215             |
| Contributions by scheme participants       | 54              | 321             |
| Net Benefits paid out                      | 2               | 14              |
| Settlements                                | -               | 4,025           |
| <b>Closing fair value of scheme assets</b> | <b>625</b>      | <b>6,214</b>    |

## Reconciliation of present value of the scheme liabilities

|                                                         | LGPS            |                 |
|---------------------------------------------------------|-----------------|-----------------|
|                                                         | 2019/20<br>£000 | 2020/21<br>£000 |
| <b>Opening balance at 1 April</b>                       | <b>2</b>        | <b>910</b>      |
| Current Service Cost                                    | 250             | 1,093           |
| Interest expense on defined benefit obligation          | 1               | 162             |
| Contributions by participants                           | 54              | 321             |
| Actuarial losses on liabilities – financial assumptions | (12)            | 2,688           |
| Actuarial gains on liabilities – experience             | 594             | 45              |
| Net benefits paid                                       | 2               | 14              |
| Past service costs                                      | 19              | -               |
| Net Increase in liabilities from disposals/acquisitions | -               | (137)           |
| Settlements                                             | -               | 6,105           |
| <b>Closing balance at 31 March</b>                      | <b>910</b>      | <b>11,201</b>   |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Scheme History

### Fair Value of LGPS Assets

Present value of LGPS liabilities

- Funded Defined Benefit Obligation

### Deficit on funded defined benefit scheme

Unrecognised Asset

### Total Liability shown on Balance Sheet

| 2019/20<br>£000 | 2020/21<br>£000 |
|-----------------|-----------------|
| 625             | 6,214           |
| (910)           | (11,201)        |
| <b>(285)</b>    | <b>(4,987)</b>  |
| -               | -               |
| <b>(285)</b>    | <b>(4,987)</b>  |

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

|                     | NTCA |
|---------------------|------|
| Active members      | 100% |
| Deferred pensioners | 0%   |
| Pensioners          | 0%   |

The liabilities show the underlying commitments that the Combined Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £11.201m has an impact on the net worth of the Combined Authority recorded on the balance sheet, resulting in a negative pension balance of £4.987m. However, statutory arrangements for funding the deficit mean that the financial position of the Combined Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid;
- The total contributions expected to be made to the Local Government Pension Scheme by the Combined Authority in the year to 31 March 2022 is £0.221m. In addition, strain on the fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2022 is nil in relation to unfunded benefits.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been estimated by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

A small proportion (9%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their

valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of those unquoted assets than would normally be the case. There is a risk that current valuations may be under or overstated in the accounts.

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years.

The principal assumptions used by the actuary have been:

|                                                      | Local Government |               |
|------------------------------------------------------|------------------|---------------|
|                                                      | 31 March 2020    | 31 March 2021 |
| <b>Mortality assumptions:</b>                        |                  |               |
| Pensioner member aged 65 at accounting date (male)   | 21.8             | 21.9          |
| Pensioner member aged 65 at accounting date (female) | 25.0             | 25.1          |
| Active member aged 45 at accounting date (male)      | 23.5             | 23.6          |
| Active member aged 45 at accounting date (female)    | 26.8             | 26.9          |
| <b>Rate for discounting scheme liabilities:</b>      | % p.a            | % p.a         |
| Discount Rate                                        | 2.3              | 2.1           |
| Rate of inflation – Consumer Price Index             | 1.8              | 2.6           |
| Rate of increase in pensions                         | 1.8              | 2.6           |
| Pensions accounts revaluation rate                   | 1.8              | 2.6           |
| Rate of increase in salaries                         | 3.3              | 4.1           |

The assumptions that the actuarial have used in respect of inflation have changed during 2020/21. The Retail Price Index (RPI) measure is generally higher than the Consumer Price Index (CPI) of around 0.8% to 1.0% over the long term. This change in assumption is a result of the Government's intention to either stop publishing the RPI or align the RPI with the Consumer Price Index, including housing costs (CPIH) sometime between 2025 and 2030. This has led to an expectation that RPI will be significantly lower post 2030. Therefore, the assumption used in post 2030 has changed from 0.5% post 2030 to 0.1%.

This change has resulted in a change in the Inflation Risk Premium (IRP). The actuarial have taken the view that post 2030 a higher IRP should be used. They have used 0.6% p.a. from 2030 for pensions accounting at this accounting date as opposed to an assumption last year of 0.2%.

The approximate split of assets for the Fund as a whole is shown in the table below:

|                  | 31 March 2020 | Asset Split 31 March 2021 |          |       |
|------------------|---------------|---------------------------|----------|-------|
|                  | % Total       | Quoted                    | Unquoted | Total |
| Equities         | 54.8          | 48.4                      | 7.1      | 55.5  |
| Property         | 9.0           | 0.0                       | 7.9      | 7.9   |
| Government Bonds | 4.1           | 2.2                       | 0.0      | 2.2   |
| Corporate Bonds  | 15.3          | 19.8                      | 0.0      | 19.8  |
| Cash             | 2.3           | 4.0                       | 0.0      | 4.0   |
| Other*           | 14.5          | 4.7                       | 5.9      | 10.6  |
| Total Assets     | 100.0         | 79.1                      | 20.9     | 100.0 |

\*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

### Actual Return on Assets

Interest Income on Assets  
Remeasurement gain on assets  
**Actual Return on Assets**

|                                | Local Government |                 |
|--------------------------------|------------------|-----------------|
|                                | 2019/20<br>£000  | 2020/21<br>£000 |
| Interest Income on Assets      | 3                | 113             |
| Remeasurement gain on assets   | 386              | 901             |
| <b>Actual Return on Assets</b> | <b>389</b>       | <b>1,014</b>    |

### Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| <b>Discount rate assumption</b>                | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Adjustment to discount rate</b>             |                                |                        |                                |
| Present value of total obligation (£M)         | 10.876                         | 11.201                 | 11.537                         |
| % change in present value of total obligation  | (2.9)                          |                        | 3.0                            |
| Projected service cost (£M)                    | 1.568                          | 1.623                  | 1.680                          |
| Approximate % change in projected service cost | (3.4)                          |                        | 3.5                            |

| <b>Rate of general increase in salaries</b>    | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Adjustment to salary increase rate</b>      |                                |                        |                                |
| Present value of total obligation (£M)         | 11.201                         | 11.201                 | 11.201                         |
| % change in present value of total obligation  | 0.0                            |                        | 0.0                            |
| Projected service cost (£M)                    | 1.623                          | 1.623                  | 1.623                          |
| Approximate % change in projected service cost | 0.0                            |                        | 0.0                            |

| <b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption</b> | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Adjustment to pension increase rate</b>                                                                                              |                                |                        |                                |
| Present value of total obligation                                                                                                       | 11.537                         | 11.201                 | 10.876                         |
| % change in present value of total obligation                                                                                           | 3.0                            |                        | (2.9)                          |
| Projected service cost (£M)                                                                                                             | 1.680                          | 1.623                  | 1.568                          |
| Approximate % change in projected service cost                                                                                          | 3.5                            |                        | (3.4)                          |

| <b>Post retirement mortality assumption</b>            | <b>-1 year</b> | <b>Base<br/>Figure</b> | <b>+1 year</b> |
|--------------------------------------------------------|----------------|------------------------|----------------|
| <b>Adjustment to mortality age rating assumption *</b> |                |                        |                |
| Present value of total obligation (£M)                 | 11.604         | 11.201                 | 10.809         |
| % change in present value of total obligation          | 3.6            |                        | (3.5)          |
| Projected service cost (£M)                            | 1.693          | 1.623                  | 1.555          |
| Approximate % change in projected service cost         | 4.3            |                        | (4.2)          |

\*a rating of + 1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

## 23. Usable Reserves

|                                  | Note | 31 March<br>2020<br>£000 | 31 March<br>2021<br>£000 |
|----------------------------------|------|--------------------------|--------------------------|
| General Fund Balance             | 24   | (10,691)                 | (6,186)                  |
| Earmarked Reserves               | 24   | (50,876)                 | (86,006)                 |
| Capital Receipts Reserve         |      | -                        | (8,889)                  |
| Capital Grants Unapplied Reserve |      | (5,850)                  | (23,292)                 |
| <b>Total Usable Reserves</b>     |      | <b>(67,417)</b>          | <b>(124,373)</b>         |

Earmarked Reserves are amounts which the Combined Authority has chosen to set aside from the General Fund Balance to be used for specific purposes.

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Combined Authority has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## 24. Transfers (to)/from Earmarked Reserves

|                                                          | Balance at<br>1 April 2019 | Transfers out<br>2019/20 | Transfers in<br>2019/20 | Balance at<br>31 March 2020 | Transfers from<br>NECA 1 April | Transfer out<br>2020/21 | Transfers in<br>2020/21 | Balance<br>31 March 2021 |
|----------------------------------------------------------|----------------------------|--------------------------|-------------------------|-----------------------------|--------------------------------|-------------------------|-------------------------|--------------------------|
|                                                          | £000                       | £000                     | £000                    | £000                        | £000                           | £000                    | £000                    | £000                     |
| <b>General Fund Balances</b>                             | (9,643)                    | -                        | (1,048)                 | (10,691)                    | (649)                          | 5,164                   | (10)                    | (6,186)                  |
| <b>General Fund Reserves</b>                             |                            |                          |                         |                             |                                |                         |                         |                          |
| Investment Fund                                          | (19,551)                   | -                        | (17,289)                | (36,840)                    | -                              | 7,305                   | (20,595)                | (50,130)                 |
| Enterprise Zone                                          |                            |                          |                         |                             | (7,345)                        | 171                     | (2,016)                 | (9,190)                  |
| LGF SWAP                                                 |                            |                          |                         |                             | (5,610)                        | 2,751                   | (6,949)                 | (9,808)                  |
| Metro Fleet                                              | (2,964)                    | -                        | (1,507)                 | (4,471)                     | -                              | -                       | (40)                    | (4,511)                  |
| Replacement                                              |                            |                          |                         |                             |                                |                         |                         |                          |
| Metro Reinvigoration                                     | (4,059)                    | -                        | (34)                    | (4,093)                     | -                              | -                       | (37)                    | (4,130)                  |
| Tyne Tunnel                                              |                            |                          |                         |                             | (3,491)                        | -                       | -                       | (3,491)                  |
| North East Investment<br>Fund                            |                            |                          |                         |                             | (1,394)                        | 814                     | (340)                   | (920)                    |
| Metro Studies                                            |                            |                          |                         |                             | -                              | -                       | (336)                   | (336)                    |
| Bus Project                                              |                            |                          |                         |                             | -                              | -                       | (223)                   | (223)                    |
| Strategic                                                | (200)                      | -                        | -                       | (200)                       | -                              | -                       | -                       | (200)                    |
| Business Rates Pool                                      | -                          | -                        | (4,909)                 | (4,909)                     | -                              | 4,909                   | -                       | -                        |
| <b>Grant Reserves</b>                                    |                            |                          |                         |                             |                                |                         |                         |                          |
| Adult Education Budget                                   |                            |                          |                         |                             | -                              | -                       | (1,477)                 | (1,477)                  |
| North East Ambition                                      |                            |                          |                         |                             | -                              | -                       | (301)                   | (301)                    |
| CEC Enterprise Advisor                                   |                            |                          |                         |                             | -                              | -                       | (290)                   | (290)                    |
| Dept for Education                                       |                            |                          |                         |                             | -                              | -                       | (206)                   | (206)                    |
| Education Challenge                                      |                            |                          |                         |                             | -                              | -                       | (115)                   | (115)                    |
| Grant Reserves<br>(individual balances<br>under £0.100m) | (198)                      | 17                       | (182)                   | (363)                       | -                              | 181                     | (496)                   | (678)                    |
| <b>Total General Fund<br/>Reserves</b>                   | <b>(26,972)</b>            | <b>17</b>                | <b>(23,921)</b>         | <b>(50,876)</b>             | <b>(17,841)</b>                | <b>16,132</b>           | <b>(33,421)</b>         | <b>(86,006)</b>          |
| <b>Total Balances &amp;<br/>Reserves</b>                 | <b>(36,615)</b>            | <b>17</b>                | <b>(24,969)</b>         | <b>(61,567)</b>             | <b>(18,490)</b>                | <b>21,296</b>           | <b>(33,431)</b>         | <b>(92,192)</b>          |

## 25. Unusable Reserves

|                                          | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 |
|------------------------------------------|-----------------------------|-----------------------------|
| Capital Adjustment Account               | (38,174)                    | (58,876)                    |
| Financial Instruments Adjustment Account | 425                         | 2,554                       |
| Revaluation Reserve                      | (3,606)                     | (3,562)                     |
| Accumulated Absences Account             | -                           | 556                         |
| Pension Reserve                          | 285                         | 4,987                       |
| <b>Total</b>                             | <b>(41,070)</b>             | <b>(54,341)</b>             |

### Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The CAA is credited with the amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement. The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 6) provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

|                                                                                                 | 2019/20<br>£000 | 2020/21<br>£000 |
|-------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Opening Balance 1 April</b>                                                                  | (36,456)        | (38,174)        |
| Transfer of balance from North East Combined Authority 1 April                                  |                 | (16,282)        |
| <b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>       |                 |                 |
| Charges for depreciation & impairment of non-current assets                                     | 1,842           | 1,930           |
| Write down of New Tyne Crossing deferred income balance                                         | (2,256)         | (2,268)         |
| Revenue expenditure funded from capital under statute                                           | 8,881           | 47,230          |
| Write down of long-term debtors                                                                 | 698             | 676             |
| Adjusting amounts written out of the Revaluation Reserve                                        | (64)            | (44)            |
| <b>Capital financing applied in the year:</b>                                                   |                 |                 |
| Capital grants & contributions credited to the CIES that have been applied to capital financing | (9,351)         | (50,136)        |
| Statutory provision for the financing of capital investment charged against the General Fund    | (766)           | (1,117)         |
| Capital expenditure charged against the General Fund                                            | (4)             | (15)            |
| Debt redeemed using capital receipts                                                            | (698)           | (676)           |
| <b>Balance at 31 March</b>                                                                      | <b>(38,174)</b> | <b>(58,876)</b> |

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. It provides a balancing mechanism between the different rates at which gains and losses (e.g. premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

|                                                                                                                                              | 2019/20<br>£000 | 2020/21<br>£000 |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Opening Balance 1 April</b>                                                                                                               | 788             | 425             |
| Transfer of balance from North East Combined Authority 1 April                                                                               |                 | 2,558           |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements | (363)           | (429)           |
| <b>Balance at 31 March</b>                                                                                                                   | <b>425</b>      | <b>2,554</b>    |

## Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Combined Authority arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The RR contains only revaluation gains accumulated since 1 April 2007, the date on which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

|                                                                                                                           | 2019/20<br>£000 | 2020/21<br>£000 |
|---------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Balance at 1 April</b>                                                                                                 | (3,670)         | (3,606)         |
| Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account | 64              | 44              |
| <b>Balance at 31 March</b>                                                                                                | <b>(3,606)</b>  | <b>(3,562)</b>  |

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

|                                                                                                                                                                               | 2020/21<br>£000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| <b>Balance at 1 April</b>                                                                                                                                                     | -               |
| Adjustment to the accrual required                                                                                                                                            | 556             |
| Adjustment to the debtor in respect of leave taken in advance                                                                                                                 | -               |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | <b>556</b>      |
| <b>Balance at 31 March</b>                                                                                                                                                    | <b>556</b>      |

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Combined Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Combined Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Combined Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|                                                                                                                               | 2019/20<br>£000 | 2020/21<br>£000 |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Balance at 1 April</b>                                                                                                     | -               | 285             |
| Remeasurements of the net defined benefit liability/(asset)                                                                   | 196             | 1,832           |
| Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES | 269             | 3,036           |
| Employer's pension contributions and direct payments to pensioners payable in the year                                        | (178)           | (215)           |
| Interest expense on net defined liability/(asset)                                                                             | (2)             | 49              |
| <b>Balance at 31 March</b>                                                                                                    | <b>285</b>      | <b>4,987</b>    |

## 26. Capital Expenditure and Capital Financing

|                                                                                        | 2019/20<br>£000 | 2018/19<br>£000 |
|----------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Opening Capital Financing Requirement</b>                                           | <b>86,352</b>   | <b>85,787</b>   |
| <b>Capital Investment</b>                                                              |                 |                 |
| Property, Plant and Equipment                                                          | 1,373           | 576             |
| Revenue Expenditure Funded from Capital Under Statute                                  | 8,881           | 47,230          |
| <b>Sources of Finance</b>                                                              |                 |                 |
| Government Grants and Other Contributions                                              | (9,351)         | (50,136)        |
| Capital Receipts – repayment of principal from long-term debtors                       | (698)           | (676)           |
| <b>Sums set aside from revenue</b>                                                     |                 |                 |
| Direct Revenue Contributions                                                           | (4)             | (15)            |
| Minimum Revenue Provision                                                              | (766)           | (783)           |
| Additional Voluntary Provision                                                         | -               | (334)           |
| <b>Closing Capital Financing Requirement</b>                                           | <b>85,787</b>   | <b>81,649</b>   |
| Decrease in underlying need to borrow (unsupported by Government financial assistance) | (565)           | (4,138)         |
| <b>Decrease in Capital Financing Requirement</b>                                       | <b>(565)</b>    | <b>(4,138)</b>  |

## 27. Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing activities

|                                                                                                                                   | 2019/20<br>£000 | 2020/21<br>£000 |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Surplus on the provision of services                                                                                              | 28,563          | 30,707          |
| <b>Adjustments to Surplus on Provision of Services for Non-Cash Movements</b>                                                     |                 |                 |
| Depreciation and Impairment                                                                                                       | 1,842           | 1,930           |
| Increase/(Decrease) in Creditors                                                                                                  | (2,862)         | 24,032          |
| (Increase)/Decrease in Debtors                                                                                                    | (4,418)         | (17,546)        |
| Movement in Pension Liability                                                                                                     | 89              | 2,870           |
| Other non-cash items charged to the surplus on the provision of services                                                          | (2,239)         | (891)           |
|                                                                                                                                   | (7,588)         | 10,395          |
| <b>Adjustments for items included in the net surplus on the Provision of Services that are investing and financing activities</b> |                 |                 |
| Capital grants credited to surplus on provision of services                                                                       | (11,034)        | (67,330)        |
| <b>Net Cash Flow from Operating Activities</b>                                                                                    | <b>9,941</b>    | <b>(26,228)</b> |

The cash flows for operating activities include the following items

|                   | 2019/20<br>£000 | 2020/21<br>£000 |
|-------------------|-----------------|-----------------|
| Interest Received | 1,080           | 2,060           |
| Interest Paid     | (3,289)         | (3,295)         |

## 28. Cash Flow Statement – Investing Activities

|                                                                                    | 2019/20<br>£000 | 2020/21<br>£000 |
|------------------------------------------------------------------------------------|-----------------|-----------------|
| Purchase of Property, Plant & Equipment, investment property and intangible assets | (1,371)         | (1,442)         |
| Purchase of short- and long-term investments                                       | (90,393)        | (148,408)       |
| Proceeds from short-term and long-term investments                                 | 80,393          | 41,371          |
| Other receipts from Investing Activities                                           | 13,022          | 69,600          |
| <b>Net Cash Flows from Investing Activities</b>                                    | <b>1,651</b>    | <b>(38,879)</b> |

## 29. Cash Flow Statement – Financing Activities

|                                                 | 2019/20<br>£000 | 2020/21<br>£000 |
|-------------------------------------------------|-----------------|-----------------|
| Repayment of short and long-term borrowing      | 1,963           | 20,106          |
| <b>Net Cash Flows from Financing Activities</b> | <b>1,963</b>    | <b>20,106</b>   |

## 30. Reconciliation of liabilities arising from Financing Activities

|                                                                | 1 April<br>2020<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which are<br>not financing cash<br>flows |               | 31<br>March<br>2021<br>£000 |
|----------------------------------------------------------------|-------------------------|------------------------------------|--------------------------------------------------|---------------|-----------------------------|
|                                                                |                         |                                    | Acquisition<br>£000                              | Other<br>£000 |                             |
| Long Term Borrowings                                           | (75,595)                | (129)                              | -                                                | -             | (75,724)                    |
| Short Term Borrowings                                          | (1,032)                 | (20,000)                           | -                                                | 9             | (21,023)                    |
| <b>Total Liabilities arising from<br/>Financing Activities</b> | <b>(76,627)</b>         | <b>(20,129)</b>                    | <b>-</b>                                         | <b>9</b>      | <b>(96,747)</b>             |

|                                                                | 1 April<br>2019<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which are<br>not financing cash<br>flows |               | 31<br>March<br>2020<br>£000 |
|----------------------------------------------------------------|-------------------------|------------------------------------|--------------------------------------------------|---------------|-----------------------------|
|                                                                |                         |                                    | Acquisition<br>£000                              | Other<br>£000 |                             |
| Long Term Borrowings                                           | (73,648)                | (1,947)                            | -                                                | -             | (75,595)                    |
| Short Term Borrowings                                          | (1,024)                 | -                                  | -                                                | (8)           | (1,032)                     |
| <b>Total Liabilities arising from<br/>Financing Activities</b> | <b>(74,672)</b>         | <b>(1,947)</b>                     | <b>-</b>                                         | <b>(8)</b>    | <b>(76,627)</b>             |

## 31. Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 has introduced changes in accounting policy which will be required from 1 April 2021 and may require retrospective application. The accounting policies have been reviewed and it has been concluded that the changes will not have a material impact on the Statement of Accounts.

