NORTH OF TYNE COMBINED AUTHORITY

Cabinet

Annual Meeting

Tuesday, 6 June 2023 at 2.00 pm

Meeting to be held: Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

www.northoftyne-ca.gov.uk

SUPPLEMENTAL AGENDA 2

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NORTH OF TYNE COMBINED AUTHORITY

Cabinet

6 June 2023

Title: **North East Devolution**
Report of: **Monitoring Officer**
Portfolio: **All**

Report Summary

This report provides an update on progress on the proposed creation of a new mayoral combined authority for the North East region and seeks agreement from the Mayor and the Cabinet to support these proposals, which include the abolition of the existing combined authorities in the region (ie NTCA and NECA) to allow the new combined authority to come into existence.

Recommendations

The Mayor and Cabinet are recommended to:

1. note the content of this report and the attached consultation report;

2. endorse the proposals to establish a new mayoral combined authority for the North East region (to be known as the North East Mayoral Combined Authority or NEMCA);

3. agree that the North of Tyne Combined Authority be abolished as a necessary step to allow NEMCA to be brought into existence;

4. agree to consent to the order to abolish NTCA and NECA and create NEMCA; and

5. authorise the Chief Executive to take such steps as are required to facilitate the creation of NEMCA.

A. Context

1. Background

1.1 On 28 December 2022 HM Government announced a “minded to” devolution deal with the seven local councils across the North East (ie Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland) and NTCA.

1.2 The “minded to” devolution deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total, it is expected to provide £4.2 billion of additional investment to the region over 30 years, including a £1.4bn investment fund alongside significant funding for transport, education and skills, housing and regeneration.

1.3 The deal requires the creation of a new mayoral combined authority for the region. This will be dependent on the Secretary of State making a statutory order under the Local Democracy, Economic Development and Construction Act 2009 to deliver the following proposals:

a. the abolition of the two existing combined authorities, ie NTCA and NECA (which covers the areas of Durham, Gateshead, South Tyneside and Sunderland); and
b. the creation of a new mayoral combined authority which covers the area of all 7 Councils, which will be called the North East Mayoral Combined Authority (NEMCA).

These changes would also entail the abolition of the Joint Transport Committee as NEMCA would be responsible for the exercise of transport functions across the region in the future.

1.4 As the first stage of the statutory process, the North East Councils undertook a governance review regarding the proposals set out above. The results of the governance review were reported to their respective Cabinets in January 2023. On the basis of the governance review, each Council's Cabinet concluded that the proposals were likely to improve the exercise of statutory functions in accordance with sections 108 and 111 of the 2009 Act. The North East Councils therefore agreed to progress to the next stage of the statutory process by publishing a scheme relating to the proposals and then carrying out a public consultation exercise.

1.5 The public consultation began on 26 January 2023 and closed on 23 March 2023. A report setting out how the consultation was undertaken, a summary of the responses received, and issues raised is attached at appendix 1. The key findings of that report are highlighted at section 3 below.

1.6 Each Council's Cabinet will consider a report regarding the consultation exercise at meetings scheduled for the week commencing 29 May. The report recommends that the Councils agree to proceed to the next stage of the statutory process which is to submit the consultation report to the Secretary of State. The Secretary of State will then consider whether the consultation is sufficient before deciding whether the relevant criteria in the 2009 Act have been met.

1.7 This means that the Secretary of State must be satisfied that making an order to abolish the existing combined authorities (NECA and NTCA) and create the new mayoral combined authority (NEMCA) will be likely to improve the exercise of statutory functions in the North East region. Furthermore, in considering whether to make the order, the Secretary of State must have regard to the need: (a) to reflect the identities and interests of local communities, and (b) to secure effective and convenient local government.

1.8 As detailed below, it is considered that the findings of the consultation exercise demonstrate that these criteria have been met and therefore each Council's Cabinet is recommended to submit the attached consultation report to the Secretary of State.

2. Overview of the consultation process

2.1 As set out above, the public consultation began on 26 January 2023 and closed on 23 March 2023. It provided information about how the devolution deal would be implemented and the proposed changes to governance across the region, and allowed residents, businesses and other stakeholders to comment on these proposals. Opportunities to take part in the consultation included the completion of surveys, attending an event or by submitting written comments. In total, around 3,235 people or organisations took part in the consultation process, with 2,579 opting to complete an on-line or paper survey.

2.2 The survey contained five closed-ended questions asking respondents whether they (i) agreed, (ii) neither agreed nor disagreed, or (iii) disagreed with the proposals in relation to the following five themes:

- changing how the seven councils work together (governance);
- devolution of powers to create an integrated transport system for the area;
- devolution of new housing and planning functions;
- new finance and investment powers; and
- devolution of matters relating to skills, employment and adult education.

2.3 In addition, the survey also included six open-ended questions which provided respondents with the opportunity to give more detailed views on the proposals if they wished to do so. As well as questions on the devolution proposals, both the online and paper survey questionnaires included nine demographic questions.

2.4 The online survey was available on each local authority's website and on both combined authorities' websites. People were also able to submit their views by using a paper copy of the survey questionnaire, which was available in a range of public venues across the region. Finally, respondents could also submit their feedback via a letter or email.

