

Audit and Standards Committee

Tuesday 5 July 2022 at 10.00 am

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

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Presentation at the meeting

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9. Draft Statement of Accounts (2021/22)	1 - 22

Contact Officer:
Tel: 0191 211 5024
Email: karen.christonl@northoftyne-ca.gov.uk

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NTCA 2021/22 Draft Statement of Accounts



Overview of Accounts

- Legislative & accounting requirements
- Key Dates
- Points to note on North of Tyne Combined Authority Statement of Accounts
- Main Financial Statements

Legislative and Accounting Requirements

- The NTCA Draft Statement of Accounts for 2021/22 have been prepared in compliance with the CIPFA Code of Practice on Local Authority Accounting in the UK ('the Code') .
- The Code provides guidance on generally accepted accounting practice and how to apply International Financial Reporting Standards ('IFRS') in local government.
- Accounts and Audit Regulations set out the form and content of the financial statements, along with the arrangements for auditing and approving the accounts

AIM: to ensure the accounts give a 'true and fair view of the financial position of the Combined Authority'

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North Tyneside Council

Northumberland
County Council

Key Dates

- The draft 2021/22 Accounts must be published on the Combined Authority's website by 31 July 2022
- With the Final Audited Accounts to go to November Cabinet for approval.

Points to note on North of Tyne Combined Authority Statement of Accounts

North East LEP & INEE

- As part of the agreements for the creation for the combined authority, the NTCA became the accountable body for the North East LEP and INEE on 1 April 2020.
- From this date all assets and liabilities, reserves and balances in respect of the North East LEP and INEE are incorporated into the NTCA single entity accounts.

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Joint Transport Committee

- The order which established the North of Tyne Combined Authority (NTCA) in November 2018 also stated that North East Combined Authority (NECA) and NTCA must appoint a Joint Transport Committee (JTC)
- The JTC meets the definition of Joint Control and it is classified as a Joint Operation.

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Points to note on North of Tyne Combined Authority Statement of Accounts

In 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:

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- 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.

Points to note on North of Tyne Combined Authority Statement of Accounts

Group Accounts

- 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.

Main Financial Statements

The main statements within the accounts are:

- **Comprehensive Income & Expenditure Statement**
 - The Comprehensive Income & Expenditure Statement (CIES) summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.
- **Balance Sheet**
 - Shows the value of all assets and liabilities at the start and end of the year. The net assets of the Combined Authority (i.e. assets less liabilities) are matched by the Combined Authority's reserves.

Main Financial Statements

The main statements within the accounts (continued):

- **Movement in Reserves Statement**

- Shows the total movement on the different reserves held by the Combined Authority. These are analysed into usable reserves (those that 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.

- **Cash Flow Statement**

- This statement shows the changes in cash and cash equivalents of the Combined Authority during the year. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Comprehensive Income and Expenditure Statement (1)

2020/21			
Gross Exp £000	Gross Inc £000	Net Exp £000	
5,898	(66)	5,832	Investment Fund
11,443	(2,328)	9,115	Corporate Costs
13,405	(14,640)	(1,235)	Adult Education Budget
57,430	(39,097)	18,333	Joint Transport Committee
534	(438)	96	Invest North East
47,896	(15,278)	32,618	Local Enterprise Partnership
136,606	(71,847)	64,759	Cost of Services

Note

2021/22		
Gross Exp £000	Gross Inc £000	Net Exp £000
14,662	(338)	14,324
8,148	(2,475)	5,673
22,745	(25,449)	(2,704)
58,328	(60,178)	(1,850)
607	(298)	309
42,994	(29,381)	13,613
147,484	(118,119)	29,365

Comprehensive Income and Expenditure Statement (2)

2020/21				2021/22		
Gross Exp £000	Gross Inc £000	Net Exp £000	Note	Gross Exp £000	Gross Inc £000	Net Exp £000
3,295	(2,060)	1,235	6	4,561	(644)	3,917
-	(96,701)	(96,701)	7	-	(86,536)	(86,536)
139,901	(170,608)	(30,707)		152,045	(205,299)	(53,254)
		1,832				(2,369)
		(28,875)				(55,623)

Comprehensive Income and Expenditure Statement

- The Comprehensive Income & Expenditure Statement reflects the NTCA income and expenditure in addition to the North East LEP and Invest North East England and the North of Tyne population share of the Joint Transport Committee income and Expenditure.
- The gross cost of services during the year was £147.5m (£136.6m in 2020/21). After taking into account income from specific grants and income from fees & charges the net cost of services was £29.4m (£64.8m in 2020/21).
- After taking into account non-specific grant income and other comprehensive income and expenditure the surplus on the provision of services was £55.6m (£28.9m deficit in 2020/21).