The changes that have been introduced are in relation to the following International Financial Reporting Standard (IFRS) statements:

- **Accounting Policies** – Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There have

been no changes in accounting policies introduced by the Combined Authority in 2020/21 and this amended standard will not have an effect on the financial statements.

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – IAS 8 has been adapted to limit the impact of standards that have been issued but not yet adopted to those listed in the 2021/22 Code of Practice. This excludes IFRS 16 Leases and IFRS 17 Insurance Contracts from being included in these reporting requirements. The standards shown below, depending on their impact on the Combined Authority, may need to be disclosed.

The standards introduced by the 2021/22 Code and relevant for additional disclosure that will be required in the 2020/21 financial statements:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39, and IFRS7; and
- Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16.

These amendments are mainly concerned with private sector accounting and reporting and are not expected to impact on the Combined Authority.

## 32. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in these accounts, the Combined Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

### Service Concession Arrangements

The Code requires arrangements where private sector contractors provide a service for a period using a dedicated asset to be assessed under an application of the principles within IFRIC12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC12:

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

For arrangements falling under the scope of IFRIC 12, the public sector entity will recognise the cost of the Property, Plant and Equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing concession has been judged to meet both of the IFRIC 12 criteria and, accordingly, the cost of the new Tunnel and the refurbishment of the existing Tunnel are recorded within the Combined Authority's Property, Plant and Equipment on the Balance Sheet.

## Transferred assets and liabilities in Local Government Pension Scheme transferred to TT2 Ltd

Assets and liabilities relating to membership accrued before 1 February 2008 transferred to TT2 Ltd on commencement of the concession agreement. The project agreement provides that should there be a shortfall in the TT2 fund at the actuarial valuation, which can be attributed to pre-2008 benefits, the Combined Authority will be required to reimburse the shortfall. As a result of the most recent triennial valuation, there is currently no reimbursement due.

## Accounting for the North East Joint Transport Committee

As set out in Note 1, on 2 November 2018 the boundaries of NECA changed and the North East Joint Transport Committee was created. The assets and liabilities which transferred from the former Tyne and Wear Integrated Transport Authority to NECA on its creation in April 2014 are now jointly owned by NECA and NTCA, and assets, liabilities, income and expenditure (from the date of establishment) must be divided between the accounts of the two Combined Authorities.

For many of the assets and liabilities and revenue streams, these cannot be separated into those which relate to the authorities which are part of NECA and those which relate to the authorities which are part of NTCA. As a result, these balances have been apportioned between the two Combined Authorities on the basis of Tyne and Wear population.

### **33. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Combined Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Combined Authority's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

| <b>Item</b>        | <b>Uncertainties</b>                                                                                                                                                                                                                                                                                                                                                                                             | <b>Effect if actual results differ from assumptions</b>                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Combined Authority with expert advice about the assumptions to be applied. | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Pension Fund engages a firm of specialist actuaries to provide the Combined Authority with expert advice about the assumptions to be applied. See Note 22 Defined |

|                                                     |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                     |                                                                                                                                                     | Benefits Pension Scheme for details of sensitivity analysis of the estimations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Tyne & Wear Pension Fund Accounts – Covid 19 impact | Tyne & Wear Pension Fund's accounts reference a material uncertainty in respect to direct property valuations and pooled residential property funds | <p>A small proportion (9%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement.</p> <p>As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of these unquoted assets than would normally be the case.</p> |

## 34. Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Combined 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 property accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), 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 Combined 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 Combined Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority;
- Revenue from the provision of services is recognised when the Combined Authority can measure reliably 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 Combined 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; and
- 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 in 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 Combined Authority has a policy of not accruing for manual sundry creditors or sundry debtors provision 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 90 days or less 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 Combined Authority's cash management.

#### **4. 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 non-current assets during the year:

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

The Combined 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 Combined Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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.

#### **5. Contingent Liabilities**

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

#### **6. 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 Combined Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flexi balances) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## Termination Benefits

Termination benefits are amounts which would be payable as a result of a decision by the Combined 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 Corporate Costs line in the CIES when the Combined 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 Combined Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

No such amounts are payable in 2020/21.

### **7. 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; and
- 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.

### **8. 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 Combined Authority's financial performance.

### **9. Fair Value measurement**

The Combined Authority measures some of its non-financial assets such as surplus assets, assets held for sale 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:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Combined 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 Combined 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 Combined 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 Combined 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 Combined 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; or
- Level 3 – unobservable inputs for the asset or liability.

## **10. Financial Instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Combined 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 Combined 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 Combined 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 charge 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 Combined 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; and,
- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

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

- An equity instrument can be elected into FVOCI rather than FVPL if it is not held for trading;
- Any financial asset can be designated as measured at 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 Combined 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 creditors to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Combined Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Combined 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 the 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 for from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## Expected Credit Loss Model

The Combined Authority recognises expected credit losses on all 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 cashflows 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 expected losses. 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

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 Combined 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 Combined 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.

### **11. Government Grants and Contributions**

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

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

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied.

Conditions are stipulations that specify that 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 Financed from Capital Under Statute) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **12. Group Accounts**

NECA and the Combined Authority are required by the Code of Practice on Local Authority Accounting 2020/21 to produce Group Accounts to include services paid to Council Tax payers by organisations other than the Combined Authority itself in which the Combined 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 the Combined 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.

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

## **13. 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 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 CIPFA Code, NECA must:

- Split the revenues between that which relates to NECA and the Combined Authority. 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 the Combined Authority), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and the Combined Authority).
- 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 the Combined Authority), 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 division of assets, liabilities and expenditure incurred will also be divided on this basis.

#### **14. 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.

#### **15. Post-Employment Benefits**

The Combined Authority and NECA are members 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 & 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 Combined 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 Combined 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 CIES to the Combined Authority and NECA Corporate Costs line;
- Past service costs – 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 CIES as part of the Combined Authority and NECA Corporate Costs line;
- Net interest on the net defined liability i.e. net interest expense for the Combined Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the CIES. 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 at the beginning of the period taking into account any changes in the net defined benefit liability 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 Combined 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, charged to the Pensions Reserve as Other Comprehensive Income & Expenditure; and

- 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 & 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 Combined 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 Pension 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 22 to the accounts.

## **16. 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 if the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Combined 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.

## **17. Property, Plant and 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 Combined 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; and
- The initial estimate of the costs dismantling and removing the item and restoring the site on which it is located.

The Combined 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 Combined 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 Combined 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 bases:

- 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 (EUV).

The following useful economic lives are used for PPE assets in relation to NECA: 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 that 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 current 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); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

#### De Minimis Levels

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

#### Impairment

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

Where impairment losses are identified, they are accounted for by:

- 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); or

- 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, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for 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 at the 31 March 2020 divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been charged 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 asset 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 previously recognised losses 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 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 Combined 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.

## **18. Provisions**

Provisions are made where an event has taken place that gives the Combined 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 instance, the Combined 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 Combined 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 probable 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 Combined Authority settles the obligation.

## **19. 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 (IFRIC12) '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 tangible fixed asset. The New Tyne Crossing is considered to meet both IFRIC 12 criteria, and therefore the costs are recognised on the Combined Authority's 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 costs 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. The Combined Authority 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 a Shadow Toll is paid 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; and
- 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.

The Combined Authority 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 the Combined Authority has no long-term obligation to transfer economic resources to the operator, since the operator revenue is in substance transferred directly to it. The Combined Authority 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. The Combined Authority has therefore recognised a deferred credit balance, added to as each 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.

## **20. Reserves**

The Combined Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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 within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

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

## **21. Revenue Expenditure Funded from Capital under Statute**

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 Combined 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 charges so that there is not impact on the levy.

## **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 period end.

## **23. 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 and Customs. VAT receivable is excluded from income.

## 35. Events after the Balance Sheet Date

### Adjusting events after the Balance Sheet date

Where events take place after 31 March which provide information about conditions existing at 31 March, the financial statements and notes are adjusted to reflect the impact of this information. No such events have taken place.

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## 3.0 Group Financial Statements and Explanatory Notes

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## 3.1 Group Movement in Reserves Statement

|                                                                                 | NTCAINECA<br>Usable<br>Reserves | NTCAINECA<br>Unusable<br>Reserves | Total<br>NTCAINECA<br>Reserves | Authority<br>Share of<br>Nexus | Total Group<br>Reserves |
|---------------------------------------------------------------------------------|---------------------------------|-----------------------------------|--------------------------------|--------------------------------|-------------------------|
|                                                                                 | £000                            | £000                              | £000                           | £000                           | £000                    |
| Balance at 31 March<br>2019 carried forward                                     | (40,782)                        | (39,338)                          | (80,120)                       | (195,317)                      | (275,437)               |
| Total Comprehensive<br>Income & Expenditure                                     | (28,563)                        | 196                               | (28,367)                       | (14,379)                       | (42,746)                |
| Adjustments between<br>accounting basis &<br>funding basis under<br>regulations | 1,928                           | (1,928)                           | -                              | -                              | -                       |
| (Increase)/decrease in<br>2019/20                                               | (26,635)                        | (1,732)                           | (28,367)                       | (14,379)                       | (42,746)                |
| <b>Balance at 31 March<br/>2020 carried forward</b>                             | <b>(67,417)</b>                 | <b>(41,070)</b>                   | <b>(108,487)</b>               | <b>(209,696)</b>               | <b>(318,183)</b>        |
| Transfer from NECA in<br>respect of LEP                                         | (27,628)                        | (13,724)                          | (41,352)                       | -                              | (41,352)                |
| Balance at 1 April 2020                                                         | (95,045)                        | (54,794)                          | (149,839)                      | (209,696)                      | (359,535)               |
| Total Comprehensive<br>Income & Expenditure                                     | (30,707)                        | 1,832                             | (28,875)                       | (1,493)                        | (30,368)                |
| Adjustments between<br>accounting basis &<br>funding basis under<br>regulations | 1,379                           | (1,379)                           | -                              | -                              | -                       |
| (Increase)/decrease in<br>2020/21                                               | (29,328)                        | 453                               | (28,875)                       | (1,493)                        | (30,368)                |
| <b>Balance at 31 March<br/>2021 carried forward</b>                             | <b>(124,373)</b>                | <b>(54,341)</b>                   | <b>(178,714)</b>               | <b>(211,189)</b>               | <b>(389,903)</b>        |

## 3.2 Group Comprehensive Income and Expenditure Statement

| 2019/20        |                  |                 |                                                     | 2020/21        |                  |                 |
|----------------|------------------|-----------------|-----------------------------------------------------|----------------|------------------|-----------------|
| Gross Exp      | Gross Inc        | Net Exp         | Note                                                | Gross Exp      | Gross Inc        | Net Exp         |
| £000           | £000             | £000            |                                                     | £000           | £000             | £000            |
| 735            | -                | 735             | Investment Fund                                     | 5,898          | (66)             | 5,832           |
| 3,677          | (6,047)          | (2,370)         | Corporate Costs                                     | 11,443         | (2,328)          | 9,115           |
| 136            | (382)            | (246)           | Adult Education Budget                              | 13,405         | (14,640)         | (1,235)         |
| 101,294        | (61,398)         | 39,896          | Joint Transport Committee                           | 106,365        | (74,953)         | 31,412          |
|                |                  |                 | <u>Services transferred from NECA</u>               |                |                  |                 |
| -              | -                | -               | Invest North East                                   | 534            | (438)            | 96              |
| -              | -                | -               | Local Enterprise Partnership                        | 47,896         | (15,278)         | 32,618          |
| <b>105,841</b> | <b>(67,827)</b>  | <b>38,015</b>   | <b>Cost of Services</b>                             | <b>185,541</b> | <b>(107,703)</b> | <b>77,838</b>   |
| 4,225          | (757)            | 3,468           | Financing and Investment Income and Expenditure     | 7,296          | (4,656)          | 2,640           |
| -              | (75,607)         | (75,607)        | Taxation and Non-Specific Grant Income              | -              | (121,902)        | (121,902)       |
| -              | 93               | 93              | Gain/Loss on disposal of non-current assets         | -              | -                | -               |
| <b>110,066</b> | <b>(144,098)</b> | <b>(34,032)</b> | <b>Surplus on Provision of Service</b>              | <b>192,837</b> | <b>(234,261)</b> | <b>(41,424)</b> |
|                |                  | (348)           | Taxation credit charge for the year                 |                |                  | -               |
|                |                  | <b>(34,380)</b> | <b>Group surplus after taxation</b>                 |                |                  | <b>(41,424)</b> |
|                |                  | (7,577)         | Re-measurement of the defined benefit liability     |                |                  | <b>11,056</b>   |
|                |                  | (785)           | Gains on Revaluation of Property                    |                |                  | -               |
|                |                  | <b>(42,742)</b> | <b>Total Comprehensive Income &amp; Expenditure</b> |                |                  | <b>(30,368)</b> |

### 3.3 Group Balance Sheet

| <b>31 March<br/>2020<br/>£000</b> |                              | <b>Note</b> | <b>31 March<br/>2021<br/>£000</b> |
|-----------------------------------|------------------------------|-------------|-----------------------------------|
| 380,884                           | Property, Plant & Equipment  | G7          | 395,896                           |
|                                   | Long Term Debtors            |             | 13,152                            |
| 1,988                             | Intangible Assets            | G8          | 2,388                             |
| <b>382,872</b>                    | <b>Long Term Assets</b>      |             | <b>411,436</b>                    |
| 35,581                            | Short Term Investments       | G9          | 142,617                           |
| 13,486                            | Short Term Debtors           | G10         | 19,324                            |
| 55,830                            | Cash & Cash Equivalents      | G11         | 50,549                            |
| 1,586                             | Inventories                  |             | 401                               |
| <b>106,493</b>                    | <b>Current Assets</b>        |             | <b>212,891</b>                    |
| (1,032)                           | Short Term Borrowing         | G9          | (21,023)                          |
| (18,679)                          | Short Term Creditors         | G12         | (40,508)                          |
| (427)                             | Grants Receipts in Advance   | G6          | (2,696)                           |
| (2,256)                           | Public Private Partnerships  |             | (2,268)                           |
| <b>(22,394)</b>                   | <b>Current Liabilities</b>   |             | <b>(66,495)</b>                   |
| (75,595)                          | Long Term Borrowing          | G9          | (75,724)                          |
| (38,334)                          | Public Private Partnerships  |             | (36,292)                          |
| (30,826)                          | Pension Liability            | G13         | (50,506)                          |
| (2,304)                           | Provisions                   |             | (3,679)                           |
| (1,719)                           | Deferred Taxation            | G14         | (1,728)                           |
| <b>(148,788)</b>                  | <b>Long Term Liabilities</b> |             | <b>(167,929)</b>                  |
| <b>318,183</b>                    | <b>Net Assets</b>            |             | <b>389,903</b>                    |
| (83,962)                          | Usable Reserves              | G15         | (146,886)                         |
| (234,221)                         | Unusable Reserves            | G16         | (243,017)                         |
| <b>(318,183)</b>                  | <b>Total Reserves</b>        |             | <b>(389,903)</b>                  |

I certify that the Accounts give a true and fair view of the financial position of the North of Tyne Combined Authority Group as at 31 March 2021.

**Signed:**

**Date:**

**Janice Gillespie, Chief Finance Officer (Section 73 Officer)**

### 3.4 Group Cash Flow Statement

| 2019/20<br>£000 |                                                                                                                            | Note | 2020/21<br>£000 |
|-----------------|----------------------------------------------------------------------------------------------------------------------------|------|-----------------|
| 34,032          | Surplus on the provision of services                                                                                       | G17  | 41,424          |
| 16,766          | Adjustments to net surplus on the provision of services for non-cash movements                                             | G17  | 33,780          |
| (33,258)        | Adjustments for items included in the net surplus on the provision of services that are investing and financing activities | G17  | (95,739)        |
| 470             | Financing Costs and Investment                                                                                             | G17  | 1,406           |
| <b>18,010</b>   | <b>Net Cash Flows from Operating Activities</b>                                                                            |      | <b>(19,129)</b> |
| (299)           | Investing Activities                                                                                                       | G18  | (45,566)        |
| 829             | Financing Activities                                                                                                       | G19  | 18,062          |
| <b>18,540</b>   | <b>Net Increase in cash and cash equivalents</b>                                                                           |      | <b>(46,633)</b> |
| 37,290          | Cash and cash equivalents at the beginning of the reporting period                                                         |      | 55,830          |
| -               | Transfer from NECA in respect of LEP                                                                                       | 2    | 41,352          |
| <b>55,830</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>                                                        | G11  | <b>50,549</b>   |

### 3.5 Index to the Notes to the Group Financial Statements

The values within the financial statements are disclosed with roundings which are appropriate to their individual presentation. Consequently, the tables in the Statement of Accounts may contain rounding differences.

| <b>Note</b> | <b>Title</b>                                                                                                                        | <b>Page</b> |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------|
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| G15         | Usable Reserves                                                                                                                     | 94          |
| G16         | Unusable Reserves                                                                                                                   | 95          |
| G17         | Adjustments to net surplus on the provision of services for non cash movements and items that are Investing or Financing Activities | 99          |
| G18         | Cash Flow – Investing Activities                                                                                                    | 100         |
| G19         | Cash Flow – Financing Activities                                                                                                    | 100         |
| G20         | Reconciliation of liabilities arising from Financing Activities                                                                     | 100         |
| G21         | Capital Expenditure and Financing                                                                                                   | 101         |

## G1 Group Accounts

Under the 9.1.17 of the Code of Practice for Local Authority Accounting 2020/21, authorities with interest in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

The Group Accounts include the accounts of Nexus (in relation only to the proportion relating to the North of Tyne Combined Authority population basis), and have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of NECA and NTCA with the following minor differences:

### Deferred Taxation

NTCA/NECA does not require a policy on Deferred Taxation. Deferred Taxation (which arises from the differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated by Nexus on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

### Property, Plant and Equipment and Intangible Assets

Nexus uses the following estimated useful lives for each class of assets:

#### **Asset**

Freehold buildings  
Short leasehold buildings  
Infrastructure assets  
Plant and Equipment  
Vehicles  
Marine Vessels  
Intangibles

#### **Estimated Useful Life**

40 years  
Over the lease term  
20 to 50 years  
5 to 30 years  
5 to 10 years  
30 years  
5 to 10 years

Details of NTCA's depreciation policy can be found within the accounting policies of the single entity accounts. Nexus's policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NTCA and NECA charge a full year depreciation in the year of acquisition.

Where Group Accounts are required, authorities must provide the main financial statements and the disclosure notes which add value to the understanding of the accounts. Disclosure notes have been produced to add more detail where the Group Accounts are materially different from the single entity accounts.