2.5 Fifteen public events also took place across the area (with at least one event in each local authority area). These were mainly in-person sessions and allowed people to learn more about the proposed devolution deal and to ask questions. Paper copies of the consultation questionnaire, QR codes and links to the online consultation questionnaire were also provided at the events for those participants who wished to use them. The events were publicised on all of the local authority and combined authorities' websites, social media and via the local media. In total, 357 people attended the public consultation events.

2.6 In addition to the public events, nine bespoke on-line briefing events were held with key stakeholders. In total 263 people took part. The events were:

- Regional Business Partners on-line event (27 January 2023)
- Northumberland Energy Central Steering Group (27 January 2023)
- Regional Education Partners on-line event (13 February 2023)
- Voluntary And Community Partners event (15 February 2023)
- Voluntary Sector Organisations' Network North East Employment on-line focus group (16 February 2023)
- Transport event (17 February 2023)
- North East Chamber County Meeting – Northumberland (8 March 2023)
- Northumberland Association of Local Councils (representing Town and Parish Councils) briefing (9 March 2023)
- Northumberland Youth Cabinet and Youth Parliament briefing (22 March 2023)

3. Key findings of the consultation report

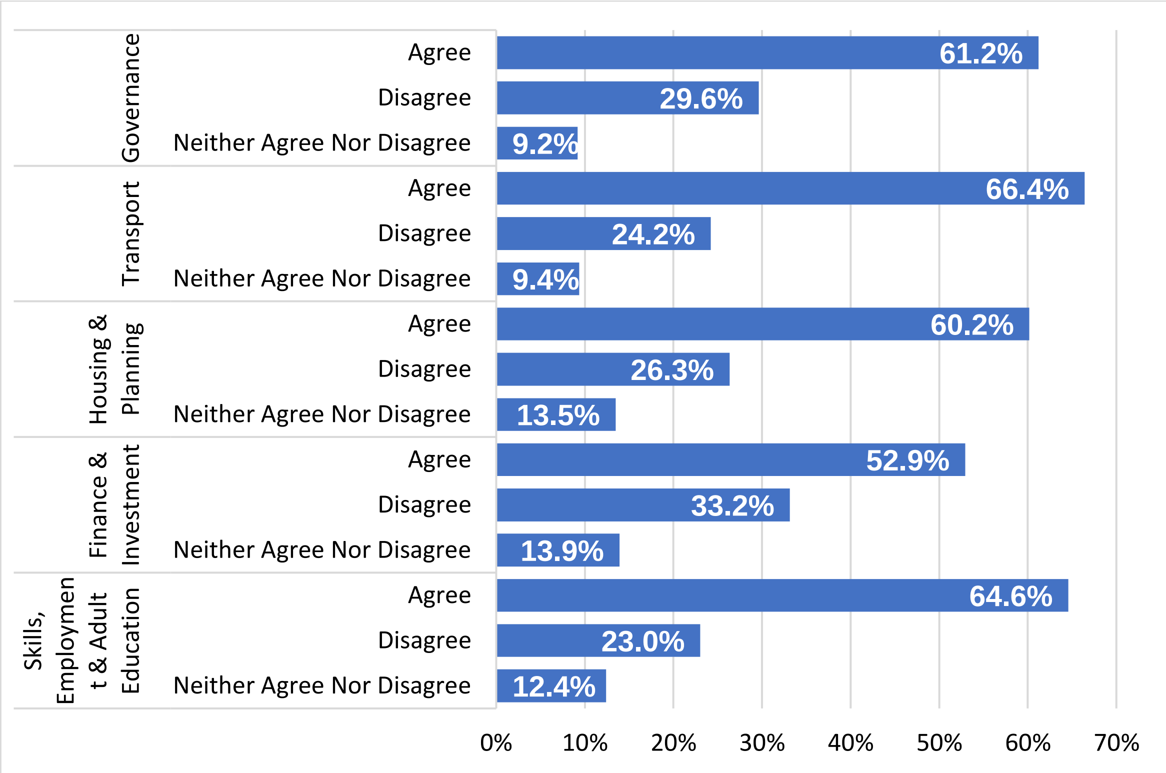
3.1 As set out above, it is proposed that the Councils submit the consultation report to the Secretary of State so that the Secretary of State can consider whether the consultation that has been undertaken is sufficient and whether the statutory criteria for the making the necessary legal order have been met. An overview of the consultation outcomes is set out below with the detail contained in the report at Appendix 1.

3.2 *Overall support for the proposals*

3.2.1 The scope and breadth of the consultation has ensured that opportunities to take part have been varied to suit the different needs of both residents and local areas. This has resulted in a good response rate that has demonstrated support for the devolution proposals across the region.

3.2.2 The majority of responses from residents, businesses, the voluntary and community sector and other key stakeholder groups have been positive, and in agreement with the proposed governance changes as set out in the consultation. In addition, their comments have expressed strong support for the overall aims and objectives of the "minded to" devolution deal.

3.2.3 As set out over the page, the majority of responses have been positive for each of the five questions in the survey. There was particularly strong support for devolution around transport, skills, employment and adult education.



The table below sets out the number of responses to each of the above questions:

	Agree	Disagree	Neither agree or disagree
Governance	1595	772	239
Transport	1731	631	244
Housing and Planning	1563	684	350
Finance and investment	1373	860	361
Skills, Employment and Adult Education	1673	597	321

3.2.4 On governance, the responses have demonstrated support for increased regional power and local decision making through devolution together with the role of the Elected Mayor and the higher profile this will bring to the region as a whole.