Balance Sheet

31 March 2021 £000		Note	31 March 2022 £000
153,133	Property, Plant & Equipment	13	152,242
28,184	Long Term Debtors	17	33,748
181,317	Long Term Assets		185,990
142,617	Short Term Investments	14	202,708
11,487	Short Term Debtors	16	12,302
39,055	Cash & Cash Equivalents	18	34,894
193,159	Current Assets		249,904
(21,023)	Short Term Borrowing	14	(21,025)
(51,624)	Short Term Creditors	19	(63,067)
(2,696)	Grants Receipts in Advance	8	(857)
(2,268)	Public Private Partnerships	20	(2,278)
(77,611)	Current Liabilities		(87,227)
(75,724)	Long Term Borrowing	15	(75,766)
(36,292)	Public Private Partnerships	20	(34,177)
(1,148)	Provisions		-
(4,987)	Pension Liability	21	(4,387)
(118,151)	Long Term Liabilities		(114,330)
178,714	Net Assets		234,337
	Financed By:		
(124,373)	Usable Reserves	24	(178,489)
(54,341)	Unusable Reserves	24	(55,848)
(178,714)	Total Reserves		(234,337)

Balance Sheet

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- Shows the value of all assets and liabilities at the start and end of the year. The net assets of the North of Tyne Combined Authority are matched by the reserves.
- An asset or liability is classed as 'Current' if it is expected to be realised (i.e. result in a cash inflow or outflow) within 12 months. All other assets or liabilities are classified as 'Long Term'.
- 'Usable Reserves' are reserves that maybe used to fund services.
- 'Unusable Reserves' are purely notional amounts defined by statute and may not be used to fund services.

Balance Sheet

- Property, Plant and Equipment relate wholly to the Joint Transport Committee
- Short term debtors record monies owed for services rendered or statutory payments – all due within 12 months.
- Long term debtors are amounts lent to third parties that will be repaid over a number of years – all amounts are subject to a detailed business case and appropriate security is obtained prior to any money being advanced, and commercial interest rates are applied
- Bad debt provision, it is prudent to make a bad debt provision for debt that may not be collectable. A bad debt provision has been made of £1.189m in relation to loans provided from the North East Investment Fund to SME's.

Movement in Reserves

	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
Balance at 31 March 2020	(10,691)	(50,876)	-	(5,850)	(67,417)	(41,070)	(108,487)
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)	(29,328)	453	(28,875)
Transfers (to)/from Earmarked Reserves	17,289	(17,289)	-	-	-	-	-
Balance at 31 March 2021 carried forward	(6,186)	(86,006)	(8,889)	(23,292)	(124,373)	(54,341)	(178,714)

Note

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Movement in Reserves

Balance at 31 March
2021 carried forward

Total Comprehensive
Income & Expenditure

Adjustments between
accounting basis &
funding basis under
regulations

(Increase)/ decrease in
year

Transfers (to)/from
Earmarked Reserves

Balance at 31 March
2022 carried forward

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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
(6,186)	(86,006)	(8,889)	(23,292)	(124,373)	(54,341)	(178,714)
(53,254)	-	-	-	(53,254)	(2,369)	(55,623)
25,898	-	8,418	(35,178)	(862)	862	-
(27,356)	-	8,418	(35,178)	(54,116)	(1,507)	(55,623)
26,478	(26,478)	-	-	-	-	-
(7,064)	(112,484)	(471)	(58,470)	(178,489)	(55,848)	(234,337)

Movement in Reserves (MIRS)

- Shows the total movement on the different reserves held by the NTCA analysed into usable reserves (those that can be applied to fund services) and unusable reserves
- Total movement in reserves corresponds to the total income & expenditure deficit (£55.6m)
- Total balance carried forward as at 31st March 2022 corresponds to the Balance Sheet total (£234.3m)
- MIRS also shows movement on individual reserves that cover statutory adjustments such as depreciation, Minimum Revenue Provision, and pension liabilities and transfers to / from earmarked reserves.

Cash Flow

- 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.

Cashflow

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2020/21 £000		Note	2021/22 £000
30,707	Net surplus on the provision of services		53,254
10,395	Adjustments to net surplus on the provision of services for non- cash movements	26	5,474
(67,330)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	26	(83,408)
(26,228)	Net Cash Flows from Operating Activities		(24,680)
(38,879)	Net Cash flow from Investing Activities	27	20,306
20,106	Net Cash flow from Financing Activities	28	213
(45,001)	Net Increase in cash and cash equivalents		(4,161)
42,704	Cash and cash equivalents at the beginning of the reporting period	18	39,055
41,352	Transfer from NECA in respect Local Enterprise Partnership balances		-
39,055	Cash and cash equivalents at the end of the reporting period		34,894

Questions?

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