Copies of the single entity accounts for Nexus are available at [www.nexus.org.uk](http://www.nexus.org.uk)

As described in the Note 1 to the single entity accounts, the establishment of the North of Tyne Combined Authority (NTCA) and the North East Joint Transport Committee on 2 November 2018 necessitates the division of income and expenditure, assets and liabilities relating to Joint Transport Committee activity between the NECA and NTCA

accounts. Since all Nexus activity reported in the NECA Group Accounts relates to Transport at the Tyne and Wear level, it has been fully apportioned between NECA and NTCA on the basis of Tyne and Wear population using the ONS statistics used as the basis of dividing the levy contributions.

### Assumptions made about the future and other major sources of uncertainty

The Group's net pension liability includes a share of the overall Pension Fund Investment assets. The Pension Fund has disclosed a material uncertainty, due to Covid-19, in respect of pension investments (direct property valuations and pooled residential property funds).

Please see Note 33 of the single entity accounts for NTCA's assumptions made about the future and other major sources of estimation uncertainty. Significant accounting judgements, estimates and assumptions for Nexus can be found in the Nexus accounts at [www.nexus.org.uk](http://www.nexus.org.uk).

## G2 Expenditure and Funding Analysis

| 2020/21                                | Net Exp Chargeable to General Fund<br>£000 | Adjs for Capital Purposes<br>£000 | Pension Adjs<br>£000 | Other Adjs<br>£000 | Net Exp in CIES<br>£000 |
|----------------------------------------|--------------------------------------------|-----------------------------------|----------------------|--------------------|-------------------------|
| Investment Fund                        | 5,585                                      | -                                 | 197                  | 50                 | 5,832                   |
| Corporate Costs                        | 7,032                                      | -                                 | 2,051                | 32                 | 9,115                   |
| Adult Education Budget                 | (1,277)                                    | -                                 | 33                   | 9                  | (1,235)                 |
| Joint Transport Committee Costs        | 23,403                                     | (3,821)                           | 11,830               | -                  | 31,412                  |
| <u>Services transferred from NECA</u>  |                                            |                                   |                      |                    |                         |
| Invest North East                      | 66                                         | -                                 | 30                   | -                  | 96                      |
| Local Enterprise Partnership           | 31,394                                     | 249                               | 510                  | 465                | 32,618                  |
| Net Cost of Services                   | <b>66,203</b>                              | <b>(3,572)</b>                    | <b>14,651</b>        | <b>556</b>         | <b>77,838</b>           |
| Other Income & Expenditure             | (84,307)                                   | (34,576)                          | 49                   | (428)              | (119,262)               |
| <b>Surplus on Provision of Service</b> | <b>(18,104)</b>                            | <b>(38,148)</b>                   | <b>14,700</b>        | <b>128</b>         | <b>(41,424)</b>         |

### Opening General Fund Balances

Transfer from NECA in respect of LEP Balances  
Surplus on General Fund Balances in Year  
Transfers to Reserves

### General Fund Balances at 31 March 2021

|                 |
|-----------------|
| <b>(33,300)</b> |
| (649)           |
| (18,104)        |
| 22,720          |
| <b>(29,333)</b> |

| 2019/20                                       | Net Exp<br>Chargeable<br>to General<br>Fund<br>£000 | Adjs for<br>Capital<br>Purposes<br>£000 | Pension<br>Adjs<br>£000 | Other<br>Adjs<br>£000 | Net Exp<br>in CIES<br>£000 |
|-----------------------------------------------|-----------------------------------------------------|-----------------------------------------|-------------------------|-----------------------|----------------------------|
| Investment Fund                               | 735                                                 | -                                       | -                       | -                     | 735                        |
| Corporate Costs                               | (2,461)                                             | -                                       | 91                      | -                     | (2,370)                    |
| Adult Education Budget                        | (246)                                               | -                                       | -                       | -                     | (246)                      |
| Joint Transport<br>Committee                  | 23,675                                              | 7,027                                   | 9,193                   | -                     | 39,895                     |
| <b>Net Cost of Services</b>                   | <b>21,703</b>                                       | <b>7,027</b>                            | <b>9,284</b>            | <b>-</b>              | <b>38,014</b>              |
| Other Income &<br>Expenditure                 | (54,106)                                            | (22,553)                                | 3,819                   | 773                   | (72,047)                   |
| <b>Surplus on Provision<br/>of Service</b>    | <b>(32,403)</b>                                     | <b>(15,506)</b>                         | <b>13,103</b>           | <b>773</b>            | <b>(34,033)</b>            |
| <b>Opening General Fund Balances</b>          |                                                     |                                         |                         |                       | <b>(32,973)</b>            |
| Surplus on General Fund Balances in Year      |                                                     |                                         |                         |                       | (32,403)                   |
| Transfers to Reserves                         |                                                     |                                         |                         |                       | 32,076                     |
| <b>General Fund Balances at 31 March 2020</b> |                                                     |                                         |                         |                       | <b>(33,300)</b>            |

### Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and adjusts for:

- Other Operating Expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets;
- Financing and Investment Income and Expenditure – the statutory charges for capital i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from that receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs; and
- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute include:

- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and
- For services this includes adjustments made from accruing compensated absences earned but not taken in the year.

### G3 Income and Expenditure Analysed by Nature

| 2019/20<br>£000  |                                                                                             | 2020/21<br>£000  |
|------------------|---------------------------------------------------------------------------------------------|------------------|
|                  | <b>Expenditure</b>                                                                          |                  |
| 24,744           | Employee benefit expenses                                                                   | 27,566           |
| 56,038           | Other service expenses                                                                      | 95,815           |
| 1,872            | Support Service Recharges                                                                   | 2,783            |
| 23,187           | Depreciation, impairment and Revenue Expenditure Funded from Capital under Statute (REFCUS) | 59,377           |
| 4,225            | Interest Payments                                                                           | 7,296            |
| <b>110,066</b>   | <b>Total Expenditure</b>                                                                    | <b>192,837</b>   |
|                  | <b>Income</b>                                                                               |                  |
| (35,393)         | Fees, charges and other service income (Tyne Tunnel tolls)                                  | (29,138)         |
| (757)            | Interest and investment income                                                              | (4,656)          |
| (33,168)         | Income from transport levy                                                                  | (33,450)         |
| (67,639)         | Government grants and contributions                                                         | (163,620)        |
| (7,141)          | Other Income                                                                                | (3,397)          |
| <b>(144,098)</b> | <b>Total Income</b>                                                                         | <b>(234,261)</b> |
| <b>(34,032)</b>  | <b>Surplus on the provision of services</b>                                                 | <b>41,424</b>    |

### G4 Financing and Investment Income and Expenditure

| 2019/20<br>£000 |                                                  | 2020/21<br>£000 |
|-----------------|--------------------------------------------------|-----------------|
| 3,434           | Interest payable and similar charges             | 3,386           |
| 791             | Interest payable on defined benefit liability    | 3,910           |
| -               | Interest receivable on defined benefit liability | (3,053)         |
| (756)           | Interest receivable and similar income           | (1,603)         |
| <b>3,468</b>    | <b>Total</b>                                     | <b>2,640</b>    |

## G5 Taxation and Non-Specific Grant Income

| 2019/20<br>£000 |                                                | 2020/21<br>£000  |
|-----------------|------------------------------------------------|------------------|
| (33,168)        | Transport Levy                                 | (33,450)         |
| (22,257)        | Capital Grants, Contributions & Donated Assets | (20,000)         |
| (20,182)        | Non-Ringfenced Government Grants               | (68,452)         |
| <b>(75,607)</b> | <b>Total</b>                                   | <b>(121,902)</b> |

## G6 Grant Income and Other Contributions

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services:

| Restated                 |                                                         |                          |
|--------------------------|---------------------------------------------------------|--------------------------|
| 31 March<br>2020<br>£000 |                                                         | 31 March<br>2021<br>£000 |
| -                        | Covid 19 Business Support                               | (19,062)                 |
| -                        | Adult Education Grant                                   | (15,064)                 |
| (11,556)                 | Metro Rail Grant                                        | (11,844)                 |
| (4,386)                  | Transforming Cities Fund                                | (11,170)                 |
| (6,179)                  | Local Transport Plan                                    | (6,213)                  |
| -                        | Active Travel Fund                                      | (3,225)                  |
| (220)                    | European Grants                                         | (1,178)                  |
| (1,000)                  | Mayoral Capacity Fund                                   | (1,000)                  |
| (1,001)                  | Section 31 Grants                                       | (228)                    |
| (382)                    | Adult Education Budget – Devolution Implementation Fund | (116)                    |
| (182)                    | EU Exit Funding                                         | (109)                    |
| (160)                    | North East Smart Ticketing Initiative                   | (91)                     |
| (240)                    | Office for Low Emission Vehicles                        | (57)                     |
| (114)                    | Heavy Rail Grant                                        | -                        |
| (1,215)                  | Other Grants                                            | (881)                    |
| (114)                    | Other Grants & Contributions (individually under £1m)   | (4,930)                  |
| <b>(26,749)</b>          | <b>Total</b>                                            | <b>(75,168)</b>          |

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

| 31 March<br>2020<br>£000 |                                                              | 31 March<br>2021<br>£000 |
|--------------------------|--------------------------------------------------------------|--------------------------|
|                          | <b>Grants Receipts in Advance</b>                            |                          |
| (427)                    | Grants & Contributions (individually under £1m) – Short Term | (2,696)                  |
| <b>(427)</b>             | <b>Total</b>                                                 | <b>(2,696)</b>           |

## G7 Property, Plant and Equipment

**2020/21****Cost or Valuation****At 1 April 2020**

Additions

Transfers from Assets  
under Construction

Derecognition – disposals

Impairment recognised in  
the Provision of Services

Other Adjustments

**At 31 March 2021****Accumulated Depreciation and Impairment**

At 1 April 2020

Depreciation charge

Derecognition – disposals

**At 31 March 2021****Net Book Value****At 1 April 2020****At 31 March 2021**

|                                                       | Vehicles, Plant,<br>Furniture &<br>Equipment | Infra-<br>structure Assets | Land &<br>Buildings | Assets<br>Under<br>Construction | Total Property,<br>Plant &<br>Equipment | Service<br>Concession<br>Assets included<br>in PPE |
|-------------------------------------------------------|----------------------------------------------|----------------------------|---------------------|---------------------------------|-----------------------------------------|----------------------------------------------------|
|                                                       | £000                                         | £000                       | £000                | £000                            | £000                                    | £000                                               |
| <b>At 1 April 2020</b>                                | <b>16,855</b>                                | <b>503,857</b>             | <b>1,440</b>        | <b>20,703</b>                   | <b>542,855</b>                          | <b>174,306</b>                                     |
| Additions                                             | -                                            | 424                        | -                   | 29,201                          | 29,625                                  | 424                                                |
| Transfers from Assets<br>under Construction           | 544                                          | 21,468                     | -                   | (22,012)                        | -                                       | -                                                  |
| Derecognition – disposals                             | (1,348)                                      | (2,171)                    | (155)               | (20)                            | (3,694)                                 | -                                                  |
| Impairment recognised in<br>the Provision of Services | -                                            | (16)                       | -                   | -                               | (16)                                    | (16)                                               |
| Other Adjustments                                     | -                                            | 2,147                      | -                   | -                               | 2,147                                   | 865                                                |
| <b>At 31 March 2021</b>                               | <b>16,051</b>                                | <b>525,709</b>             | <b>1,285</b>        | <b>27,872</b>                   | <b>570,917</b>                          | <b>175,579</b>                                     |
| <b>Accumulated Depreciation and Impairment</b>        |                                              |                            |                     |                                 |                                         |                                                    |
| At 1 April 2020                                       | (11,185)                                     | (150,456)                  | (330)               | -                               | (161,971)                               | (22,773)                                           |
| Depreciation charge                                   | (690)                                        | (14,414)                   | (18)                | -                               | (15,124)                                | (1,785)                                            |
| Derecognition – disposals                             | 542                                          | 1,426                      | 104                 | -                               | 2,072                                   | -                                                  |
| <b>At 31 March 2021</b>                               | <b>(11,333)</b>                              | <b>(163,444)</b>           | <b>(244)</b>        | <b>-</b>                        | <b>(175,021)</b>                        | <b>(24,558)</b>                                    |
| <b>Net Book Value</b>                                 |                                              |                            |                     |                                 |                                         |                                                    |
| <b>At 1 April 2020</b>                                | <b>5,670</b>                                 | <b>353,401</b>             | <b>1,110</b>        | <b>20,703</b>                   | <b>380,884</b>                          | <b>151,533</b>                                     |
| <b>At 31 March 2021</b>                               | <b>4,718</b>                                 | <b>362,265</b>             | <b>1,041</b>        | <b>27,872</b>                   | <b>395,896</b>                          | <b>151,022</b>                                     |

**2019/20**

|                                                  | Vehicles, Plant,<br>Furniture &<br>Equipment | Infra-<br>structure Assets | Land & Buildings | Assets<br>Under<br>Construction | Total Property,<br>Plant & Equipment | Service<br>Concession<br>Assets included in<br>PPE |
|--------------------------------------------------|----------------------------------------------|----------------------------|------------------|---------------------------------|--------------------------------------|----------------------------------------------------|
| Cost or Valuation                                | £000                                         | £000                       | £000             | £000                            | £000                                 | £000                                               |
| <b>At 1 April 2019</b>                           | <b>16,570</b>                                | <b>483,334</b>             | <b>770</b>       | <b>18,851</b>                   | <b>519,525</b>                       | <b>166,202</b>                                     |
| Additions                                        | -                                            | -                          | -                | 24,996                          | 24,996                               | -                                                  |
| Transfers from Assets<br>under Construction      | 334                                          | 21,878                     | -                | (22,212)                        | -                                    | 8,104                                              |
| Transfers between<br>categories                  | -                                            | 115                        | (115)            | -                               | -                                    | -                                                  |
| Intangibles                                      | -                                            | -                          | -                | (655)                           | (655)                                | -                                                  |
| Derecognition –<br>disposals                     | (49)                                         | (1,470)                    | -                | (277)                           | (1,796)                              | -                                                  |
| Revaluation Recognised<br>in Revaluation Reserve | -                                            | -                          | 785              | -                               | 785                                  | -                                                  |
| <b>At 31 March 2020</b>                          | <b>16,855</b>                                | <b>503,857</b>             | <b>1,440</b>     | <b>20,703</b>                   | <b>542,855</b>                       | <b>174,306</b>                                     |

**Accumulated Depreciation and Impairment**

|                              |                 |                  |              |               |                  |                 |
|------------------------------|-----------------|------------------|--------------|---------------|------------------|-----------------|
| <b>At 1 April 2020</b>       | <b>(10,382)</b> | <b>(137,973)</b> | <b>(312)</b> | <b>-</b>      | <b>(148,670)</b> | <b>(21,005)</b> |
| Depreciation charge          | (852)           | (13,307)         | (18)         | -             | (14,177)         | (1,768)         |
| Derecognition –<br>disposals | 49              | 827              | -            | -             | 876              | -               |
| <b>At 31 March 2020</b>      | <b>(11,185)</b> | <b>(150,456)</b> | <b>(330)</b> | <b>-</b>      | <b>(161,971)</b> | <b>(22,773)</b> |
| <b>Net Book Value</b>        |                 |                  |              |               |                  |                 |
| <b>At 1 April 2019</b>       | 6,188           | 345,358          | 458          | 18,851        | 370,855          | 145,197         |
| <b>At 31 March 2020</b>      | <b>5,670</b>    | <b>353,401</b>   | <b>1,110</b> | <b>20,703</b> | <b>380,884</b>   | <b>151,533</b>  |

## G8 Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

| 2019/20<br>£000 |                                          | 2020/21<br>£000 |
|-----------------|------------------------------------------|-----------------|
|                 | <b>Cost or Valuation</b>                 |                 |
| 3,800           | Opening Balance                          | 4,740           |
| 316             | Additions                                | 636             |
| 655             | Transfers from assets under construction | -               |
| (31)            | Derecognition – Disposals                | (19)            |
| <b>4,740</b>    | <b>Total</b>                             | <b>5,357</b>    |
|                 | <b>Amortisation</b>                      |                 |
| (2,621)         | Opening Balance                          | (2,752)         |
| (131)           | Amortisation provided during the period  | (217)           |
| <b>(2,752)</b>  | <b>Total</b>                             | <b>(2,969)</b>  |
| <b>1,988</b>    | <b>Net Book Value at 31 March</b>        | <b>2,388</b>    |

## G9 Financial Instruments

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

|                               | Non-current                 |                             |                             |                             | Current                     |                             |                             |                             |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                               | Investments                 |                             | Debtors                     |                             | Investments                 |                             | Debtors                     |                             |
|                               | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 |
| Amortised cost                | -                           | -                           | -                           | -                           | 35,581                      | 142,617                     | 6,436                       | 16,756                      |
| <b>Total Financial Assets</b> | -                           | -                           | -                           | -                           | <b>35,581</b>               | <b>142,617</b>              | <b>6,436</b>                | <b>16,756</b>               |
| Non-financial Assets          | -                           | -                           | -                           | -                           | -                           | -                           | 7,050                       | 2,568                       |
| <b>Total</b>                  | -                           | -                           | -                           | -                           | <b>35,581</b>               | <b>142,617</b>              | <b>13,486</b>               | <b>19,324</b>               |

### Financial assets at amortised cost

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

All of NTCA's financial assets fit these criteria and are classified at amortised cost.

## Trade receivables

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

## Financial Liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to Authority.

|                                    | Non-current                 |                             |                             |                             | Current                     |                             |                          |                             |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------|-----------------------------|
|                                    | Borrowings                  |                             | Creditors                   |                             | Borrowings                  |                             | Creditors                |                             |
|                                    | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 | 31 March<br>2020<br>£000 | 31<br>March<br>2021<br>£000 |
| Amortised cost                     | (75,595)                    | (75,724)                    | -                           | -                           | (1,032)                     | (21,023)                    | (14,333)                 | (17,840)                    |
| <b>Total Financial Liabilities</b> | <b>(75,595)</b>             | <b>(75,724)</b>             | <b>-</b>                    | <b>-</b>                    | <b>(1,032)</b>              | <b>(21,023)</b>             | <b>(14,333)</b>          | <b>(17,840)</b>             |
| Non-financial Liabilities          | -                           | -                           | -                           | -                           | -                           | -                           | (4,346)                  | (22,668)                    |
| <b>Total</b>                       | <b>(75,595)</b>             | <b>(75,724)</b>             | <b>-</b>                    | <b>-</b>                    | <b>(1,032)</b>              | <b>(21,023)</b>             | <b>(18,679)</b>          | <b>(40,508)</b>             |

The contractual terms for NECA's financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

## Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made as follows:

| 31 March 2020                           |                                             |              | 31 March 2021                                            |                                         |                                             |                |
|-----------------------------------------|---------------------------------------------|--------------|----------------------------------------------------------|-----------------------------------------|---------------------------------------------|----------------|
| Financial Liabilities at amortised cost | Financial assets measured at amortised cost | Total        |                                                          | Financial Liabilities at amortised cost | Financial assets measured at amortised cost | Total          |
| £000                                    | £000                                        | £000         |                                                          | £000                                    | £000                                        | £000           |
| 4,225                                   | -                                           | 4,225        | Interest expense                                         | 7,296                                   | -                                           | 7,296          |
| <b>4,225</b>                            | <b>-</b>                                    | <b>4,225</b> | <b>Total expense in Surplus on Provision of Services</b> | <b>7,296</b>                            | <b>-</b>                                    | <b>7,296</b>   |
| -                                       | (757)                                       | (757)        | Investment Income                                        | -                                       | (4,656)                                     | (4,656)        |
| <b>-</b>                                | <b>(757)</b>                                | <b>(757)</b> | <b>Total income in Surplus on Provision of Services</b>  | <b>-</b>                                | <b>(4,656)</b>                              | <b>(4,656)</b> |
| <b>4,225</b>                            | <b>(757)</b>                                | <b>3,468</b> | <b>Net (gain)/loss for the year</b>                      | <b>7,296</b>                            | <b>(4,656)</b>                              | <b>2,640</b>   |

#### Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following method and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;

- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2020/21 the fair values are shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans’ contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options: lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

|                                           |       | 31 March 2020           |                    | 31 March 2021           |                    |
|-------------------------------------------|-------|-------------------------|--------------------|-------------------------|--------------------|
|                                           | Level | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Financial liabilities at amortised cost   | 2     | (76,627)                | (132,125)          | (96,747)                | (142,065)          |
| <b>Total</b>                              |       | <b>(76,627)</b>         | <b>(132,125)</b>   | <b>(96,747)</b>         | <b>(142,065)</b>   |
| <b>Financial Assets at amortised cost</b> |       |                         |                    |                         |                    |
| Held to Maturity investments              | 2     | 35,581                  | 35,581             | 155,769                 | 155,769            |
| <b>Total</b>                              |       | <b>(41,046)</b>         | <b>(96,544)</b>    | <b>155,769</b>          | <b>155,769</b>     |

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Details of the nature and extent of risks arising from Financial Instruments are set out in Note 16 of the single entity accounts.