3.2.5 On transport, there was strong support and respondents felt that it made sense for areas to work together under a regional transport strategy and with an integrated transport system. People felt that the proposals offered a real opportunity to improve transport, particularly public transport.

3.2.6 On housing and planning, respondents felt that housing decisions for the region are best decided by local people and that they could see great potential for housing improvements, in particular the development of new affordable and social housing. There was also support for the opportunity that devolution created for improving environmental sustainability within housing.

3.2.7 On finance and investment, respondents felt that the proposals will create opportunities and improvement for the region as decisions can be made at a local level using local knowledge and appreciation of local need. There was support for devolution to attract strategic long-term investment that will improve the region.

3.2.8 On skills, employment and adult education there was strong support for the proposals with increased opportunities to work at a regional level to deliver on skills and training. Respondents felt that national delivery was too remote from local need and that the local authority level potentially could miss out on opportunities to create synergies across different partnerships, whereas working together at a regional level would provide this. Some respondents suggested further opportunities for regional working in this area in relation to education.

3.2.9 In addition, the comments from key stakeholders suggest there was recognition of the opportunity for the new Combined Authority and Elected Mayor to work closely together with others for the overall benefit of the region – for example with the Police and Crime Commissioners.

3.3 ***Areas of concern/objection***

3.3.1 As reflected in the consultation report, a minority of respondents did not support the proposals. The key concerns which they raised – together with responses to these concerns - are set out below:

- a perception by some that the governance proposals would lead to greater bureaucracy and cost for local residents – it is considered that, to some extent, this may be based on the view that there will be another layer of local government that might duplicate the role of individual local authorities which is not the case;
- the role of the Elected Mayor – this was considered in the Governance Review and the benefits of the "minded to" deal are dependent on moving to a mayoral combined authority. The proposals in the scheme which was published as part of the consultation process set out clearly the role and powers of the Elected Mayor but it will be important that these aspects are very clearly communicated to the public and other stakeholders going forward, particularly in the context of the mayoral election;
- some people have commented on the need for all areas (ie towns, cities and more rural areas) in the region to benefit from devolution – it is submitted that the "minded to" deal aims to achieve exactly that as it is intended to be a deal for the whole of the region;
- a minority of people have commented that the public should have had an opportunity to express a view on the "minded to" deal itself rather than the governance proposals – on this point, the proposals have been progressed in accordance with the requirements of the 2009 Act and the consultation exercise allows members of the public to express their views on the proposals as a whole since the changes to governance are needed to allow the "minded to" deal to be implemented.

3.3.2 In conclusion, the report to each Council's Cabinet observes that none of the above issues represents a fundamental concern in terms of moving forward with the proposals but these issues will be taken into account when implementing the proposals and establishing the new Combined Authority. This will include the need for clear communication throughout with residents, businesses and other key stakeholders. In addition, it will be important to work effectively, efficiently and in partnership, with clear accountability demonstrated through the new Combined Authority's Elected Mayor and Cabinet's decision-making processes in line with the published scheme.

3.4 ***Summary***

3.4.1 In terms of the statutory process, the governance review carried out by the North East Councils concluded that the creation of a new mayoral combined authority would meet the necessary statutory criteria under the Local Democracy, Economic Development and Construction Act 2009, namely that it would improve the exercise of statutory functions across the region. It was on this basis that the North East Councils agreed to publish a scheme for the delivery of these governance changes and carry out the consultation exercise described in this report.

3.4.2 As set out above and in the appended consultation report, the public consultation has been extensive and it is considered that the responses to that consultation support the view that the proposed governance changes would meet the statutory criteria mentioned above. On that basis, each Council's Cabinet is being recommended to agree that it is satisfied that the consultation has been sufficient for the purposes of the legislation and that the statutory criteria have been met, and therefore to agree that the consultation report should be submitted to the Secretary of State.

B. Implications for NTCA

In order to establish the new regional NEMCA, the existing combined authorities – NTCA and NECA – will need to be abolished. The Mayor and Cabinet of NTCA and the Cabinet of NECA will therefore also need to consent to the statutory order which provides for their abolition and the creation of NEMCA. It is envisaged that the existing combined authorities would be abolished and NEMCA established simultaneously when the elected mayor for NEMCA takes office in early May 2024.

As set out in the scheme which was published as part of the consultation exercise, the statutory order is expected to provide appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The order is also to provide for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to NEMCA. This will ensure that the existing funding programmes of NTCA (and the regional transport arrangements which are currently overseen by the Joint Transport Committee) are maintained by the NEMCA without interruption. Officers from both combined authorities and the local authorities are liaising on the operational requirements of the transition, which will include the arrangements for Transport North East and the integration of the North East LEP in line with central government policy.

C. Impact on NTCA Objectives

The new mayoral combined authority will build on the work and objectives of NTCA. Cabinet has been clear and consistent as to the need for close collaboration with colleagues across the North East region. This was evident through the response to the coronavirus pandemic and recovery, in the development of transport priorities through the Joint Transport Committee, and in the development of the North East Devolution Deal. This willingness to commit time, resource and expertise has provided an important platform for securing the new Deal and will continue through the transition period over the next 12 months, as reflected in the 2023/24 Corporate Plan which is the subject of a separate report on the agenda for this meeting.