**G10 Short Term Debtors**

| 31 March<br>2020<br>£000 |                                | 31 March<br>2021<br>£000 |
|--------------------------|--------------------------------|--------------------------|
| 6,282                    | Central Government Bodies      | 6,204                    |
| 6,732                    | Other Local Authorities        | 6,719                    |
| 2                        | NHS Bodies                     | 1                        |
| 470                      | Other Entities and Individuals | 6,400                    |
| <b>13,486</b>            | <b>Total</b>                   | <b>19,324</b>            |

**G11 Cash and Cash Equivalents**

| 31 March<br>2020<br>£000 |                     | 31 March<br>2021<br>£000 |
|--------------------------|---------------------|--------------------------|
| 20,299                   | Cash                | 36,295                   |
| 35,531                   | Short term deposits | 14,254                   |
| <b>55,830</b>            | <b>Total</b>        | <b>50,549</b>            |

**G12 Short Term Creditors**

| 31 March<br>2020<br>£000 |                                | 31 March<br>2021<br>£000 |
|--------------------------|--------------------------------|--------------------------|
| (1,192)                  | Central Government Bodies      | (2,814)                  |
| (2,888)                  | Other Local Authorities        | (14,754)                 |
| (14,599)                 | Other Entities and Individuals | (22,940)                 |
| <b>(18,679)</b>          | <b>Total</b>                   | <b>(40,508)</b>          |

**G13 Defined Benefit Pension Schemes**

NTCA and Nexus participate in the Tyne & Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme, meaning that the authorities and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash must be generated to meet actual pension payments as they eventually fall due.

**Consolidated Pension Liability**

The Group pension liability of £50.507m (£24.750m in 2019/20) is the sum of the NTCA, Nexus and NEMOL pension liability. The details of the NEMOL pension liability of £nil (£13.702m in 2019/20) are set out within the NEMOL Annual Report and Accounts using the FRS101 disclosure framework.

Following the TUPE of employees from Nexus to Stadler Rail Service UK Limited on 4 October 2020, the pension assets and liabilities in connection with active employees have transferred to Stadler. In addition, the remaining pension assets and liabilities associated with pensioners and deferred members in NEMOL have been subsumed by Nexus. In the Nexus Group accounts this has resulted in a one-off gain of £1.839m arising from differences in actuarial assumptions between NEMOL and Nexus (with £0.819m relating to the Combined Authority). This is presented in the disclosures below.

**Transactions relating to post-employment Benefits**

The following transactions relating to the LGPS and Unfunded Benefits provided by the NECA Group have been included in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

| Comprehensive Income & Expenditure Statement                                                 | LGPS           |               | Discretionary Benefits |           |
|----------------------------------------------------------------------------------------------|----------------|---------------|------------------------|-----------|
|                                                                                              | 2019/20        | 2020/21       | 2019/20                | 2020/21   |
|                                                                                              | £000           | £000          | £000                   | £000      |
| <b>Cost of Services</b>                                                                      |                |               |                        |           |
| Current Service Costs                                                                        | 6,119          | 8,524         | -                      | -         |
| Past Service Costs                                                                           | 71             | -             | -                      | -         |
| Settlement Costs                                                                             | -              | 2,080         | -                      | -         |
| Exceptional loss on transfer of pension liability loss                                       | 1,346          | (819)         | -                      | -         |
| <b>Financing and Investment Income and Expenditure</b>                                       |                |               |                        |           |
| Interest Cost                                                                                | 4,042          | 3,884         | 35                     | 27        |
| Expected Return on Scheme Assets                                                             | (3,289)        | (3,053)       | -                      | -         |
| <b>Total Post Employment Benefit Charged to the Surplus on the Provision of Services</b>     | <b>8,289</b>   | <b>10,616</b> | <b>35</b>              | <b>27</b> |
| Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement: |                |               |                        |           |
| Return on plan assets (excluding the amount included in the net interest expense)            | (14,355)       | (901)         | -                      | -         |
| Remeasurement of the net Defined Benefit Liability                                           | 7,013          | 11,904        | (235)                  | 53        |
| <b>Total Amount recognised in Other Comprehensive Income &amp; Expenditure</b>               | <b>(7,342)</b> | <b>11,003</b> | <b>(235)</b>           | <b>53</b> |
| <b>Total amount recognised in the CIES</b>                                                   | <b>947</b>     | <b>21,618</b> | <b>(200)</b>           | <b>80</b> |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Reconciliation of the Fair Value of the Scheme Assets

|                                              | LGPS            |                 | Discretionary Benefits |                 |
|----------------------------------------------|-----------------|-----------------|------------------------|-----------------|
|                                              | 2019/20<br>£000 | 2020/21<br>£000 | 2019/20<br>£000        | 2020/21<br>£000 |
| <b>Opening fair value of scheme assets</b>   | <b>136,697</b>  | <b>153,358</b>  | -                      | -               |
| Interest Income                              | 3,294           | 3,164           | -                      | -               |
| Remeasurement gain on plan assets            | 14,356          | 27,932          | -                      | -               |
| Employer contributions                       | 3,243           | 1,912           | 155                    | 79              |
| Contributions by scheme participants         | 1,254           | 1,613           | -                      | -               |
| Net Benefits paid out                        | (5,486)         | (5,006)         | (155)                  | (79)            |
| Net decrease in assets from Stadler Transfer | -               | (6,882)         | -                      | -               |
| Settlements                                  | -               | 4,025           | -                      | -               |
| <b>Closing fair value of scheme assets</b>   | <b>153,358</b>  | <b>180,116</b>  | -                      | -               |

## Reconciliation of present value of the scheme liabilities

|                                                 | LGPS             |                  | Discretionary Benefits |                 |
|-------------------------------------------------|------------------|------------------|------------------------|-----------------|
|                                                 | 2019/20<br>£000  | 2020/21<br>£000  | 2019/20<br>£000        | 2020/21<br>£000 |
| <b>Opening balance at 1 April</b>               | <b>(168,582)</b> | <b>(182,952)</b> | <b>(1,580)</b>         | <b>(1,230)</b>  |
| Current Service Cost                            | (6,126)          | (8,523)          | -                      | -               |
| Interest Cost                                   | (4,045)          | (3,997)          | (35)                   | (27)            |
| Contributions by participants                   | (1,254)          | (1,613)          | -                      | -               |
| Remeasurement of the Net Defined Liability      | (7,013)          | (39,110)         | 234                    | (53)            |
| Net benefits paid                               | 5,486            | 5,006            | 151                    | 143             |
| Past service costs                              | (72)             | -                | -                      | -               |
| Net increase in liabilities from NEMOL transfer | (1,346)          | 7,839            | -                      | -               |
| Settlements                                     | -                | (6,105)          | -                      | -               |
| <b>Closing balance at 31 March</b>              | <b>(182,952)</b> | <b>(229,455)</b> | <b>(1,230)</b>         | <b>(1,167)</b>  |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

**Scheme History**

**Fair Value of LGPS Assets**

Present value of LGPS liabilities  
 - LGPS liabilities

**Deficit on funded defined benefit scheme**

Discretionary benefits

**Total Deficit**

| 2019/20<br>£000 | 2020/21<br>£000 |
|-----------------|-----------------|
| 153,358         | 180,116         |
| (182,952)       | (229,455)       |
| <b>(29,596)</b> | <b>(49,339)</b> |
| (1,230)         | (1,168)         |
| <b>(30,826)</b> | <b>(50,507)</b> |

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

|                     | <b>NTCA</b> | <b>Nexus</b> | <b>NEMOL</b> |
|---------------------|-------------|--------------|--------------|
| Active members      | 100%        | 37%          | 85%          |
| Deferred pensioners | 0%          | 13%          | 5%           |
| Pensioners          | 0%          | 50%          | 10%          |

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years for NTCA, 19.3 years for Nexus and 25.6 years for NEMOL.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £229.455m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £50.362m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid;
- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2022 is £0.221m for NTCA, £3.600m for Nexus and nil for NEMOL ( of which £1.603m is attributed to NTCA). In addition, strain on the fund contributions may be required.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

| <b>NTCA</b>                                          | <b>Local Government</b> |                      |
|------------------------------------------------------|-------------------------|----------------------|
|                                                      | <b>31 March 2020</b>    | <b>31 March 2021</b> |
| <b>Mortality assumptions:</b>                        |                         |                      |
| Pensioner member aged 65 at accounting date (male)   | 21.8                    | 21.9                 |
| Pensioner member aged 65 at accounting date (female) | 25.0                    | 25.1                 |
| Active member aged 45 at accounting date (male)      | 23.5                    | 23.6                 |
| Active member aged 45 at accounting date (female)    | 26.8                    | 26.9                 |
| <b>Rate for discounting scheme liabilities:</b>      | % p.a                   | % p.a                |
| Rate of inflation – Retail Price Index               | 2.30                    | 2.10                 |
| Rate of inflation – Consumer Price Index             | 1.80                    | 2.60                 |
| Rate of increase in pensions                         | 1.80                    | 2.60                 |
| Pensions accounts revaluation rate                   | 1.80                    | 2.60                 |
| Rate of increase in salaries                         | 3.30                    | 4.10                 |

| <b>Nexus</b>                             | <b>LGPS</b>    |                | <b>Discretionary Benefits</b> |                |
|------------------------------------------|----------------|----------------|-------------------------------|----------------|
|                                          | <b>2019/20</b> | <b>2020/21</b> | <b>2019/20</b>                | <b>2020/21</b> |
| <b>Mortality assumptions:</b>            |                |                |                               |                |
| Longevity at 65 for current pensioners   |                |                |                               |                |
| Men                                      | 21.8           | 21.9           | 21.8                          | 21.9           |
| Women                                    | 25.0           | 25.1           | 25.0                          | 25.1           |
| Longevity at 65 for future pensioners    |                |                |                               |                |
| Men                                      | 23.5           | 23.6           | n/a                           | n/a            |
| Women                                    | 26.8           | 26.9           | n/a                           | n/a            |
| <b>Discount rates:</b>                   | %p.a.          | %p.a.          | %p.a.                         | %p.a.          |
| Rate for discounting scheme liabilities  | 2.30           | 2.10           | 2.30                          | 2.10           |
| Rate of inflation – Retail Price Index   | n/a            | n/a            | n/a                           | n/a            |
| Rate of inflation – Consumer Price Index | 2.00           | 2.70           | 2.00                          | 2.70           |
| Rate of increase in pensions             | 2.00           | 2.70           | 2.00                          | 2.70           |
| Pension accounts revaluation rate        | 2.00           | 2.70           | n/a                           | n/a            |
| Rate of increase in salaries             | 3.50           | 4.20           | n/a                           | n/a            |

| NEMOL                                    | LGPS    |         |
|------------------------------------------|---------|---------|
|                                          | 2019/20 | 2020/21 |
| <b>Mortality assumptions:</b>            |         |         |
| Longevity at 65 for current pensioners   |         |         |
| Men                                      | 21.8    | 21.9    |
| Women                                    | 25.0    | 25.1    |
| Longevity at 65 for future pensioners    |         |         |
| Men                                      | 23.5    | 23.6    |
| Women                                    | 26.8    | 26.9    |
| <b>Discount rates:</b>                   |         |         |
|                                          | %p.a.   | %p.a.   |
| Rate for discounting scheme liabilities  | 2.30    | 1.60*   |
| Rate of inflation – Retail Price Index   | n/a     | n/a     |
| Rate of inflation – Consumer Price Index | 1.90    | 2.20*   |
| Rate of increase in pensions             | 1.90    | 2.20*   |
| Pension accounts revaluation rate        | 1.90    | 2.20*   |
| Rate of increase in salaries             | 3.40    | 3.70*   |

\*At date of transfer (4 October 2020)

The approximate split of assets for the Fund as a whole is shown in the table below:

|                  | 31 March<br>2020 | Asset Split 31 March<br>2021<br>% |          |       |
|------------------|------------------|-----------------------------------|----------|-------|
|                  | % Total          | Quoted                            | Unquoted | Total |
| Equities         | 54.8             | 48.4                              | 7.1      | 55.5  |
| Property         | 9.0              | 0.0                               | 7.9      | 7.9   |
| Government Bonds | 4.1              | 2.2                               | 0.0      | 2.2   |
| Corporate Bonds  | 15.3             | 19.8                              | 0.0      | 19.8  |
| Cash             | 2.3              | 4.0                               | 0.0      | 4.0   |
| Other*           | 14.5             | 4.7                               | 5.9      | 10.6  |
| Total Assets     | 100.0            | 79.1                              | 20.9     | 100.0 |

\*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

| Actual Return on Assets        | Local<br>Government |                 |
|--------------------------------|---------------------|-----------------|
|                                | 2019/20<br>£000     | 2020/21<br>£000 |
| Interest Income on Assets      | 3,294               | 3,912           |
| Remeasurement gain on assets   | 14,356              | 33,421          |
| <b>Actual Return on Assets</b> | <b>17,650</b>       | <b>37,333</b>   |

## Sensitivity Analysis

Sensitivity analysis of NTCA pension liabilities is set out in Note 22 of the single entity accounts. Sensitivity analysis of the Nexus pension liabilities is shown below.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity of unfunded benefits has not been included on materiality grounds.

|                                                | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Discount rate assumption</b>                |                                |                        |                                |
| <b>Adjustment to discount rate</b>             |                                |                        |                                |
| Present value of total obligation (£M)         | 491.54                         | 501.17                 | 510.82                         |
| % change in present value of total obligation  | (1.9%)                         |                        | 4.9%                           |
| Projected service cost (£M)                    | 19.82                          | 20.51                  | 21.23                          |
| Approximate % change in projected service cost | (3.4%)                         |                        | 3.5%                           |

|                                                | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Rate of general increase in salaries</b>    |                                |                        |                                |
| <b>Adjustment to salary increase rate</b>      |                                |                        |                                |
| Present value of total obligation (£M)         | 503.13                         | 501.17                 | 499.70                         |
| % change in present value of total obligation  | 0.4%                           |                        | (0.3%)                         |
| Projected service cost (£M)                    | 20.51                          | 20.51                  | 20.51                          |
| Approximate % change in projected service cost | 0.0%                           |                        | 0.0%                           |

|                                                                                                                                         | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption</b> |                                |                        |                                |
| <b>Adjustment to pension increase rate</b>                                                                                              |                                |                        |                                |
| Present value of total obligation                                                                                                       | 508.86                         | 501.17                 | 493.01                         |
| % change in present value of total obligation                                                                                           | 1.5%                           |                        | (1.6%)                         |
| Projected service cost (£M)                                                                                                             | 21.23                          | 20.51                  | 19.68                          |
| Approximate % change in projected service cost                                                                                          | 3.5%                           |                        | (3.4%)                         |

| Post retirement mortality assumption                   | -1 year | Base Figure | +1 year |
|--------------------------------------------------------|---------|-------------|---------|
| <b>Adjustment to mortality age rating assumption *</b> |         |             |         |
| Present value of total obligation (£M)                 | 518.21  | 501.17      | 483.63  |
| % change in present value of total obligation          | 3.4%    |             | (3.5%)  |
| Projected service cost (£M)                            | 21.37   | 20.51       | 19.68   |
| Approximate % change in projected service cost         | 4.2%    |             | (4.1%)  |

\*a rating of + 1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

### G14 Deferred Tax Liability

The movement for the year comprises: (details for 20/21 will be shown post audit)

|                          | 2019/20<br>£000 | 2020/21<br>£000 |
|--------------------------|-----------------|-----------------|
| Capital Allowances       | (248)           |                 |
| Other timing differences | (83)            |                 |
| <b>Total</b>             | <b>(331)</b>    |                 |

The balance at the year-end comprises:

|                                                | 2019/20<br>£000 | 2020/21<br>£000 |
|------------------------------------------------|-----------------|-----------------|
| Excess of capital allowances over depreciation | (1,256)         |                 |
| Roll over relief on capital gains              | (546)           |                 |
| Tax effect of losses                           | 83              |                 |
| <b>Total</b>                                   | <b>(1,719)</b>  |                 |

### G15 Usable Reserves

|                              | 31 March<br>2020<br>£000 | 31 March<br>2021<br>£000 |
|------------------------------|--------------------------|--------------------------|
| General Fund Balance         | (33,300)                 | (29,333)                 |
| Earmarked Reserves           | (50,876)                 | (85,372)                 |
| Capital Grants Unapplied     | (5,850)                  | (23,292)                 |
| Capital Receipts Reserve     | -                        | (8,889)                  |
| Pensions NEMOL               | 6,064                    | -                        |
| <b>Total Usable Reserves</b> | <b>(83,962)</b>          | <b>(146,886)</b>         |

**G16 Unusable Reserves**

|                                          | <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2021<br/>£000</b> |
|------------------------------------------|-----------------------------------|-----------------------------------|
| Revaluation Reserve                      | (4,695)                           | (4,651)                           |
| Capital Adjustment Account               | (254,701)                         | (291,983)                         |
| Financial Instruments Adjustment Account | 425                               | 2,554                             |
| Accumulated Absences Account             | -                                 | 556                               |
| Pension Reserve                          | 24,750                            | 50,507                            |
| <b>Total Unusable Reserves</b>           | <b>(234,221)</b>                  | <b>(243,017)</b>                  |

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date on which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

**Balance at 1 April 2019**

Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account

Revaluation gain recognised in Revaluation Reserve

**Balance at 31 March 2020**

Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account

Revaluation gain recognised in Revaluation Reserve

**Balance at 31 March 2021**

| <b>£000s</b>   |
|----------------|
| (3,974)        |
| 64             |
| (785)          |
| <b>(4,695)</b> |
| <b>44</b>      |
| -              |
| <b>(4,651)</b> |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

|                                                                                                 | <b>£000</b>      |
|-------------------------------------------------------------------------------------------------|------------------|
| <b>Balance at 1 April 2019</b>                                                                  | <b>(241,599)</b> |
| Reversal of items relating to capital expenditure debited or credited to the CIES:              |                  |
| Charges for depreciation & impairment of non-current assets                                     | 13,532           |
| Amounts of non-current assets written off on disposal or sale                                   | 785              |
| Other income that cannot be credited to the General Fund                                        | (2,256)          |
| Revenue expenditure funded from capital under statute                                           | 8,881            |
| Write down of long-term debtors                                                                 | 698              |
| <b>Adjusting amounts written out of the Revaluation Reserve</b>                                 | <b>(64)</b>      |
| Capital financing applied in the year:                                                          |                  |
| Capital grants & contributions credited to the CIES that have been applied to capital financing | (31,574)         |
| Statutory provision for the financing of capital investment charged against the General Fund    | (766)            |
| Capital expenditure charged against the General Fund                                            | (1,640)          |
| Debt redeemed using capital receipts                                                            | (698)            |
| <b>Balance at 31 March 2020</b>                                                                 | <b>(254,701)</b> |
| <b>Transfer from NECA in respect of LEP Balances</b>                                            | <b>(16,282)</b>  |
| Reversal of items relating to capital expenditure debited or credited to the CIES:              |                  |
| Charges for depreciation & impairment of non-current assets                                     | 14,699           |
| Amounts of non-current assets written off on disposal or sale                                   | 1,630            |
| Other income that cannot be credited to the General Fund                                        | (2,268)          |
| Revenue expenditure funded from capital under statute                                           | 47,230           |
| Write down of long-term debtors                                                                 | 676              |
| <b>Adjusting amounts written out of the Revaluation Reserve</b>                                 | <b>(44)</b>      |
| Capital financing applied in the year:                                                          |                  |
| Capital grants & contributions credited to the CIES that have been applied to capital financing | (79,850)         |
| Statutory provision for the financing of capital investment charged against the General Fund    | (1,117)          |
| Capital expenditure charged against the General Fund                                            | (1,280)          |
| Debt redeemed using capital receipts                                                            | (676)            |
| <b>Balance at 31 March 2021</b>                                                                 | <b>(291,983)</b> |

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

|                                                                                                                                                                               | <b>2020/21<br/>£000</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| <b>Balance at 1 April</b>                                                                                                                                                     |                         |
| Adjustment to the accrual required                                                                                                                                            | 556                     |
| Adjustment to the debtor in respect of leave taken in advance                                                                                                                 | -                       |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | <b>556</b>              |
| <b>Balance at 31 March</b>                                                                                                                                                    | <b>556</b>              |

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|                                                                                                                               | <b>£000</b>   |
|-------------------------------------------------------------------------------------------------------------------------------|---------------|
| <b>Balance at 1 April 2019</b>                                                                                                | <b>19,225</b> |
| Remeasurements of the net defined benefit liability                                                                           | (7,578)       |
| Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES | 8,955         |
| Employer's pension contributions and direct payments to pensioners                                                            | (2,304)       |
| Nemol Pension Transfer                                                                                                        | 6,454         |
| Interest expense on net defined asset                                                                                         | (2)           |
| <b>Balance at 31 March 2020</b>                                                                                               | <b>24,750</b> |

|                                                                                                                               |               |
|-------------------------------------------------------------------------------------------------------------------------------|---------------|
| <b>Balance at 1 April 2020</b>                                                                                                | <b>24,750</b> |
| Remeasurements of the net defined benefit liability (asset)                                                                   | 11,056        |
| Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES | 16,634        |
| Employer's pension contributions and direct payments to pensioners                                                            | (1,983)       |
| Nemol Pension Transfer                                                                                                        | -             |
| Interest expense on net defined asset                                                                                         | 49            |
| <b>Balance at 31 March 2021</b>                                                                                               | <b>50,506</b> |

### G17 Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing Activities

| 2019/20<br>£000 |                                                                                                                                    | 2020/21<br>£000 |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| <b>34,032</b>   | Surplus on the provision of services                                                                                               | <b>41,424</b>   |
|                 | <b>Adjustments to Surplus on Provision of Services for Non-Cash Movements:</b>                                                     |                 |
| 13,991          | Depreciation, Impairment and Amortisation                                                                                          | 15,357          |
| 943             | Loss on disposal of non-current assets                                                                                             | 1,641           |
| 5,148           | Increase in Creditors                                                                                                              | 40,394          |
| (6,004)         | Increase in Debtors                                                                                                                | (31,118)        |
| (287)           | Decrease in Inventories                                                                                                            | 1,201           |
| 4,932           | Movement in Pension Liability                                                                                                      | 8,452           |
| (1,957)         | Other non-cash items charged to the surplus/deficit on the provision of services                                                   | (2,147)         |
| 16,766          |                                                                                                                                    | 33,780          |
|                 | <b>Adjustments for items included in the net surplus on the provision of services that are investing and financing activities:</b> |                 |
| (33,258)        | Capital grants credited to surplus on provision of services                                                                        | (95,739)        |
| 470             | Other adjustments for items that are financing or investing activities                                                             | 1,406           |
| <b>18,010</b>   | <b>Net cash flow from operating activities</b>                                                                                     | <b>(19,129)</b> |

The cash flows for operating activities include the following items:

| 2019/20<br>£000 |                   | 2020/21<br>£000 |
|-----------------|-------------------|-----------------|
| 1,080           | Interest Received | 4,656           |
| (3,289)         | Interest Paid     | (7,296)         |

### G18 Cash Flow Statement – Investing Activities

| 2019/20<br>£000 |                                                                                                    | 2020/21<br>£000 |
|-----------------|----------------------------------------------------------------------------------------------------|-----------------|
| (24,915)        | Purchase of property, plant and equipment, investment property and intangible assets               | (31,116)        |
| (90,393)        | Purchase of short-term and long-term investments                                                   | (150,936)       |
| 21,560          | Other payments for investing activities                                                            |                 |
| 8               | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -               |
| 80,419          | Proceeds from short-term and long-term investments                                                 | 41,371          |
| 13,022          | Other receipts from investing activities                                                           | 95,115          |
| <b>(299)</b>    | <b>Net cash flows from investing activities</b>                                                    | <b>(45,566)</b> |

### G19 Cash Flow Statement – Financing Activities

| 2019/20<br>£000 |                                                      | 2020/21<br>£000 |
|-----------------|------------------------------------------------------|-----------------|
| 1,265           | Repayments of short and long-term borrowing          | 19,430          |
| (436)           | Other payments and receipts for financing activities | (1,368)         |
| <b>(829)</b>    | <b>Net cash flows from financing activities</b>      | <b>18,062</b>   |

### G20 Reconciliation of liabilities arising from Financing Activities

|                                                        | 1 April<br>2020<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which<br>are not financing<br>cash flows<br>£000 | 31<br>March<br>2021<br>£000 |
|--------------------------------------------------------|-------------------------|------------------------------------|----------------------------------------------------------|-----------------------------|
| Long-term borrowings                                   | (75,595)                | (570)                              | 441                                                      | (75,724)                    |
| Short-term borrowings                                  | (1,032)                 | (20,000)                           | 9                                                        | (21,023)                    |
| <b>Total liabilities from<br/>financing activities</b> | <b>(76,627)</b>         | <b>(20,570)</b>                    | <b>450</b>                                               | <b>(96,747)</b>             |

|                                                    | <b>1 April<br/>2019<br/>£000</b> | <b>Financing<br/>Cash<br/>Flows<br/>£000</b> | <b>Changes which<br/>are not financing<br/>cash flows<br/>£000</b> | <b>31<br/>March<br/>2020<br/>£000</b> |
|----------------------------------------------------|----------------------------------|----------------------------------------------|--------------------------------------------------------------------|---------------------------------------|
| Long-term borrowings                               | (73,508)                         | (2,087)                                      | -                                                                  | (75,595)                              |
| Short-term borrowings                              | (1,023)                          | -                                            | (9)                                                                | (1,032)                               |
| <b>Total liabilities from financing activities</b> | <b>(74,531)</b>                  | <b>(2,087)</b>                               | <b>(9)</b>                                                         | <b>(76,627)</b>                       |

## G21 Summary of Capital Expenditure and Sources of Finance

| <b>2019/20<br/>£000</b> |                                                                                        | <b>2020/21<br/>£000</b> |
|-------------------------|----------------------------------------------------------------------------------------|-------------------------|
| <b>86,352</b>           | <b>Opening Capital Financing Requirement</b>                                           | <b>85,789</b>           |
|                         | <b>Capital Investment</b>                                                              |                         |
| 24,918                  | Property, Plant & Equipment                                                            | 29,625                  |
| 316                     | Intangible Assets                                                                      | 636                     |
| 8,881                   | Revenue Expenditure Funded from Capital Under Statute                                  | 47,230                  |
|                         | <b>Sources of Finance</b>                                                              |                         |
| (698)                   | Capital Receipts – repayment of principal from long-term debtors                       | (676)                   |
| (31,574)                | Government Grants and other Contributions                                              | (79,850)                |
|                         | <b>Sums set aside from Revenue</b>                                                     |                         |
| (1,640)                 | Direct Revenue Contributions                                                           | (1,280)                 |
| (766)                   | Minimum Revenue Provision                                                              | (783)                   |
| -                       | Additional Voluntary Provision                                                         | (334)                   |
| <b>85,789</b>           | <b>Closing Capital Financing Requirement</b>                                           | <b>80,357</b>           |
| (563)                   | Decrease in underlying need to borrow (unsupported by Government financial assistance) | (5,432)                 |

## 4.0 Supplemental Information

### 4.1 Glossary of Terms

#### A

**Abbreviations:** The symbol 'k' followed by a figure represents £ thousand. The symbol 'm' following a figure represents £ million.

**Accounting policies:** Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

**Accruals:** Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**Actuarial gains or losses (Pensions):** For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience or losses), or the actuarial assumptions themselves have changed.

**Amortise:** To write off gradually and systematically a given amount of money within a specific number of time periods.

**Assets:** Items of worth which are measurable in terms of money.

**Assets Held for Sale:** Those assets, primarily long-term assets, that the Authority wishes to dispose of through sale to others.

#### B

**Balances:** The total level of surplus funds the Authority has accumulated over the years.

**Budgets:** A statement of the Authority's forecast expenditure, that is, net revenue expenditure for the year.

#### C

**Capital Adjustment Account:** The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

**Capital expenditure:** Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**Capital receipts:** Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority.

**Code of Practice on Local Authority Accounting (The Code):** The Code specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of a local authority.

**Comprehensive Income & Expenditure Statement:** This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the financial year.

**Consistency:** The principal that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

**Contingent Asset:** A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

**Contingent Liability:** A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate & Democratic Core:** The corporate & democratic core comprises all activities which local authorities engage in specifically because they are elected, multipurpose authorities.

**Creditors:** An amount owed by the Authority for work done, goods received or services rendered but for which payment has not been made.

**Current Service Cost (Pension):** The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Curtailment (Pensions):** For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.

## D

**Debtors:** Monies owed to the Authority but not received at the balance sheet date.

**Defined Benefit Scheme (Pensions):** A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**Depreciation:** The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.

## E

**Earmarked reserves:** A sum set aside for a specific purpose.

**Emoluments:** Payments received in cash and benefits for employment.

**Events after the Balance Sheet Date:** Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

**Expected Rate of Return on Pensions Assets:** This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.

## F

**Fair Value:** The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Fees and Charges:** Income arising from the provision of services, for example, charges for the use of leisure facilities.

**Financial Instrument:** Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.

**Finance Lease:** A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

**Financial Instruments Adjustment Account:** The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance

## G

**General Fund:** The total services of the Authority.

**Going Concern:** The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

## I

**Impairment:** A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.

**Intangible Assets:** An asset that is not physical in nature, e.g. software licences.

**Interest Costs (Pensions):** For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Investment Properties:** Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.

## L

**Liabilities:** Any amount owed to individuals or organisations which will have to be paid at some time in the future.

**Liquid Resources:** Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

## M

**Materiality:** An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

**Minimum Revenue Provision (MRP):** An amount charged by the Authority to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.

**Movement in Reserves Statement:** The statement shows the movement in the year on the different reserves held by the Authority.

## N

**Net Book Value:** The amount at which fixed assets are included in the balance sheet, being their historical cost or current value less the cumulative amounts provided by depreciation.

**Net Debt:** The Authority's borrowings less cash and liquid resources.

**O**

**Operating Leases:** Leases other than a finance lease.

**P**

**Property, Plant and Equipment (PPE):** Assets that yield benefits to the Authority and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.

**Provisions:** These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.

**Prudence:** This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

**Public Works Loan Board (PWLB):** This is a Government agency which provides loans to local authorities at favourable rates.

**R**

**Related Parties:** A related party transaction is the transfer of asset or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.

**Reserves:** These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.

**Residual Value:** The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

**Revaluation Reserve:** The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.

**Revenue Expenditure:** Expenditure on providing day-to-day services, for example employee costs and premises costs.

**Revenue Expenditure Funded from Capital under Statute:** Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority e.g. grants to other organisations for capital purposes.

## U

**Unusable Reserves:** The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'adjustments between accounting basis and funding basis under regulation.'

**Usable Reserves:** Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

**Useful life:** The period over which the Authority will derive benefits from the use of a fixed asset.



**Subject: 2021/22 Quarter 3 NTCA Budget Monitor Report**  
**Report of: Chief Finance Officer**  
**Portfolio: Investment and Resources**

## Report Summary

This report is the third quarter monitoring report to Cabinet on the 2021/22 financial position. The report brings together the forecast financial position for both the Corporate, Investment Fund, Brownfield Housing Fund and Adult Education budget and provides an indication of the potential position of the Combined Authority at 31 March 2022.

## Recommendations

The Cabinet is recommended to note the forecast budget monitoring position for the Combined Authority as set out in paragraphs 1.2 through to 1.6 and the reserves position in 1.7.

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

#### 1.1 Background

1.1.1 Cabinet approved the 2021/22 budget on 26th January 2021. Included in that budget was the estimated expenditure across the year for both the Corporate Budget, Investment Fund, Brownfield Housing Fund, and the Adult Education Budget.

1.1.2 The 2021/22 budget proposals were set within the context of the COVID-19 pandemic and delay to Comprehensive Spending Review (CSR).

1.1.3 The 2021/22 Q3 budget monitor reflects the continued development of the Combined Authority in terms of the establishment of the Authority's staffing structure, and the systems required to support the delivery and monitoring of projects and programmes aligned with its vision based on current information and trajectory of delivery of programmes and projects.

#### 1.2 Corporate Budget

1.2.1 The Corporate budget for 2021/22 set a net zero position covering the costs associated with the capacity required to deliver.

1.2.2 Table 1 overleaf reflects the 2021/22 forecast position across the key income and expenditure heads within the Corporate Budget head.

**Table 1: Q3 2021/22 Corporate Budget Monitor**

| <b>Corporate</b>                    | <b>Budget<br/>£m</b> | <b>Forecast<br/>£m</b> | <b>Variance<br/>£m</b> |
|-------------------------------------|----------------------|------------------------|------------------------|
| <b>Expenditure</b>                  |                      |                        |                        |
| Employees                           | 2.564                | 2.843                  | 0.279                  |
| Other Service Expenses              | 1.699                | 0.980                  | (0.719)                |
| Contribution to Reserves            | -                    | 0.600                  | 0.600                  |
| Support Services                    | 0.276                | 0.285                  | 0.009                  |
| JTC Levy                            | 26.801               | 26.801                 | -                      |
| <b>Gross Expenditure</b>            | <b>31.340</b>        | <b>31.509</b>          | <b>0.169</b>           |
| <b>Income</b>                       |                      |                        |                        |
| Mayoral Capacity Grant              | (1.000)              | (1.000)                | -                      |
| Constituent Authority Contributions | (0.111)              | (0.111)                | -                      |
| Investment Fund Contribution        | (2.231)              | (2.086)                | 0.145                  |
| Investment Fund Workstreams         | (0.221)              | (0.465)                | (0.244)                |
| AEB Contribution                    | (0.678)              | (0.678)                | -                      |
| Other Contributions                 | (0.123)              | (0.193)                | (0.070)                |
| Interest on Investments             | (0.175)              | (0.175)                | -                      |
| JTC Levy                            | (26.801)             | (26.801)               | -                      |
| <b>Gross Income</b>                 | <b>(31.340)</b>      | <b>(31.509)</b>        | <b>(0.169)</b>         |
| <b>Net (Income)/Expenditure</b>     | <b>-</b>             | <b>-</b>               | <b>-</b>               |

### 1.3 Corporate Expenditure Variances

1.3.1 There are currently 60 staff directly employed by the Combined Authority, this reflects an increase in the current forecast position on employee expenditure of £0.279m this is in light of increasing numbers of projects and programmes, resulting in recruitment of a number of temporary posts to lead on the delivery of the projects. A workforce planning exercise was undertaken earlier this year with a view to being clear about capacity management and retention of a competent, productive, and collegiate workforce set within the context of a consistent set of agreed principles appropriate for the Authority. This has identified an additional 5 priority posts, the part year costs of which are reflected in the forecast employee expenditure reflected in Table 1.

1.3.2 The increase in employee expenditure is matched by an increase in income from Investment Fund workstreams and an increase in other contribution income.

1.3.3 Mayoral Capacity Fund received for 2021/22 provided one-off funding of £1m. Commitments against this fund includes support for the Spacehive Platform and also a commitment towards IT asset management programme. A contribution to reserves (£0.600m) has been included in the budget monitor to reflect the requirement to prepare for the next Mayoral election in 2024.

1.3.4 A small increase (£0.009m) in Support Services is due to an increase in the insurance policy costs.

### 1.4 Investment Fund

1.4.1 To date the Combined Authority has achieved:

- A commitment of £76.420m against 88 live projects – out of a total programme value of £90.000m to March 2023.
- These projects will attract £255m of private sector leverage and are forecast to deliver 4,340 jobs and safeguard a further 2679.

- Of these, the first 659 new jobs have been created and 1773 safeguarded.

Table 2 sets out the commitments against the key themes of the Investment Fund.

**Table 2: Commitment against Investment Fund Thematic Area**

|                                        | Committed     | Allocation    | % Allocated |
|----------------------------------------|---------------|---------------|-------------|
|                                        | £m            | £m            |             |
| Business                               | 43.190        | 45.300        | 95%         |
| People                                 | 13.115        | 17.300        | 76%         |
| Place                                  | 10.659        | 13.250        | 80%         |
| Major Strategic Economic Opportunities | 7.340         | 9.650         | 76%         |
| Business Case Development Fund         | 2.116         | 4.500         | 47%         |
|                                        | <b>76.420</b> | <b>90.000</b> | <b>85%</b>  |

1.4.2 The Investment Fund Programme continues to grow as projects progress through the pipeline. There have been key 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, there is a step change in the volume of contracts and supporting financial claims as projects and programmes come to fruition. Table 3 below shows the forecast position for the Investment Fund in 2021/22.

**Table 3: Investment Fund Q3 Budget Monitor**

| Investment Fund                                    | Budget<br>£m    | Expenditure<br>at Q3<br>£m | Forecast<br>£m  | Variance<br>£m  |
|----------------------------------------------------|-----------------|----------------------------|-----------------|-----------------|
| <b>Expenditure</b>                                 |                 |                            |                 |                 |
| Business Case Development Fund                     | 1.000           | 0.139                      | 0.837           | (0.163)         |
| Investment Projects                                | 26.757          | 6.339                      | 15.189          | (11.568)        |
| Technical Assistance                               | 0.250           | 0.119                      | 0.350           | 0.100           |
| Contribution to Corporate                          | 2.231           | 2.086                      | 2.086           | (0.145)         |
| <b>Gross Expenditure</b>                           | <b>30.238</b>   | <b>8.683</b>               | <b>18.462</b>   | <b>(11.776)</b> |
| <b>Income</b>                                      |                 |                            |                 |                 |
| Investment Fund                                    | (20.000)        | (20.000)                   | (20.000)        | -               |
| <b>Total Income</b>                                | <b>(20.000)</b> | <b>(20.000)</b>            | <b>(20.000)</b> | <b>-</b>        |
| <b>Net Position (Income)/Expenditure</b>           | <b>10.238</b>   | <b>(11.317)</b>            | <b>(1.538)</b>  | <b>(11.776)</b> |
| <b>Investment Reserve brought forward</b>          | <b>(50.129)</b> | <b>(50.129)</b>            | <b>(50.129)</b> | <b>-</b>        |
| <b>Net Investment Fund Reserve carried forward</b> | <b>(39.891)</b> |                            | <b>(51.667)</b> | <b>(11.776)</b> |

1.4.3 Investment Fund actual spend was at £8.683m at the end of Quarter 3, with forecast year-end expenditure expected to be £18.462m, reflecting £11.776m lower than budget. This is expected to rise considerably in the near future, reflecting project profiling agreed by Investment Panel. The quality of delivery continues to be strong. Relationships with grant recipients remain strong and organisations have been keen to work with NTCA to design and embed innovative delivery approaches, ensuring that projects can continue to meet the aims, objectives, and outputs that they set out to achieve.