D. Key risks

It is considered that failure to establish the mayoral combined authority would risk the region falling behind other major city regions such as Greater Manchester, Liverpool City Region and Tees Valley, which have received new powers and funding.

It is a matter for the Secretary of State to decide whether to make the necessary statutory order but, for the reasons set out above, it is considered that the evidence demonstrates that the relevant statutory criteria have been met.

E. Financial and other resources implications

Implementing the devolution deal would enable the region to access over £4bn of funding over a 30-year deal cycle, together with new powers to better shape local skills provisions to ensure these meet the needs of the local economy. This would include devolution of adult education functions and the core adult education budget, as well as input into the new local skills improvement plans. Over time the region would also expect to benefit from access to additional funding streams reserved for mayoral combined authorities. Detailed discussions will be progressed with the local authorities and NECA regarding the financial arrangements associated with the transition to the new arrangements.

F. Legal implications

The Monitoring Officer is the author of this report and the legal implications are set out in this report.

G. Equalities implications

In developing these proposals, the authorities have taken account of their obligations under section 149 of the Equality Act 2010 (ie the public sector equality duty). It is not expected that the proposals described in this report will have any adverse impacts on people with protected characteristics. Indeed, the aim of promoting inclusive growth within the region is expected to boost the efforts of the authorities to advance equality of opportunity and foster good relations between different groups. The authorities will continue to assess their responsibilities in this regard and ensure that the equality impact assessment will be reviewed throughout the process.

H. Inclusive Economy and Wellbeing implications

The North East Devolution Deal sets out clear ambitions to support an inclusive and sustainable economy that improves productivity and reduces health inequalities across the region. Numerous policy provisions and funding streams within the deal reflect this intent – including a broader devolved adult education settlement, an 'inclusive innovation deal' and a joint-framework for employment support with DWP. The Deal also provides for the continuation of a number of North of Tyne inclusive economy programmes. These include the Poverty Prevention and School Improvement Programmes, and the Inclusive Economy Board.

I. Climate Change implications

The green agenda is a critical element of the minded to devolution deal and therefore the governance changes proposed in this report, if implemented, would help to deliver those initiatives identified in the minded to deal.

J. Consultation and engagement

The proposals have developed from close collaborative working across the local authorities and combined authorities and have been subject to the public consultation exercise described in this report and the appendix.

K. Appendices

Appendix 1 – North East Devolution Consultation Report

L. Background papers

"Minded to" Devolution Deal
Governance review
Consultation scheme

M. Contact officer(s)

John Softly, Monitoring Officer, email: john.softly@northoftyne-ca.gov.uk

N. Glossary

NECA	North East Combined Authority
NEMCA	North East Mayoral Combined Authority
NTCA	North of Tyne Combined Authority

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North East Devolution Consultation Report

March 2023

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Appendices

1. Executive Summary

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils have agreed in principle to a devolution deal which the Government has confirmed it is 'minded to' approve.

A devolution deal for the region means unlocking £4.2 billion of investment, over 30 years, and seeing additional powers transferred from Whitehall to local people with better knowledge and experience of our communities.

It is expected to create 24,000 extra jobs, generate 70,000 courses to give people the skills to get good jobs and leverage £5.0 billion of private sector investment.

This deal represents a significant opportunity to make a real difference to people who live and work in the North East and will have a hugely positive impact on the big issues that matter to people.

Whether that is new and better paid jobs, more affordable housing or placing ourselves at the forefront of Net Zero revolution, the chance of more decision-making powers and millions of pounds in funding devolved to a new Mayoral combined authority for the North East will have a major impact on the North East.

The new authority, which would cover an area which is home to around 2 million people, will have the power to make decisions on areas such as transport, skills, housing, finance and economic development.

The deal includes:

- **An investment fund of £1.4bn, or £48m a year,** to support inclusive economic growth and support our regeneration priorities

- **An indicative budget of around £1.8bn, or £60m a year**, for adult education and skills – to meet local skills priorities and improve opportunities for residents

- **A £900m package of investment to transform our transport system**, with £563m from the City Regional Sustainable Transport Fund, on top of funding already announced for our buses and metro system

- **£69m of investment in housing and regeneration,** unlocking sites to bring forward new housing and commercial development