- 1.4.4 The North of Tyne continues to invest to support the economic economy, alongside the wider opportunities articulated in the Devolution Deal and the Corporate Plan. In total, investments by the NTCA so far are forecast to create or safeguard over 7000 jobs, with 659 jobs already secured. In addition, 361 placements for young people have been created through the NTCA's 'Kickstart programme', with 170 positions filled – meaning that successful matches are running at almost twice the national average rate of 27%.
- 1.4.5 Additionally, the pipeline has continued to develop with a number of schemes to be delivered in 2021/22, including the Green New Deal Fund which was launched in November 2021 and will deliver a significant amount of expenditure (£9m) and outputs. The increase shown (£0.100m) on the Technical Assistance budget is in relation to evaluation work due to be contracted pending the Gateway Review.
- 1.4.6 Within the Investment Fund workstream the following projects include funding to be spent on capital schemes:

**Table 4: Investment Fund Capital Schemes Budget Profile**

| <b>Project</b>              | <b>2021/22<br/>£m</b> | <b>2022/23<br/>£m</b> | <b>Total<br/>£m</b> |
|-----------------------------|-----------------------|-----------------------|---------------------|
| NU Futures                  | 1.642                 | 0.028                 | 1.670               |
| Swans Energy Park           | -                     | 2.000                 | 2.000               |
| Bates Clean Energy Terminal | 1.100                 | 1.100                 | 2.200               |
| North Shields Fish Quay     | 0.386                 | 1.154                 | 1.540               |

## 1.5 **Brownfield Housing Fund**

- 1.5.1 The Brownfield Housing Fund is the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least 1,500 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.
- 1.5.2 A current total pipeline of 19 schemes with a total funding request of £26.100m. This position provides enough flexibility to manage the programme and NTCA, in collaboration with partners will continue to develop the pipeline of schemes in order to manage a deliverable capital programme which meets the requirements and timescales set out by DLUHC.
- 1.5.3 In terms of approvals to date, NTCA have approved 5 schemes with a total commitment of £11.140m. These schemes are forecasting the creation of 1238 housing units with the extended pipeline accounting for 3144, this is set against the DLUHC target of 1500. Forecast private sector leverage for the 5 approved projects stands at £115.95m. These schemes have been contracted and are now delivering on the ground, the following section sets out further detail on each scheme.
- 1.5.4 A call for sites was recently undertaken to identify additional sites for the fund and to build the Brownfield pipeline for future funding. A total of £26 million of schemes were received and are currently being assessed. It is expected that an updated pipeline will be confirmed in early 2022.
- 1.5.5 Due to the late confirmation and receipt of funding in Year 1 (2020/21) and delays due to the pandemic, the unspent allocation from Year 1 was carried forward into Year 2 (2021/22). This will increase pressure in terms of accelerated delivery in this financial year.
- 1.5.6 The updated position for Year 2 at the point of Q.3 reflects that up to September 2021, £3.1 million had been claimed, with forecasts indicating an additional £1.75 million spend by March 2022. This slippage is due to a number of factors, including delays caused by COVID-19; the complexity of the

sites coming forward with regards to viability, securing private sector developers and investors; as well as a small number of schemes needing to be adjusted to meet planning requirements. Table 5 below reflects the projected programme spend as at Q.3.

**Table 5: Brownfield Housing Funding Profile updated for Year 1 underspend**

|                                  | Total  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|----------------------------------|--------|--------|--------|--------|--------|--------|
|                                  | £m     | £m     | £m     | £m     | £m     | £m     |
| <b>Projected Programme Spend</b> | 23.854 | 0.585  | 4.265  | 14.804 | 3.100  | 1.100  |

## 1.6 Adult Education Budget (AEB)

- 1.6.1 In August 2020 NTCA took control of £23.145m devolved Adult Education Budget for the academic year 2020/21. An additional allocation of £0.959m for one year was received in September 2020 to invest in high value courses and sector-based work academy programmes. A further £0.409m was delegated to NTCA in April 2021 to deliver Lifetime Skills Guarantee. Bringing the total AEB for the academic year (August 2020 – July 2021) to £24.514m.
- 1.6.2 The Department of Education have confirmed NTCA's devolved AEB for the period 1 August 2021 to July 2022 is £23.551m plus an additional £1.642m for the delegated Lifetime Skills Guarantee bringing the total AEB in 2021/22 academic year to £25.193m.
- 1.6.3 Over 25,400 enrolment opportunities have been undertaken during Academic Year (AY) 2020/21, NTCA providers delivered 82% of actual learning in AY 2020/21, even though the COVID-19 pandemic caused all learning environments to close for a significant proportion of the academic year. This reflects the work and commitment from our provider base, to ensure residents are supported and deliver as much quality provision as possible, whether that is face-to-face or online.
- 1.6.4 Providers AEB delivery plans for AY 2021/22 were underway from the 1<sup>st</sup> August 2021 and will be monitored at quarterly performance management meetings throughout the year. Engagement with the new Level 3 Adult Offer is also being closely monitored to ensure funding delegated to NTCA for this delivery is utilised in full and NTCA residents without a full level 3 offer are accessing this new entitlement.

Table 6 below shows the forecast budget position on AEB for financial year 2021/22.

**Table 6 Adult Education Budget Forecast Academic Year 2021/22**

|                                          | Financial Year 2021/22 |                   |                   |
|------------------------------------------|------------------------|-------------------|-------------------|
|                                          | Budget<br>£'000        | Forecast<br>£'000 | Variance<br>£'000 |
| <b>Expenditure</b>                       |                        |                   |                   |
| Grant Awards                             | 15.369                 | 16.064            | 0.695             |
| Procured Services                        | 6.659                  | 6.676             | 0.017             |
| Corporate Contribution                   | 0.678                  | 0.678             | -                 |
| Lifetime Skills Guarantee                | -                      | 1.086             | 1.086             |
| <b>Gross Expenditure</b>                 | <b>22.706</b>          | <b>24.504</b>     | 1.798             |
| <b>Income</b>                            | <b>(22.706)</b>        | <b>(24.504)</b>   | <b>(1.798)</b>    |
| <b>Gross Income</b>                      | <b>(22.706)</b>        | <b>(24.504)</b>   | <b>(1.798)</b>    |
| <b>Net Position (Income)/Expenditure</b> | -                      | -                 | -                 |

## 1.7 Reserves

- 1.7.1 The forecast position on reserves held at 31 March 2021/22 are detailed below in Table 7.

**Table 7 Reserves as at 31 March 2022**

| <b>Reserves Statement</b>               | <b>Opening Balance</b> | <b>Movement in Reserve</b> | <b>Closing Balance</b> |
|-----------------------------------------|------------------------|----------------------------|------------------------|
|                                         | <b>£m</b>              | <b>£m</b>                  | <b>£m</b>              |
| Strategic Reserve                       | 0.200                  | -                          | 0.200                  |
| Investment Fund Reserve                 | 50.129                 | 1.538                      | 51.667                 |
| Election Reserve                        | -                      | 0.600                      | 0.600                  |
| Preparing to Exit Grant                 | 0.183                  | -                          | 0.183                  |
| <b>Total NTCA General Fund Reserves</b> | <b>50.512</b>          | <b>2.138</b>               | <b>52.650</b>          |

- 1.7.2 Reserves will increase by £2.138m to £52.650m based on the current trajectory on the Investment Fund. The level of the Investment Fund Reserve reflects Investment Fund monies received to date of £80.000m with delivery on projects anticipated to slightly increase the reserve to £52.650m at the end of 2021/22. It is anticipated that an additional reserve will be created in relation to the balance of the Mayoral Capacity Fund (Paragraph 1.4.5) in relation to future election costs.
- 1.7.3 The Strategic Reserve continues to be maintained at £0.200m in line with the Reserves and Balances Policy.

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

- 2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority. The 2021/22 budget position against which the budget is monitored against demonstrates the Authority has properly discharged its functions and assisted in delivering the Authority's vision, policies, and priorities.

## **3. Key Risks**

- 3.1 There are no specific risks relating to this report.

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

- 4.1 This is a financial report with any financial or resource implications set out in the report.
- 4.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances in accordance with the Authority's Reserves and Balances policy.

## **5. Legal Implications**

- 5.1 The Combined Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Department of Levelling Up Housing and Communities Statutory Guidance on Local Government Investments.
- 5.2 The Combined Authority is required to agree a balanced budget annually and to monitor performance against that budget throughout the year. The Combined Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.

## **6. Equalities Implications**

- 6.1 There are no direct equalities implications arising out of the recommendations in this report.

## **7. Inclusive Economy Implications**

7.1 There are no direct inclusive economy implications arising from the recommendations in this report. However, EIA's include inclusive economy implications and NTCA has adopted socio-economic disadvantage as a protected characteristic.

## **8. Climate Change Implications**

8.1 There are no direct climate change implications arising out of the recommendations in this report

## **9. Consultation and Engagement**

9.1 The creation of the North of Tyne Combined Authority has been subject to significant and regional consultation. The 2021/22 budget was subject to wide consultation across the North of Tyne Region. The constituent authorities have been consulted directly on the production of the outturn statement.

## **10. Appendices**

None

## **11. Background Papers**

26 January 2021 NTCA Budget Report

## **12. Contact Officers**

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## **13. Glossary**

|      |                                  |
|------|----------------------------------|
| AEB  | Adult Education Budget           |
| AY   | Academic Year                    |
| NTCA | North of Tyne Combined Authority |

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**Subject: 2022-2026 NTCA Budget Proposals**  
**Report of: Chief Finance Officer, Janice Gillespie**  
**Portfolio: Investment and Resources**

## Report Summary

The purpose of this report is for Cabinet to approve the budget for the North of Tyne Combined Authority (NTCA) for 2022/23, and the medium-term financial plan for the period 2023/24 to 2025/26. The report will present the budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget, and the Brownfield Housing Fund. The report also outlines the context within which the budget proposals have been prepared in relation to the Comprehensive Spending Review (CSR). The draft budget proposals were brought to 30 November 2021 Cabinet, the only substantial changes to the budget since this date is the Mayoral Capacity Funding for 2022/23 (£1.000m) announced as part of the Provisional Local Government Financial Settlement, and the Transport Levies position for 2022/23 which were approved at the Joint Transport Committee on 18 January 2022. There continues to be no additional cost to local taxpayers or local authorities in the current budget proposals.

NTCA are the accountable body for the North East Local Enterprise Partnership (LEP) and as such this report includes proposals for the North East LEP accountable body budget.

The Overview and Scrutiny response to the 2022-2026 Budget Proposals is appended to this report as Appendix B.

## Recommendations

The Cabinet is recommended to:

1. Note the comments made by Overview and Scrutiny set out in Appendix B
2. Agree the Corporate Budget for 2022/23 as set out in paragraph 2.1
3. Agree the Investment Fund as set out in paragraph 2.2
4. Agree the Adult Education Budget as set out in paragraph 2.3
5. Agree the Brownfield Land Programme Budget as set out in paragraph 2.4
6. Note the Tyne and Wear levies will be issued on the 15 February 2022
7. Agree to hold the reserves set out in paragraph 2.5 and note the Chief Finance Officer continues to keep the level of resources under review as the Authority develops and new information becomes available about the financial risks facing authority arrangements for managing risks.
8. Note the North East LEP Accountable Body Budget, paragraph 2.6
9. Agree the 2022/23 Treasury Management Strategy set out in paragraph 2.7 and Appendix A.

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

- 1.1** The budget and medium-term financial plan have been developed within the context of the strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Authority's strategic plans can be delivered within the financial resources available.
- 1.2** In developing these budget proposals, the Mayor and Cabinet have been clear in their approach to ensuring the North of Tyne Combined Authority is a lean organisation. The budget proposals include the anticipated capacity required to deliver the ambition of the Combined Authority. In the light of increasing numbers of projects and programmes, this has included recruitment, capacity management and retention of a competent, productive, and collegiate workforce with the aim of creating a long-term staffing plan. The organisation may grow in the future and that will be based on a set of consistent set of agreed principles appropriate for the Combined Authority.
- 1.3** The North of Tyne Combined Authority Corporate Plan was taken to Cabinet Annual Meeting on 8 June 2021. Setting out the ambitions of Cabinet for the Authority, both immediately and in the future, with a roadmap for action and captures the breadth of work undertaken and ensures activities are aligned allowing for clear collaborative working.
- 1.4** The Corporate Plan has been developed through a process of co-design with Cabinet and plays an intrinsic role in ensuring that funding and resources are used efficiently and effectively adding maximum value and delivering with impact.
- 1.5** The Corporate Plan will drive the work programme of the NTCA which will turn into both team plans and individual personal objectives, creating a 'golden thread' from Cabinet's vision to day-to-day delivery. Importantly, the Plan is rooted in the NTCA values, which underpin the way the authority works and outlines our approach to managing wisely the resources, funding, and investment available.
- 1.6** The 2022/23 Budget has been prepared within the context of the recent Comprehensive Spending Review announcement which confirmed the shift on tax burdens, in particular the increase of 1.25% on Employer National Insurance. In addition to some additional Regional measures in relation to 'Levelling up' with more information to follow in the White Paper in the imminent future. The Combined Authority's drive for further devolution is still clear.

## **2. 2022-2026 Budget Proposals**

### **2.1 Corporate Budget Proposals**

- 2.1.1** The Corporate Budget of the North of Tyne Combined Authority is required to support operational costs including staffing, marketing and communications, accommodation costs and SLA's.
- 2.1.2** As the Combined Authority continues to grow consideration has been given to the anticipated capacity required to deliver the ambition of the Combined Authority with the aim of creating a long-term staffing plan considering the increasing number of projects and programmes. Table 1 overleaf, sets out the proposed draft budget that is required to operate the Combined Authority and how it is to be funded.

**Table 1: 2022/23 Budget and 2023-2026 Financial Plan**

|                               | 4 Yr. Corporate Budget Summary |                 |                 |                 |                  |
|-------------------------------|--------------------------------|-----------------|-----------------|-----------------|------------------|
|                               | 2022/23<br>£000                | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | Total<br>£000    |
| <b>Expenditure</b>            |                                |                 |                 |                 |                  |
| Staffing                      | 3,145                          | 3,241           | 3,337           | 3,407           | 13,130           |
| Mayor's Office                | 248                            | 252             | 255             | 258             | 1,013            |
| Other Costs                   | 1,203                          | 1,103           | 1,103           | 1,103           | 4,512            |
| Contribution to Reserves      | 800                            | -               | -               | -               | 800              |
| Transport Levy                | 29,335                         | 29,335          | 29,335          | 29,335          | 117,340          |
| SLAs                          | 285                            | 285             | 285             | 285             | 1,140            |
| <b>Total Expenditure</b>      | <b>35,016</b>                  | <b>34,216</b>   | <b>34,315</b>   | <b>34,388</b>   | <b>137,935</b>   |
| <b>Income</b>                 |                                |                 |                 |                 |                  |
| Grant Income                  | (5,681)                        | (4,781)         | (4,880)         | (4,953)         | (20,295)         |
| Contribution from Reserves    | 0                              | (100)           | (100)           | (100)           | (300)            |
| Transport Levy                | (29,335)                       | (29,335)        | (29,335)        | (29,335)        | (117,340)        |
| <b>Total Income</b>           | <b>(35,016)</b>                | <b>(34,216)</b> | <b>(34,315)</b> | <b>(34,388)</b> | <b>(137,935)</b> |
|                               |                                |                 |                 |                 |                  |
| <b>Net Position (Inc)/Exp</b> | <b>0</b>                       | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>         |

- 2.1.3 The budget proposals reflect the increase in National Insurance contributions of 1.25% payable by employers and employees. A 2% year on year uplift has also been assumed in the staffing estimates contributing to the increase in staffing costs over the 4 yr. period reflected.
- 2.1.4 The bulk of the expenditure is funded through devolved funding secured through the devolution deal, and contributions from constituent authorities of £37,000 each and will be regularly reviewed as the delivery of key priorities and actions progress.
- 2.1.5 As the North of Tyne Combined Authority continues to develop the Mayor and Cabinet has continued to work with officers to maximise opportunities of the three constituent authorities working together effectively and efficiently with the North of Tyne Combined Authority.
- 2.1.6 The provisional Local Government Financial Settlement published on 16 December 2021, indicated a further £1.000m Mayoral Capacity Fund. This has been received annually since the Combined Authority was established, although, there had been no confirmation that this was to continue into 2022/23 and is not confirmed for future years. The Mayoral Capacity Fund for 2021/22 has been used to create a reserve to reflect the requirement to prepare for the next Mayoral election in 2024. In addition, a Strategic Capacity Fund has been created for 2022/23 in response to the potential of additional capacity required to prepare for more and wider devolution.
- 2.1.7 As for 2021/22, the Combined Authority is required to raise the levies on the constituent authorities, the levies will be issued on 15 February 2022 this will enable the constituent councils to take the levies and other contributions into account in setting their own budgets. The Joint Transport Committee (JTC) met on the 18 January 2022, to approve the 2022/23 levies. The 2022/23 Levy is reflected in Table 1 above with indicative levy budgets going forward.

## **2.2 Investment Fund Proposals**

- 2.2.1 The Investment Fund sets out costs associated with the development, management of and delivery of projects to be funded through the Investment Fund.

2.2.2 The North of Tyne Combined Authority Corporate Plan was taken to Cabinet Annual Meeting on 8 June 2021. Setting out the ambitions of Cabinet for the Authority, both immediately and in the future, with a roadmap for action. It captures the breadth of work undertaken and ensures activities are aligned allowing for clear collaborative working. The updated draft Investment Fund Budget is set out in Table 2 below. The Table sets out clearly the expected date of the 5-year Gateway review with an indication of cumulative spend at that stage. It is important to note that whilst the review will be in year 5 the authority was launched late in 2018/19 so Table 2 shows indicative spend for a period of just over 4 years.

**Table 2: Draft Investment Fund Proposals**

|                                 | <b>Previous Years 2018-2022</b> | <b>2022/23</b>  | <b>Total 5-Yr Gateway Review</b> | <b>2023/24</b>  | <b>2024/25</b>  | <b>2025/26</b>  |
|---------------------------------|---------------------------------|-----------------|----------------------------------|-----------------|-----------------|-----------------|
|                                 | <b>£000</b>                     | <b>£000</b>     | <b>£000</b>                      | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     |
| <b>Expenditure</b>              |                                 |                 |                                  |                 |                 |                 |
| Business Case Development Fund  | 2,773                           | 500             | 3,273                            | 200             | 200             | 200             |
| Investment Projects             | 31,486                          | 41,600          | 73,086                           | 15,750          | 19,800          | 9,800           |
| Technical Support               | 750                             | 250             | 1,000                            | 200             | 100             | 100             |
| Contribution to Corporate Costs | 5,991                           | 2,650           | 8,641                            | 2,850           | 2,900           | 2,900           |
| <b>Total Expenditure</b>        | <b>41,000</b>                   | <b>45,000</b>   | <b>86,000</b>                    | <b>19,000</b>   | <b>23,000</b>   | <b>13,000</b>   |
| <b>Income</b>                   |                                 |                 |                                  |                 |                 |                 |
| Funding Sources                 | (80,000)                        | (20,000)        | (100,000)                        | (20,000)        | (20,000)        | (20,000)        |
| <b>Total Income</b>             | <b>(80,000)</b>                 | <b>(20,000)</b> | <b>(100,000)</b>                 | <b>(20,000)</b> | <b>(20,000)</b> | <b>(20,000)</b> |
| <b>Net Position (Inc)/Exp</b>   | <b>(39,000)</b>                 | <b>25,000</b>   | <b>(14,000)</b>                  | <b>(1,000)</b>  | <b>3,000</b>    | <b>(7,000)</b>  |
| <b>Cumulative Position</b>      | <b>(39,000)</b>                 | <b>(14,000)</b> |                                  | <b>(15,000)</b> | <b>(12,000)</b> | <b>(19,000)</b> |

2.2.3 Delivery on the programme is now in full swing, a healthy pipeline has been established and includes a broad range of funding proposals which will deliver across the authority's priorities. Project proposals continue to progress through the assurance framework with pace remaining an important focus. Work has continued with portfolio holders to progress work around the key sectors identified for investment and to provide support to businesses and residents. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.

2.2.4 Included in the budget is provision for Technical Support, this is a requirement of the Assurance Framework that Investment Fund proposals are subject to external independent testing. Any unspent Investment Fund will be held and transferred to a specific reserve at the year end to support the delivery of the programme of work in future years. During this current financial year there has been a rapid increase of committed and defrayed expenditure, and more importantly in the outcome's projects are reporting.

2.2.5 Table 3 reflects the capital expenditure included within the Investment Fund programme to date. Since the establishment of the Combined Authority discussions have been ongoing with HM Treasury on acquiring wider borrowing powers. HM Treasury have now confirmed their willingness to include NTCA in a new set of regulations which will apply to a number of Mayoral Combined Authorities who were not included in the previous regulations. A report taken to 30 November Cabinet gave consent to HM Treasury making the necessary regulations which will allow NTCA to be included in the regulations which are expected to be laid by Central Government later January 2022. This will mean that NTCA will have these borrowing powers in future years which will provide

the authority with more flexibility in its approach to use of the Investment Fund and the delivery of the Mayor and Cabinet's priorities. The debt cap for each year will be agreed with HM Treasury on an annual basis.

**Table 3: Capital Funding included within the Investment Fund**

|                        | 2019/20        | 2020/21          | 2021/22          | 2022/23        | 2023/24  | Total            |
|------------------------|----------------|------------------|------------------|----------------|----------|------------------|
|                        | £              | £                | £                | £              | £        | £                |
| <b>NTCA IF Capital</b> | 31,498         | 1,014,950        | 924,419          | 29,133         | -        | 2,000,000        |
| <b>Capital Match</b>   | 95,617         | 3,081,066        | 2,806,240        | 88,439         | -        | 6,071,362        |
| <b>Total Capital</b>   | <b>127,115</b> | <b>4,096,016</b> | <b>3,730,659</b> | <b>117,572</b> | <b>-</b> | <b>8,071,362</b> |

## 2.3 Adult Education Budget

- 2.3.1 As part of the devolution deal the Adult Education Budget was devolved to the authority with an effective start date of August 2020. This provides the Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.
- 2.3.2 The geographical spread of provision for the devolved AEB aligns with travel to learn patterns in NTCA and that residents in rural parts of Northumberland and North Tyneside have access to local provision.
- 2.3.3 All 'in year' funding allocations are guided by the commissioning principles set out in the AEB Strategic Skills Plan, working closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills 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.
- 2.3.4 Funding allocations as a result of performance management and demand will not exceed the overall devolved AEB funding and will be guided by the commissioning principles set out in the AEB Strategic Skills plan. Regular monitoring on AEB will enable NTCA to respond to any 'Economic Shocks', unexpected fluctuations in the skills sector, and potential increases in digital entitlement.
- 2.3.5 Table 4 below reflects a high-level balanced Budget with funding awarded to grant providers and other procured deliveries. The split between grant and procured service is detailed, based on historic delivery. This profile may change as the review of delivery changes develop as detailed above.

**Table 4: Draft Adult Education Budget**

|                                           | Adult Education Budget 4-Yr Profile |                 |                 |                 |                 |
|-------------------------------------------|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                           | 2022/23<br>£000                     | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | Total<br>£000   |
| <b>Expenditure</b>                        |                                     |                 |                 |                 |                 |
| Grant Awards                              | 15,369                              | 15,369          | 15,369          | 15,369          | 61,476          |
| Procured Services                         | 6,659                               | 6,659           | 6,659           | 6,659           | 26,636          |
| Admin Costs and contribution to Corporate | 678                                 | 678             | 678             | 678             | 2,712           |
| <b>Total Expenditure</b>                  | <b>22,706</b>                       | <b>22,706</b>   | <b>22,706</b>   | <b>22,706</b>   | <b>90,824</b>   |
| <b>Income</b>                             |                                     |                 |                 |                 |                 |
| Funding Sources                           | (22,706)                            | (22,706)        | (22,706)        | (22,706)        | (90,824)        |
| <b>Total Income</b>                       | <b>(22,706)</b>                     | <b>(22,706)</b> | <b>(22,706)</b> | <b>(22,706)</b> | <b>(90,824)</b> |
| <b>Net Position (Inc)/Exp</b>             | <b>0</b>                            | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>        |

- 2.3.6 AEB operational costs are included within the Corporate budget with a contribution of 3% of overall AEB income made towards Corporate support costs.

## 2.4. Brownfield Housing Budget

- 2.4.1 The Brownfield Housing Fund was first announced in the March 2020 National Budget to support Mayoral Combined Authorities and their local areas develop housing on brownfield land. Overall, £276m has been allocated to the six Northern city regions, North of Tyne Combined Authority was awarded £24m over a 5-year period with a £0.550m revenue capacity support grant (for 2020/21 only).
- 2.4.2 Brownfield Housing Fund specifically supports sites with an identified market failure due to site conditions. The programme is part of a broader housing programme the Housing and Land Board have in development that aims to bring forward a pipeline of sites shaping a longer-term strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area.
- 2.4.3 Table 5 below shows the profile of both the capital and linked revenue support grant over the life of the project.

**Table 5: Brownfield Housing Budget Profile**

|                                                                                | Total  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------------------------------------------------------------|--------|--------|--------|--------|--------|--------|
|                                                                                | £m     | £m     | £m     | £m     | £m     | £m     |
| <b>Initial Funding Profile</b>                                                 | 24.000 | 5.000  | 8.100  | 6.700  | 3.100  | 1.100  |
| <b>Revised Funding Profile reflecting underspend in 2020/21 c/f to 2021/22</b> | 23.854 | 0.585  | 12.368 | 6.700  | 3.100  | 1.100  |

## 2.5 Reserves

- 2.5.1 As set out in the budget report to Cabinet on 4<sup>th</sup> December 2018, a Corporate reserve of £0.200m was created. The level of reserve will remain under review as the Combined Authority develops and new information becomes available about the financial risks facing NTCA and the arrangements in place for managing those risks.

## 2.6 North East LEP Accountable Body Budget

- 2.6.1 NTCA is the Accountable Body for the North East Local Enterprise Partnership (North East LEP) and this report therefore includes proposals for the budget providing corporate support as its Accountable Body.
- 2.6.2 All seven local authorities (LA7) in the North East area currently contribute £10,000 to meet the costs of the North East LEP Accountable Body role.
- 2.6.3 The budget for the North East LEP Accountable Body role (£124,000) primarily covers Service Level Agreement (SLA) charges (£70,000) and external costs (£54,000) funded from estimated interest on investment income on the NEIF and the LA7 contributions. The budget will need to be kept under review for any new areas of work that are identified over and above the budget that is agreed, the 2022/23 North East LEP Accountable Body Budget is proposed to be maintained at the same level as the current year which results in a net balanced budget position. Table 6 shows the 2021/22 North East LEP Accountable Body Budget.

**Table 6: 2022/23 North East LEP Accountable Body Budget**

|                                    | <b>North East LEP Accountable Body Budget<br/>2022/23</b> |
|------------------------------------|-----------------------------------------------------------|
| <b>Expenditure</b>                 | <b>£</b>                                                  |
| Service Level Agreements           | 70,000                                                    |
| External Support                   | 54,000                                                    |
| <b>Total Expenditure</b>           | <b>124,000</b>                                            |
| <b>Income</b>                      |                                                           |
| LEP Accountable Body Contributions | (70,000)                                                  |
| Interest Income (NEIF)             | (54,000)                                                  |
| <b>Total Income</b>                | <b>(124,000)</b>                                          |
| <b>Net (Inc)/Exp</b>               | <b>0</b>                                                  |

## 2.7 NTCA Treasury Management Strategy

- 2.7.1 The Combined Authority is required to approve a Treasury Management Strategy before the start of each financial year, this is attached as Appendix A for approval. The Combined Authority defines its treasury management activities as: “The management of the Combined Authority’s borrowing, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.7.2 Borrowing, currently the Combined Authority does not have powers to borrow other than for Transport responsibilities with a proportion of the outstanding balance of the loans and investments in relation to Transport (based on the share of Tyne and Wear population in each Combined Authority area) shown in the balance sheets of the two Combined Authorities as part of their year-end accounts. A summary therefore of the actual loans outstanding and authorised borrowing limit in relation to Transport is reflected in the Treasury Management Strategy of the NTCA.
- 2.7.3 Discussions have been ongoing with HM Treasury on securing wider borrowing powers for the Combined Authority. HM Treasury have now confirmed their willingness to include NTCA in a new set of regulations which will apply to a number of Mayoral Combined Authorities who were not included in the previous regulations. A report taken to 30 November Cabinet gave consent to the HM Treasury making the necessary regulations which will allow NTCA to be included in the regulations which are expected to be laid by Central Government later January 2022. This will mean that NTCA will have these borrowing powers in future years. The debt cap for each year will be agreed with HM Treasury on an annual basis. An authorised borrowing limit of £20.000m in advance of obtaining the borrowing powers was agreed in 2021/22 Treasury Management Strategy. Once confirmation of the regulations has been laid the Combined Authority will bring to Cabinet a Capital Investment Strategy and a Minimum Revenue Provision Strategy which are a requirement that the Combined Authority has in accordance with the Prudential Code.
- 2.7.4 Investment Strategy – The Combined Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. It should be noted that as the accountable body for the North East LEP and Invest North East England (INEE) any investment balances managed on a day-to-day basis will include balances relating to the North East LEP, INEE as well as the Combined Authority. The Treasury Management Investment Strategy reflects the investment activities of the North East LEP in addition to the Combined Authority.

## 3 Potential Impact on Objectives

- 3.1 The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives of the Authority. The budget will enable the Authority to properly discharge its functions and assist in delivering the Authority’s vision, policies, and priorities.

## **4 Key Risks**

4.1 There are no specific risks relating to this report.

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

5.1 The financial implications arising from the outcomes of this report will be appraised as part of the decisions made as to what is included in the Authority's 2022-2026 Financial Plan, incorporating the 2022/23 Budget-Setting process.

5.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Financial Plan for 2022-2026 in accordance with the Authority's Reserves and Balances Policy.

## **6 Legal Implications**

6.1 The Authority is required to agree a balanced budget annually and to monitor that budget throughout the year. The Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.

## **7 Equalities Implications**

7.1 The Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equality's legislation are considered prior to any decision being made.

7.2 The Authority will continually monitor the effect of our Budget-setting process and decision-making, utilising equality impact assessments and reflecting the Authority's equalities objectives.

7.3 Equality Impact Assessments (EIA) may be included in proposals for inclusion with the initial Budget proposals in November 2021 where applicable, in order to be available to the Mayor and Cabinet when it further considers the Financial Plan and Budget proposals on 30 November 2021.

## **8 Inclusive Economy Implications**

8.1 There are no direct inclusive economy implications arising from the recommendations in this report. However, EIA's include inclusive economy implications and NTCA has adopted socio-economic disadvantage as a protected characteristic.

## **9 Climate Change Implications**

9.1 There is no direct climate changed implications arising from the recommendations in this report. However, climate change is considered within an EIA for projects.

## **10 Consultation and Engagement**

10.1 The creation of the North of Tyne Combined Authority has been subject to significant regional and national engagement. The 2022/23 Draft Budget are based on the devolution deal and the Parliamentary Order which created the Authority and the Authority's Vision which has been detailed in the Corporate Plan which has been agreed by Cabinet and is being shared with stakeholders in a range of events.

10.2 Consultation with the Business Community and the Community and Voluntary Sector has continued throughout the budget process as part of the overall approach to engagement undertaken with these sectors. In addition, the attendance at Cabinet of both the Ambassador for business and the Ambassador for the Community and Voluntary sector will add to the opportunity for engagement. The Mayor and Cabinet will be updated and respond to recommendations made by Overview and Scrutiny Committee at the Cabinet Meeting on 25 January 2022 (attached at Appendix B).

## **11 Appendices**

Appendix A 2022/23 Treasury Management Strategy

Appendix B Overview and Scrutiny Committee response to the 2022-2026 Budget Proposals

## **12 Background Papers**

26 January 2021 Financial Plan and Budget.

5 February 2021 North East Combined Authority Leadership Capital and Revenue Outturn Report.

## **13 Contact Officers**

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## **14 Glossary**

|      |                                         |
|------|-----------------------------------------|
| CSR  | Comprehensive Spending Review           |
| BFH  | Brownfield Housing Fund                 |
| AEB  | Adult Education Budget                  |
| LEP  | North East Local Enterprise Partnership |
| INEE | Invest North East England               |

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**Treasury Management  
Policy Statement and Strategy 2022-23**

**1. Background**

The Combined Authority is required to operate a balanced budget, which means that cash raised during the year will meet cash expenditure. A key part of the Combined Authority's treasury management function is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Combined Authority's low risk policy, providing adequate security and liquidity before considering investment return.

Another key element of the treasury management function is the management of the funding associated with the Combined Authority's capital investment plans. These capital plans provide a guide to any potential borrowing needs of the Combined Authority, essentially the longer-term cash flow planning to ensure that the Combined Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. Although the Combined Authority has not identified any imminent borrowing plans other than in respect of the relevant share of the Joint Transport Committee liabilities, it is engaged in discussions with Government to obtain borrowing powers so that these are in place when borrowing is required.

The contribution the treasury management function makes to the Combined Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or on larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security and liquidity of the sums invested.

**2. Statutory Requirements**

The Combined Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities (DLUHC) Statutory Guidance on Local Government Investments.

The CIPFA Treasury Management Code requires the Combined Authority to approve a Treasury Management Strategy before the start of each financial year.

In addition, the DLUHC guidance requires the Combined Authority to approve an Investment Strategy before the start of each financial year.

The CIPFA Treasury Management Code and the Prudential Code are closely linked. The Combined Authority is required to have regard to the Prudential Code when setting limits to the level of its affordable borrowing. The 2017 update to the Prudential Code drew together the reporting requirements of the Prudential Code and the Treasury Management Code resulting in the requirement for the Combined Authority to produce a capital strategy that includes specific

requirements in respect of debt and borrowing and treasury management. An Investment Strategy will be produced when the Combined Authority has determined potential borrowing limits through dialogue with the Treasury.

CIPFA published revised Treasury Management and Prudential Codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. However, the Combined Authority has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Cabinet for approval.

### **3. Treasury Management Policy Statement**

#### **3.1 Effective Treasury Management**

The Combined Authority will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives, and approach to risk management of treasury management activities
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the Combined Authority will seek to achieve its policies and objectives and detail how it will manage and control treasury management activities.

#### **3.2 Reporting**

The following reports will be issued during the financial year for approval by Cabinet:

- An annual report on the Combined Authority's Treasury Management Strategy and plan to be pursued in the coming year. This will include an Investment Strategy and will be considered by Cabinet as part of the budget approval process.
- A mid-year review report. This will update members on the progress of the capital position, show amended prudential indicators where required and performance against the strategy.
- An annual report, after year end closure on the performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with the Treasury Management Strategy and TMPs.

#### **3.3 Responsibilities**

The Combined Authority delegates responsibility for the implementation and regular review of its treasury management policies and practices and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Combined Authority's policy statement and TMPs and if that officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management. Cabinet has responsibility to ensure the implementation and regular monitoring of its treasury management policies delegates the responsibility for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMPs.

Responsibility for ensuring effective scrutiny of the Treasury Management Strategy and Treasury Management Policies is delegated to Overview and Scrutiny Committee.

The Combined Authority's Treasury Management function is managed under a service level agreement with North Tyneside Council.

The Treasury Management functions of the Joint Transport Committee are approved as part of the North East Combined Authority budget setting process in their role as Accountable Body. A review of the NECA Treasury Management Strategy has been undertaken and is in line with that of the Combined Authority.

### **3.4 Training**

The CIPFA Treasury Management Code requires the responsible officer to ensure those members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

### **3.5 Treasury Management Policy Statement 2022-23**

The Combined Authority defines its Treasury Management activities as:  
“The management of the Combined Authority’s borrowing, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

### **3.6 Risk Management**

The Combined Authority regards the successful identification, monitoring, and control of risk to the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage those risks.

### **3.7 Value for Money**

The Combined Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### **3.8 Borrowing Policy**

At this current time the Combined Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in this Combined Authority’s statement of accounts relates to historic Tyne and Wear Transport activities and the financing and borrowing costs are met by the Tyne and Wear Levy. Details of which are included the Treasury Management Strategy and Prudential Indicators of the North East Combined Authority as the appointed accountable body.

### **3.9 Investment Policy**

The Combined Authority’s primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of the Combined Authority’s services is an important, but secondary, objective.

The Combined Authority will have regard to the DLUHC Guidance on Local Government Investments and will approve an Investment Strategy each year as part of the Treasury Management Strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

#### 4. Treasury Management Strategy for 2022-23

The proposed strategy for 2022-23 in respect of the following aspects of the treasury management function is based upon the treasury management officers' view on interest rates, supplemented with market forecasts provided by to North of Tyne Combined Authority's treasury advisor, Link Group. This strategy covers:

- Treasury management consultants
- The current treasury portfolio position.
- Prospects for interest rates.
- The borrowing strategy.
- Sources of borrowing
- Policy on borrowing in advance of need.
- The Investment Strategy.
- Financial investments.
- Creditworthiness.
- Liquidity management.
- Non-financial investments; and
- Policy on the use of financial derivatives

##### 4.1 Treasury Management Consultants

Whilst the Combined Authority has appointed external Treasury Management advisors it recognises that responsibility for Treasury Management decisions remains with the Combined Authority at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, that from any appointed treasury advisers.

It also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Combined Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

##### 4.2 Current Treasury Portfolio Position

The Combined Authority's Investment position as at December 2021 is set out in Table 1 below:

**Table 1: Current Treasury Portfolio as at 31 December 2021**

| <b>Investments</b> | <b>Average amount Invested</b> | <b>Average Rate Interest earned</b> |
|--------------------|--------------------------------|-------------------------------------|
|                    | <b>£m</b>                      | <b>%</b>                            |
| Local Authorities  | 127                            | 0.13                                |
| <b>Total</b>       | <b>127</b>                     |                                     |

The Combined Authority became the accountable body for the North East LEP (LEP) from the 1<sup>st</sup> April 2020, as such NTCA is responsible for managing the cashflow of the LEP in addition to its own. The level of funds invested as at December 2021 was £127m. This being invested with other local authorities which is considered a low-risk counterparty/instrument commensurate with the Combined Authority's low risk policy, providing adequate security and liquidity before considering investment return.

#### 4.3 Prospects for Interest Rates

The Combined Authority agreement with North Tyneside Council for treasury management services currently has access to Link Group as its external treasury advisor and part of their service is to assist the Combined Authority to formulate a view on interest rates. The table below sets out Link Group professional view of interest rates.

**Table 2: Link Group forecast interest rates – (December 2021)**

| Link Group Interest Rate View |        | 20.12.21 |        |        |        |        |        |        |        |        |        |        |        |        |  |
|-------------------------------|--------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|
|                               | Dec-21 | Mar-22   | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |  |
| BANK RATE                     | 0.25   | 0.25     | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 0.75   | 0.75   | 1.00   | 1.00   | 1.00   | 1.00   | 1.25   |  |
| 3 month ave earnings          | 0.20   | 0.30     | 0.50   | 0.50   | 0.60   | 0.70   | 0.80   | 0.90   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |  |
| 6 month ave earnings          | 0.40   | 0.50     | 0.60   | 0.60   | 0.70   | 0.80   | 0.90   | 1.00   | 1.00   | 1.10   | 1.10   | 1.10   | 1.10   | 1.10   |  |
| 12 month ave earnings         | 0.70   | 0.70     | 0.70   | 0.70   | 0.80   | 0.90   | 1.00   | 1.10   | 1.10   | 1.20   | 1.20   | 1.20   | 1.20   | 1.20   |  |
| 5 yr PWLB                     | 1.40   | 1.50     | 1.50   | 1.60   | 1.60   | 1.70   | 1.80   | 1.80   | 1.80   | 1.90   | 1.90   | 1.90   | 2.00   | 2.00   |  |
| 10 yr PWLB                    | 1.60   | 1.70     | 1.80   | 1.80   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.10   | 2.20   | 2.30   |  |
| 25 yr PWLB                    | 1.80   | 1.90     | 2.00   | 2.10   | 2.10   | 2.20   | 2.20   | 2.20   | 2.30   | 2.30   | 2.40   | 2.40   | 2.50   | 2.50   |  |
| 50 yr PWLB                    | 1.50   | 1.70     | 1.80   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.20   | 2.20   | 2.30   | 2.30   |  |

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, and MPC decisions, will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geographical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be dependent on economic and political developments.

#### 4.4 Investment and Borrowing Rates

Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels.

#### 4.5 Borrowing Strategy

Previously, the Combined Authority did not have powers to borrow other than for Transport responsibilities with a proportion of the outstanding balance of the loans and investments in relation to Transport (based on the share of Tyne and Wear population in each Combined Authority area) shown in the balance sheets of the two Combined Authorities as part of their Year end accounts. A summary therefore of the actual loans outstanding and authorised borrowing limit in relation to Transport is reflected in the Treasury Management Strategy of the NTCA.