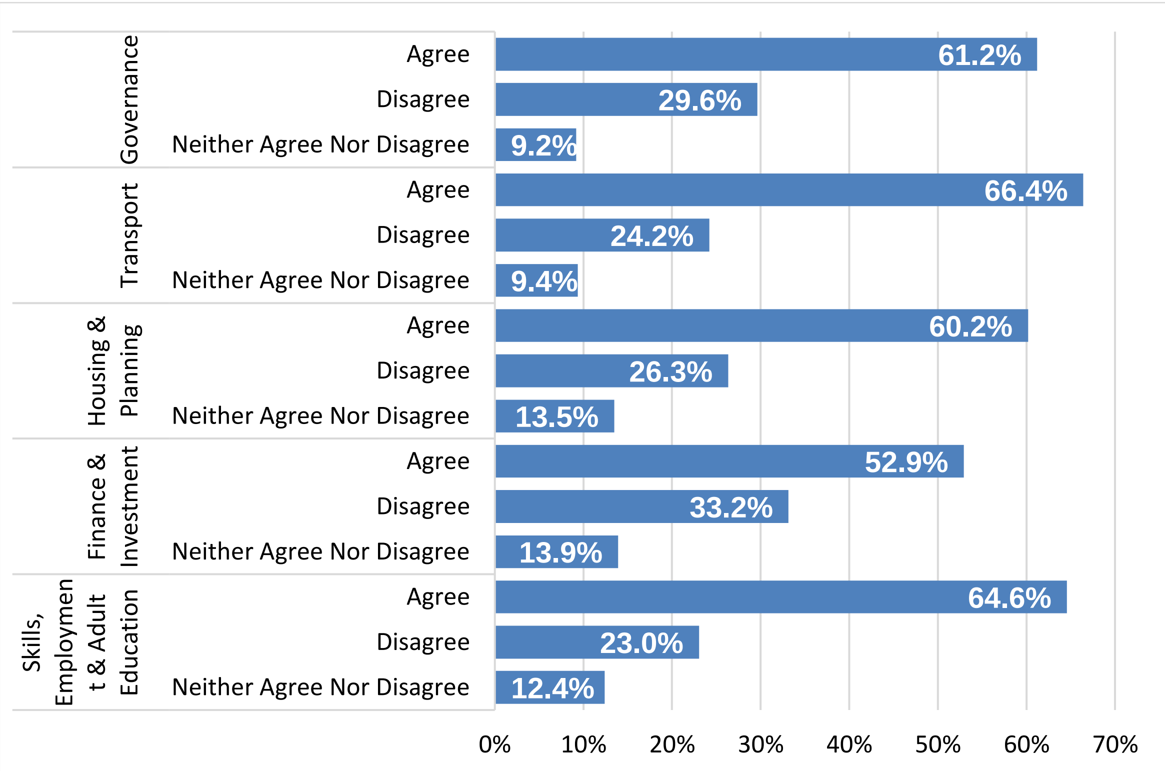
Local leaders have worked together to negotiate an offer which matches their ambition to make a difference for residents, communities and the economy.

A public consultation, which closed on 23rd March 2023, was a chance for residents, businesses and other stakeholders to understand and have their say about how the proposed devolution deal from government would be implemented in the region. This report outlines how the consultation was undertaken together with its findings.

Opportunities to take part in the consultation included the completion of surveys (via either online or paper based), attending an event or by submitting written comments.

In total, around 3,235 people or organisations took part in the consultation process, with 2,579 opting to complete an on-line or paper survey. An overview of responses across the five theme questions in the survey is shown in the table below.

Sentiment about the proposed devolution to North East Mayoral Combined Authority



Number of responses	Agree	Disagree	Neither agree or disagree
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Transport	1731	631	244
Housing and Planning	1563	684	350
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2. Introduction

On 28th December 2022, the seven North East Authorities (Durham County Council, Gateshead Council, Newcastle City Council, North Tyneside Council, Northumberland County Council, South Tyneside Council and Sunderland City Council) agreed a "minded to" devolution deal with HM Government.

The devolution deal sets out £4.2bn of government investment, which will be subject to local decision making, enabling spend on local priorities, together with a range of devolved functions. The deal is subject to the creation of a new mayoral combined authority involving all of the seven North East authorities.

The deal is described as "minded-to" as the proposals are subject to public consultation, formal consent from each constituent council and parliamentary approval of the relevant legislation to implement the proposals.

In January 2023, the Cabinets of the seven local authorities approved a Governance Review – an analysis of existing arrangements to establish whether or not a new mayoral combined authority would be beneficial for the region – and a scheme – the document which sets out the terms of how the deal would be implemented.

A public consultation subsequently launched on 26th January and ran until 23rd March 2023. The outcomes from this consultation are set out in this report.

3. Consultation method and process

The approach used to undertake the consultation complied with Cabinet Office Consultation Principles. This approach gave consultees clear and concise information in order to respond to the consultation exercise (see Appendix A for more details about the questions that were asked).

The aim of the consultation was to provide the general public, the business and other key sectors and other stakeholders across the seven local authority areas with the opportunity to share their views on the proposals. The information provided to consultees focused on :

- changing how the seven councils work together
- devolution of powers to create an integrated transport system for the area
- devolution of new housing and planning functions
- new finance and investment powers
- devolution of matters relating to skills, employment and adult education

The consultation consisted of the following approaches (more details about how they were publicised can be found in Appendix B), delivery of which was informed by an equality impact assessment.

- **Survey**

The survey, which was available both online and via paper copies, contained five closed-ended questions asking respondents whether they agreed, neither agreed nor disagreed or disagreed with the proposals.

In addition, there were also six open-ended questions that provided respondents with the opportunity to provide more detailed views on the proposals if they wished to do so. As well as questions on the devolution proposals, both the online and paper survey questionnaires included nine demographic questions (see Appendix C for more information on who took part in the consultation).

The online survey was available on each local authority's website and on the North of Tyne combined authority website. People were also able to submit their views by using a paper copy of the survey questionnaire, which was available in a range of public venues across the region. Finally, respondents could also submit their feedback via a letter or email.

In total, 2,579 completed survey questionnaires were received.

- **Events**

Fifteen events also took place across the area. These mainly in person sessions allowed people to learn more about the proposed devolution deal and to ask questions. Paper copies of the consultation questionnaire, QR codes and links to the online consultation questionnaire were also provided at the events for those participants who wished to use them.

There was at least one event in each local authority area as set out below

- Northumberland County Council (six events[1] from 5 February – 22 March 2023)
- South Tyneside (13 February 2023)
- Durham (23 February 2023 and an on-line event 28 February 2023)
- Gateshead (28 February 2023 and an on-line event 9 March 2023)
- North Tyneside (8 March 2023)
- Sunderland (10 March 2023 and one for the Sunderland Deaf Society on 21 March 2023)
- Newcastle (13 March 2023 and one for the Newcastle Deaf Society 20 March 2023)

The events were publicised on all of the local authority and North of Tyne Combined Authority websites, social media and via the local media. Members of the public were offered the chance to attend by registering their details with the local authority hosting the event they wished to attend.

In total, 357 people attended the public consultation events as set out in table 1 below :

Table 1: Breakdown of consultation events by attendees

Local Authority	Attendees
Northumberland	93
South Tyneside	29
Durham	60
Gateshead	17
North Tyneside	43
Sunderland	45
Sunderland Deaf Society	12
Newcastle	50
Newcastle Deaf Society	11

[1] Members of the public attending events and meetings in Alnwick and Berwick, Castle Morpeth Local Area Council, Tynedale Local Area Council, Ashington and Blyth Local Area Council and Cramlington, Bedlington and Seaton Valley Local Area Council. ,

Each event consisted of a presentation which

- summarised the minded to devolution deal
- provided information on the Governance Review and the context for change
- explained the consultation process; and
- set out the next steps

This was then followed by discussions that focussed on gaining feedback from participants on the proposals and responding to any questions they had.

- **Stakeholder briefings**

In addition to the public events, nine bespoke on-line briefing events were held with key stakeholders. In total 263 people took part. The events were

- Regional Business Partners On-line Event (27 January 2023)
- Northumberland Energy Central Steering Group (27 January 2023)
- Regional Education Partners On-line Event (13 February 2023)
- Voluntary And Community Partners Event (15 February 2023)
- Voluntary Sector Organisations' Network North East Employment On-line Focus Group (16 February 2023)
- Transport Event (17 February 2023)
- North East Chamber County Meeting – Northumberland (8 March 2023)
- Northumberland Association of Local Councils (representing Town and Parish Councils) Briefing (9 March 2023)
- Northumberland Youth Cabinet and Youth Parliament Briefing (22 March 2023)

4. Response

This part of the report brings together the findings gathered from both the survey and the consultation events.

It should be noted that all questions in the survey were voluntary and not everybody completed all of the questions. This means that the total responses[2] to specific questions may not add up to the total number of overall respondents.

In addition to the closed-ended questions (i.e., where respondents were asked to indicate whether they agreed, disagreed or neither agreed nor disagreed), respondents were also asked open-ended questions to set out their reasons. The responses to the open-ended questions were coded to key themes. The top results per theme are included in this section. All the issues that were raised are included in Appendix D. It should be noted that, where figures are included, this is an indication of how many times the issue was raised.

Some respondents took the opportunity to state their views on an issue across more than one question. This means that some issues are often repeated across multiple questions. This was the case with regard to responses to the final open question which asked ‘Are there any comments you would like to make that you do not feel you have addressed in your response so far?’. However all of the issues raised are highlighted in sections 4.1-4.5 and appendix D of this report.

In conducting surveys using closed and open-ended questions, it is commonly found that people who disagree with a proposition in the closed-ended question will be more likely to respond to the accompanying open-ended questions to explain their reasoning. This has generally been the case in this consultation.

[2] Please note “respondents’ is used to describe the person/organisation that responded to the survey. The phrase “responses” is used to refer to the issues raised within each contribution. For example, one respondent may have commented on several issues within one contribution. This means that one respondent could be the author of more than one response.

4.1 Changing how councils work together

Summary

- The majority of respondents agreed with the proposals. These respondents felt the proposals made sense, would allow beneficial working together and bring more power to the region

- Those neither agreeing nor disagreeing suggested changes to, or clarity around the non-voting cabinet members, requested more information, or agreed in principle but had concerns, questions or caveats

- Those disagreeing felt the proposals would be unfair to some areas, would create additional bureaucracy, or lacked trust in local or national government

Figure 1: Do you agree or disagree with our proposals for the revised arrangements for the Combined Authority, as set out and in the Scheme, in particular the proposed arrangements for a Mayor, mayoral combined authority, and the councils, working together?