Discussions have been ongoing with HM Treasury on acquiring wider borrowing powers. HM Treasury have now confirmed their willingness to include NTCA in a new set of regulations which will apply to a number of Mayoral Combined Authorities who were not included in the previous regulations. A report taken to 30 November Cabinet gave consent to the Combined Authority making the necessary regulations which will allow NTCA to be included in the regulations which are expected to be laid by Central Government later January 2022. This will mean that NTCA will have these borrowing powers in future years. The debt cap for each year will be agreed with HM Treasury on an annual basis. An authorised borrowing limit of £20.000m in advance of obtaining the

borrowing powers was agreed in 2021/22 Treasury Management Strategy. Once confirmation of the regulations has been laid the Combined Authority will come back to Cabinet with a Minimum Revenue Provision Policy Statement for the NTCA.

At this current time the Combined Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in the Combined Authority's statement of accounts relates to historic Tyne and Wear Transport activities and the financing and borrowing costs are met by the Tyne and Wear Levy. A proportion of the outstanding balance of the loans and investments (based on the share of Tyne and Wear population in each Combined Authority area) will be shown in the balance sheets of the two Combined Authorities as part of their year-end accounts. A summary of the actual loans outstanding and authorised borrowing limit at the date of the preparation of this report is shown in table 3 below.

**Table 3: Transport Loans Outstanding and Authorised Borrowing limit as at December 2021**

|                               | <b>Principal</b> | <b>Interest Due</b> | <b>Total</b> | <b>NECA Share</b> | <b>NTCA Share</b> |
|-------------------------------|------------------|---------------------|--------------|-------------------|-------------------|
|                               | <b>£000</b>      | <b>£000</b>         | <b>£000</b>  | <b>£000</b>       | <b>£000</b>       |
| Capital Financing Requirement | 187,610          |                     | 187,610      | 103,232           | 84,378            |
| Actual External Debt          | 170,333          | 1,492               | 171,825      | 94,547            | 77,278            |
| Authorised Borrowing Limit    |                  |                     | 210,000      | 115,552           | 94,448            |

Additional borrowing of £5m was taken out in relation to Enterprise Zone activity, this was taken out by North East Combined Authority (NECA) in 2019-20 when NECA was the accountable body for the North East LEP. NECA will continue to manage this borrowing on behalf of North of Tyne Combined Authority now accountable body responsibility for the North East LEP is with North of Tyne Combined Authority.

The North of Tyne are pursuing borrowing powers and as these are granted an authorised borrowing limit of £20m is to be proposed in addition to the borrowing limit above.

|                                                             |        |
|-------------------------------------------------------------|--------|
|                                                             | £000   |
| North of Tyne Combined Authority Authorised Borrowing Limit | 20,000 |

#### 4.6 Prudential Indicators and Minimum Revenue Provision.

Prudential Indicators and Minimum Revenue Provision (MRP) Policy. The new arrangements set out in the NECA (North East Combined Authority) and NTCA Orders require decisions about the Transport Revenue budget and Levies and the Transport Capital Programme to be determined by the Joint Transport Committee (JTC). The transport functions and assets still rest with each Combined Authority but can only be exercised or deployed through the decisions of the Joint Transport Committee (see link [Joint Transport Committee Borrowing.pdf](#)).

Once borrowing powers to the NTCA are granted officers will come back to members with a Minimum Revenue Provision (MRP) Policy Statement for the NTCA.

### 5. Annual Investment Strategy

#### 5.1 Investment Policy

The Combined Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. It should be noted that the Combined Authority is now the accountable body for the North East LEP, and any investment balances managed on a day-to-day basis will include balances relating to the North East LEP as well as the Combined Authority.

The Combined Authority's Investment Strategy will give consideration to core balances and cash flow requirements and the outlook for short-term interest rates. Where cash flow identifies cash sums that could be invested for longer periods (potentially obtaining a greater return), the value to be obtained from longer term investments will be carefully assessed.

If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Both the CIPFA Treasury Management Code and DLUHC guidance require the Combined Authority to invest any funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

The above Code and guidance also emphasise the importance of the management of risk within treasury management functions. This Combined Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- Credit ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. Any assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Combined Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps and overlay that information on top of the credit ratings.
- Other information sources used will include the financial press, share prices and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- The Combined Authority has defined a list of types of investment instruments that the treasury management function is authorised to use. There are two lists in under the categories of 'specified' and 'non-specified' investments.

## 5.2 Financial Investments

The CIPFA Treasury Management Code and the DLUHC guidance has now extended the meaning of 'financial investments' to include the following:

- Specified investments;
- Loans; and
- Non-specified investments.

## 5.3 Specified Investments

Specified investments are denominated in sterling; repayable within 12 months (either because of an expiry date or through a non-conditional option); not defined as capital expenditure by legislation; and invested with a body or in an investment scheme described as high quality or invested with one of: the UK Government; a Local Authority; or a Parish Council or Community Council.

## 5.4 Loans

Loans could be to local enterprises, local charities, wholly owned companies, and joint ventures as part of a wider strategy for local economic growth. In some cases, these loans may not be seen as prudent if adopting a narrow definition of prioritising security and liquidity. To allow such loans to be made whilst continuing to have regard to the DLUHC guidance Local Authorities must be able to demonstrate in their strategy that:

- Total financial exposure to these types of loans is proportionate;
- That an allowed “expected credit loss” model for loans and receivables as set out in IFRS 9 Financial Instruments has been adopted to measure the credit risk of a portfolio;
- That appropriate credit control arrangements to recover overdue repayments is in place; and
- The Combined Authority has formally agreed the total level of loans by type that it is willing to make, and their total loan book is within their self-assessed limit.

## 5.5 Non-specified Financial Investments

Non-specified investments are any investment not meeting the definition of a specified investment (less high credit quality, may be for periods in excess of 12 months, and are more complex instruments which require greater consideration by members and officers before being authorised for use).

The following table provides a list of specified investment instruments that are authorised to be used by the Combined Authority, subject to cash limits and time limits indicated:

**Table 3: Specified Investment Instruments**

|                                                           | <b>Credit Criteria</b>                    | <b>Maximum Deposit</b> | <b>Maximum Period</b>                            |
|-----------------------------------------------------------|-------------------------------------------|------------------------|--------------------------------------------------|
| Debt Management Agency Deposit Facility                   | UK Government backed                      | £50m                   | Unlimited                                        |
| UK Local Authorities                                      | N/A                                       | £10m each              | 1 year                                           |
| UK Government Treasury Bills                              | UK Sovereign Rating                       | £10m                   | 1 year                                           |
| Term deposits with banks and building societies           | Blue /Orange<br>Red<br>Green<br>No Colour | £10m each              | 12 months<br>6 months<br>100 days<br>Not for use |
| Certificate of Deposits with banks and building societies | Blue /Orange<br>Red<br>Green<br>No Colour | £5m each               | 12 months<br>6 months<br>100 days<br>Not for use |
| Money Market Funds                                        | AAA                                       | £10m each              | Liquid                                           |
| Local Authority Controlled companies in the NTCA area     |                                           | £5m                    | 5 years                                          |

The following table provides a list of non-specified investment instruments that are authorised to be used by the Combined Authority, subject to the cash limits and time limits indicated:

**Table 4: Non-specified Investment Instruments**

|                                                 | <b>Credit Criteria</b> | <b>Maximum Deposit</b> | <b>Maximum Period</b> |
|-------------------------------------------------|------------------------|------------------------|-----------------------|
| UK Local Authorities                            | N/A                    | £5m each               | 3 year                |
| Commercial Property Investment Fund Loans (LEP) | N/A                    | £30m                   | Unlimited             |
| Property Funds                                  | N/A                    | £5m                    | Unlimited             |

The Combined Authority has determined that it will limit the maximum total exposure to non-specified investments as being 25%.

Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

All investments will be denominated in sterling.

The Combined Authority will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

## 5.6 Creditworthiness Policy

The minimum credit ratings criteria the Combined Authority use will be a Short-Term rating (Fitch or equivalents) of F1 and a Long-Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings, but they may still be used. In these instances, consideration will be given to the whole range of ratings available or other market information, to support their use.

The Combined Authority also applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies; Fitch, Moody's, and Standard & Poor's. Link Group supplement the credit ratings of counterparties with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to provide early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties and are used by the Authority to determine the suggested duration of investments.

This service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system it does not give undue preponderance to one agency's ratings.

The Combined Authority is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.

If a downgrade results in the counterparty no longer meeting the Combined Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of credit ratings the Combined Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website. Extreme market movements may result in downgrade of an institution or removal from the Combined Authority's lending list. Sole reliance will not be placed on the use of this external service. In addition, the Combined Authority will also use market data and market information on any external support for banks to help support its decision-making process.

As a result, in the change in accounting standards for 2018-19 under IFRS 9, the Combined Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year.

## **5.7 Liquidity Management**

Officers providing treasury management services to the Combined Authority use purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk to the authority of being forced to borrow on unfavourable terms to meet its financial commitments.

## **5.8 UK Banks – Ring Fencing**

The largest UK banks are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1<sup>st</sup> January 2019. This is known as ring-fencing. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and small and medium-sized enterprise (SME) deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day to day core transactions, whilst more complex and riskier activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Combined Authority will continue to assess the new formed entities in the same way that it does others and those with sufficiently high ratings, will be considered for investment purposes.

## **5.9 Non-Financial Investments**

The DLUHC guidance defines an investment as all of the financial assets of a Local Authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit, for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party.

The Combined Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Combined Authority will ensure that all the organisation's investments are covered in the Investment Strategy and will set out, where relevant, the organisation's risk appetite and specific

policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Combined Authority will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures, and liabilities including financial guarantees and the organisation's risk exposure.

#### **5.10 Policy on the use of Financial Derivatives**

Local Authorities generally have made use of financial derivatives embedded into loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over Local Authorities powers to use standalone financial derivatives such as swaps, forwards, futures, and options. However, the Combined Authority's policy is not to currently use these instruments.

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# Overview and Scrutiny Committee Report to Cabinet

25 January 2022

**Subject: North of Tyne Combined Authority 2022-2026 Budget Proposals**

**Report of: Overview and Scrutiny Committee**

**Portfolio: All**

## Report Summary

This report presents the response of the Overview and Scrutiny Committee to Cabinet's proposals for the 2022-26 North of Tyne Combined Authority Budget. It provides information on the role of the committee in the budget setting process, what information it has received and its comments and recommendations to Cabinet.

## Recommendations

The Overview and Scrutiny Committee recommends Cabinet accepts this report as the response from the Overview and Scrutiny Committee to the 2022-26 Budget proposals for the North of Tyne Combined Authority and takes its comments and observations into account when agreeing the Budget at its meeting on 25 January 2022.

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

#### 1.1 Process

1.1.1 In accordance with the Budget and Policy Framework Rules of Procedure (Part 3.2 of the Constitution) the Overview and Scrutiny Committee has a particular role in the setting of the North of Tyne Combined Authority's (NTCA) budget. Cabinet must present to the committee the budget setting process, the initial proposals and have regard to any recommendations and/or observations from the Overview and Scrutiny Committee when finalising the Authority's budget.

1.1.2 At its 12 October 2021 meeting the Overview and Scrutiny Committee received a report on the 2022-2026 Financial Planning and Budget Process which outlined the process to be adopted for the Authority's Financial Planning and Budget Process for 2022/23 as part of the proposed framework for the four years 2022/23 to 2025/26. This included information in relation to the updated Medium-Term Financial Strategy (MTFS), the development of the detailed budgets for 2022/23 and the timetable for key decision milestones and dates for the setting of the budget.

#### 1.2 Draft Budget Proposals

1.2.1 Cabinet met on 30 November 2021 to consider the initial draft budget for NTCA for 2022/23 and the medium-term financial plan for the period 2023/24 to 2025/26 which included a draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the Brownfield Housing Fund. The report also outlined the context within which the budget proposals have been prepared in relation to the Comprehensive Spending Review (CSR). NTCA are the accountable body for the North East Local Enterprise Partnership (North East LEP) and proposals for the North East LEP accountable body budget were also included.

1.2.2 The Overview and Scrutiny Committee received these proposals on 7 December 2021.

1.2.3 At its meeting on 7 December 2021 the committee sought clarification on NTCA's role in the Transport Levies and also the addition of a budget line to reflect the intention to build reserves to fund the costs for the expected mayoral election in 2024.

### 1.3 Budget Workshop

- 1.3.1 The committee held a workshop on 11 January 2022 to further discuss and scrutinise the proposals, be informed of any changes and provide a formal response to Cabinet. The Chief Finance Officer attended the workshop to present information on what had changed since the draft proposals were considered by the committee in December and to answer any questions.
- 1.3.2 The committee were reminded of the initial proposals and that they were developed within the context of the strategic priorities and policy decisions made by the Mayor and Cabinet to ensure that the authority's strategic plans could be delivered within the financial resources available. The 1.25% increase in National Insurance contributions had been built in but as the Levelling Up White Paper was still to be published any operational changes that may be required to meet any opportunities within that were still unknown. It had been confirmed that the Mayoral Capacity Fund of £1m had been extended for 2022/23 as part of the Provisional Local Government Financial Settlement and Cabinet would determine where that would be assigned to. Options included contributing to the future costs of the mayoral election and to responding to the opportunities in the Levelling Up White Paper.
- 1.3.3 The updated Transport Levies position for 2022/23 had been approved at the Joint Transport Committee on 18 January 2022. It was noted that the NTCA budget proposals had no additional cost to local taxpayers or the three local authorities.
- 1.3.4 A member enquired whether the Brownfield Housing Fund could be extended as the need would still be there at the end of the programme. The Chief Finance Officer explained that there had been an indication in the Comprehensive Spending Review that further funding for this area of work might be available and it was a matter of waiting to see if anything came forward.
- 1.3.5 In relation to engagement, the committee was informed that the Chief Finance Officer had consulted with the business community and the voluntary and community sector since the initial proposals had been published. Both groups welcomed the consultation and received the information and made no direct comments. A page on the NTCA website had been created to allow members of the public to submit any questions or comments, which was highlighted through a number of posts on social media. This consultation exercise was open from 1 December 2021 until 7 January 2022. One positive comment was received in relation to the work being undertaken to ensure managing unallocated AEB funds for academic year 2021-22.
- 1.3.6 It was acknowledged by officers that generating interest in the budget of the NTCA was a challenge and that considering how this could be improved was a continuous process. Members made suggestions regarding circulating a paper questionnaire and also seeking support from the local authorities by including a link to the NTCA budget proposals on their website as they have an engaged audience. The Chief Finance Officer agreed to look into both suggestions for next year.
- 1.3.7 The workshop also received a presentation on Treasury Management which provided the members with an overview of its purpose, the legal and regulatory requirements, the reporting regime and the economic view and the role of the markets in Treasury Management. The NTCA was in the process of seeking borrowing powers which, once received, would require the Authority to adopt a Capital Strategy. The Overview and Scrutiny Committee would be kept informed as this work progressed.

### 1.4 Conclusions

- 1.4.1 The Overview and Scrutiny Committee noted the proposals and considered that Cabinet should agree the recommendations as set out in the budget proposals and had no specific recommendations to make on the individual elements which make up the budget.
- 1.4.2 The committee acknowledged the challenge of engaging the public with the NTCA's budget and welcomed the Chief Finance Officer's assurances that it was important to the team and would be reviewed again to see what improvements could be made.

1.4.3 The committee thanked the officers involved in drafting the report and making the presentations to the committee and answering their questions throughout the process.

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

The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives of the Authority. The budget will enable the Authority to properly discharge its functions and assist in delivering the Authority's vision, policies, and priorities.

## **3. Key Risks**

There are no specific risks relating to this report from the Overview and Scrutiny Committee.

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

There are no direct financial and resource implications arising from the recommendations in this report. The financial implications of the proposals are set out in full in the report to Cabinet from the Chief Finance Officer.

## **5. Legal Implications**

There are no direct legal implications arising from the recommendations in this report. The legal implications of the proposals are set out in full in the report from the Chief Finance Officer to Cabinet.

## **6. Equalities Implications**

There are no direct equalities implications arising from the recommendations in this report. The Overview and Scrutiny Committee is mindful of its duty under the Public Sector Equality Duty and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision 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; and also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

## **7. Inclusive Economy Implications**

The Overview and Scrutiny Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability. The budget proposals will support the Authority in meeting these ambitions.

## **8. Climate Change Implications**

There is no direct climate changed implications arising from the recommendations in this report.

## **9. Consultation and Engagement**

The Overview and Scrutiny Committee is a consultee in this budget setting process.

## **10. Appendices**

None

## **11. Background Papers**

[2022-26 Financial Planning and Budget Process Report to Cabinet, 22 September 2021](#)  
[NTCA Budget Proposals 2022-2026 Report to Cabinet, 30 November 2021](#)

**12. Contact Officers**

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**Subject: Decision to opt-in to National Scheme for Auditor Appointments from April 2023**

**Report of: Chief Finance Officer**

**Portfolio: Investment and Resources**

## Report Summary

The purpose of this report is to seek approval 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").

## Recommendations

Cabinet agree that the North of Tyne Combined Authority '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").

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

- 1.1 PSAA Ltd is recognised as an "appointing person" under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. As such, PSAA Ltd can therefore appoint a local auditor for NTCA, set the fee level for the contract and manage the contract with the appointed audit firm. The contract fee will be paid by NTCA, in common with all other audited 'relevant authorities.
- 1.2 The initial appointments made by PSAA for accounting periods beginning from 2018/19 were for 5 years, meaning contracts awarded as part of that tranche are due to end in 2022/23. Cabinet agreed on the 30 July 2019 that the Public Sector Audit Appointments Ltd be asked to appoint a local auditor for NTCA for the period 2018/19 to 2022/23.
- 1.3 The external auditor for the audit of the NTCA 2023/24 accounts must be appointed by end of December 2022. NTCA has a choice to either carry out a procurement exercise to appoint a new local auditor, or 'opt-in' to the national scheme for appointing local auditors operated by PSAA Ltd. To carry out a procurement exercise NTCA would need to seek the views of its Independent Auditor Panel. If NTCA opt-in to the national scheme for appointing local auditors operated by PSAA Ltd, there is no need to convene the Independent Auditor Panel to participate in the appointment as the independence element is covered by the participation in the national scheme. In summary the national opt-in scheme provides the following:
  - the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years from 1 April 2023.
  - appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives such as Joint Transport Committee (JTC) organisations, North East Combined Authority and Nexus in respect of NTCA.
  - a detailed procurement strategy to ensure quality and price criteria are satisfied.
  - ensures suitable independence of the auditors from the bodies they audit.

- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing performance of the contracts once these have been let.

1.4 To opt into the national scheme provides the appointment of an independent auditor with limited administrative cost to NTCA. By re-joining the national scheme, the Combined Authority would be acting with other Authorities to optimise the opportunity to influence the market that a national procurement provides.

1.5 The recommended approach is therefore to opt into 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").

1.6 Under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015, the decision to accept the invitation to opt into the national scheme must be made by members of the full Council or equivalent, before the 11 March 2022.

1.7 The Audit and Standards Committee will receive a report on this proposal at its meeting on 18 January 2022 and its views will be reported to the Cabinet meeting on 25 January 2022 to be taken into consideration prior to decision.

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

2.1 There are no direct implications arising from this report in respect of NTCA's vision, policies, and priorities.

## **3. Key Risks**

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

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

4.1 There are no other financial or other resource implications arising from this report. There is not anticipated to be a material increase in the level of external audit fee in line with the proposal outlined within this report.

## **5. Legal Implications**

5.1 Under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015, the decision to accept the invitation to opt into the national scheme must be made by members of the full Council or equivalent.

## **6. Equalities Implications**

6.1 There are no equality 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 The Mayor and Cabinet member have been consulted and a full report was presented to the Audit and Standards Committee on 18 January 2021.

**10. Appendices**

None

**11. Background Papers**

None

**12. Contact Officers**

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**13. Glossary**

PSAA                      Public Sector Audit Appointments Panel

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