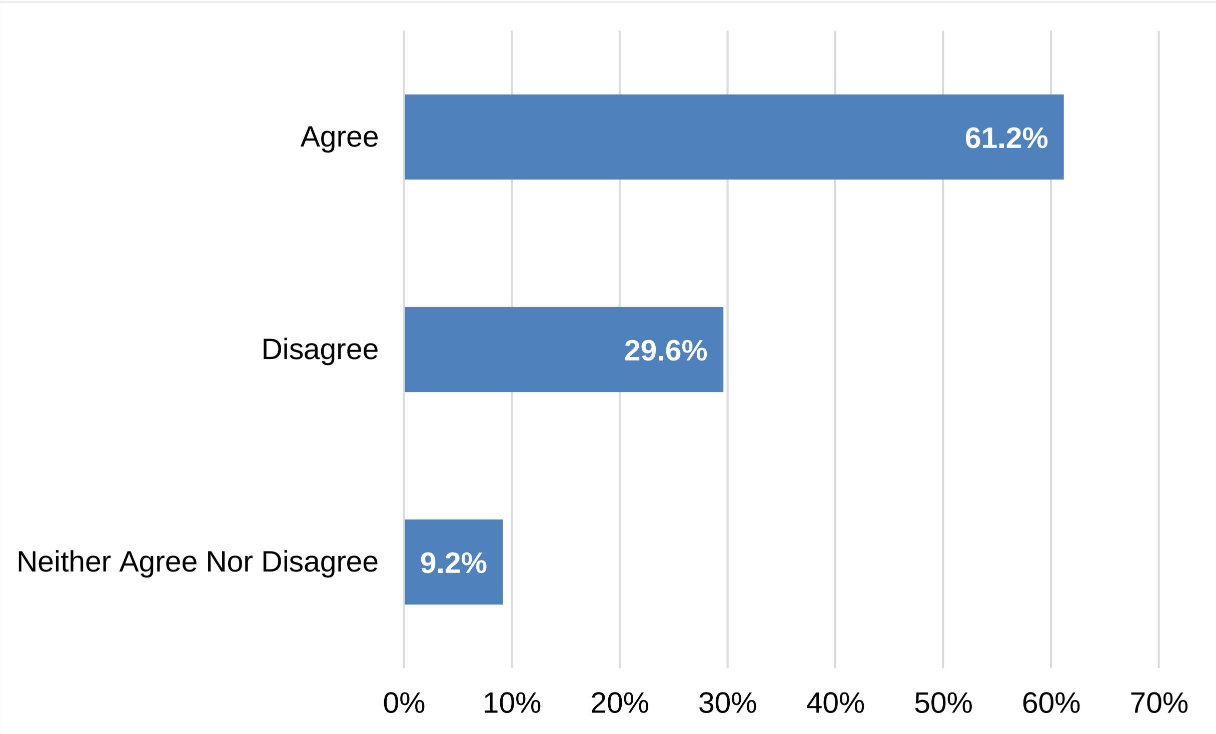


Figure 1, which is based on the data from the survey, shows the overall majority of people agreed with the proposals for the revised arrangements for the Combined Authority, as set out and in the Scheme, and the proposed arrangements for a Mayor, mayoral combined authority, and the councils, working together.

4.1.1 Feedback from the survey

Overall: 1,472 respondents to the on-line and paper questionnaires explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below: (some respondents gave more than one reason and this is reflected in the totals shown below).

Agree: Those agreeing with the proposed changes believe:

- **The proposals make sense** (275 responses). These comments stated that the proposals make sense, will create efficiencies, increase resources, ensure a coordinated strategy and are the best option for the region.
- **The proposal will increase regional power** (218 responses). These comments welcomed the increased powers and local decision making the deal will bring and were positive about the role of the mayor and the higher profile they would help to create for the region.

Working together benefits the region (190 responses). These comments said the proposals were an opportunity for local authorities and stakeholder organisations to work together for the benefit of the region.

Disagree: of those who disagreed with the proposals the main reasons given were –

- **Lack of trust** (230 responses). These comments raised concerns that creation of the Combined Authority would result in the concentration of power in the hands of one person or a small group of people and the organisation being unaccountable. Lack of trust in politicians (locally and nationally), local authorities and the national government were also highlighted.
- **Additional bureaucracy** (226 responses). These comments said the proposals would result in an extra layer of bureaucracy with associated additional costs.
- **The creation of the Combined Authority would be unfair or detrimental to some areas** (179 responses). These comments said that implementation of the proposals would be unfair or detrimental to some areas, particularly rural areas and County Durham. Concerns were also raised that Newcastle or larger places would unfairly benefit.

Neither agree nor disagree: Of those who neither agreed nor disagreed with the proposals, their comments referred to –

- **Agreement in principle but with some concerns, questions or caveats** (79 responses). These comments were broadly in favour of the proposals but raised specific areas of concern, had questions or showed support for the proposals if one or more conditions were met.

- **A need for more information** (65 responses). These comments requested more information or details about the proposals and how they would be implemented.

- **Changes or clarity to the non-voting roles on the Cabinet of the Combined Authority** (59 responses). These comments asked for more representatives from the business and voluntary and community sectors, education or cultural sector representation, thought these representatives should have voting rights or wanted clarity about how they would be appointed.

4.1.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

However, a number of additional points were raised by small numbers of participants, across the region, including:

- engagement with town and parish councils
- the location of the headquarters for the Combined Authority
- how the impact of the Combined Authority will be evaluated including its social value and return on investment

4.2 Transport

Summary

- The majority of respondents agreed with the proposals. They felt it made sense for areas to work together under a regional transport strategy and with an integrated transport system
- Those neither agreeing nor disagreeing suggested priorities for improving transport or said they needed more information on the proposals
- Those disagreeing felt the proposals would be unfair to some areas, especially rural areas, or were opposed to having a mayor or the devolution deal

Figure 2: Do you agree or disagree with the proposal to confer transport functions and new transport related functions to a North East Mayor and Mayoral Combined Authority?

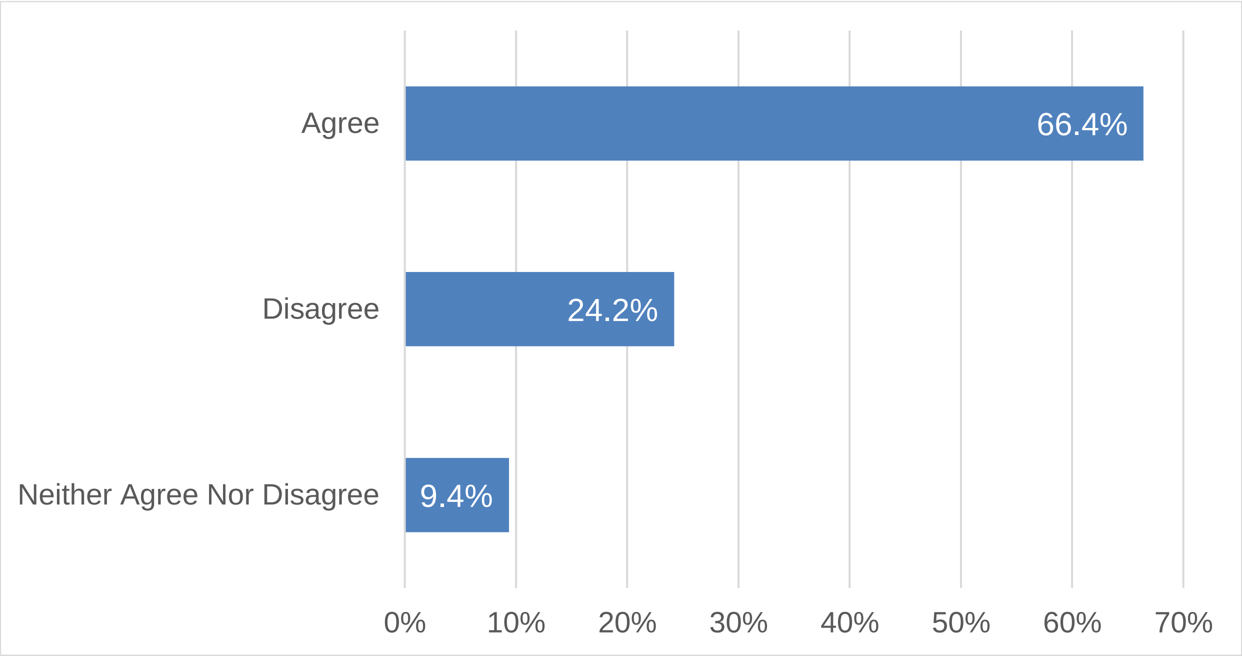


Figure 2, which is based on the data from the survey, shows that the overall majority of people agreed with the proposals to confer transport functions and new transport related functions to a North East Mayor and Mayoral Combined Authority.

4.2.1 Feedback from the survey

Overall: 1,350 respondents to the on-line and paper questionnaires explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below: (some respondents gave more than one reason and this is reflected in the totals shown below).

Agree: The reasons given by those agreeing with the proposed changes, showed they believe

- **The region needs an integrated transport system** (174 responses). These comments said it was important to have an integrated transport system, with different modes of transport working together, including ticketing.

- **Working together as a region makes sense** (156 responses). These comments said it made sense for areas to work together, with a regional approach or strategy for transport.

- **The proposals were an opportunity to improve transport in the region** (135 responses). These comments said the proposals were an opportunity to improve transport, particularly public transport. Many of the comments referred to poor services which people felt needed to be improved.

Disagree: of those who disagreed with the proposals the main reasons given were –

- **It would be unfair or detrimental to some areas** (148 responses). These comments said the proposals would be unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse.

- **Not wanting a North East Mayor or concentration of power** (62 responses). These comments said they did not want a North East Mayor or the concentration of power in the hands of one person or a small group of people.

- **It would not lead to improvements** (53 responses). These comments said the proposals would not improve transport in the region. Many of the comments said bringing together local authorities that had been unable to address transport problems or had made things worse or would not change anything.

- **Opposition to the devolution deal** (52 responses). These comments were opposed to the North East devolution deal, with many referring to the result of the 2004 devolution referendum or wanting to keep the existing arrangements.

Neither agree nor disagree: Of those who neither agreed nor disagreed with the proposals, their comments referred to –

- **Suggested priorities to improve transport** (30 responses). These comments suggested priorities for improving transport, including creating dual lanes along the full length of the A1, better public transport and extending the Metro system to more areas.
- **A need for more information** (23 responses). These comments said they needed more information on or details of the proposals and how they would be implemented.
- **Conditional support** (20 responses). These comments said they would support the proposals if one or more conditions were met. These included the proposals leading to better, cheaper public transport, efficiencies or being fair to all areas.

4.2.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

4.3 Housing and planning

Summary

- The majority of respondents agreed with the proposals. These respondents felt that housing decisions in the North East were best decided by local people

- Of particular merit was the potential for the development of new affordable and social housing

- Those neither agreeing nor disagreeing were concerned with corruption, fairness and accountability or said they needed more information on the proposals

- Those disagreeing felt the proposals would be unfair to some areas, especially rural areas, or were opposed to having a new mayor or combined authority

Figure 3: Do you agree or disagree with the proposal to confer housing functions and new housing related functions to a North East Mayor and Mayoral Combined Authority?

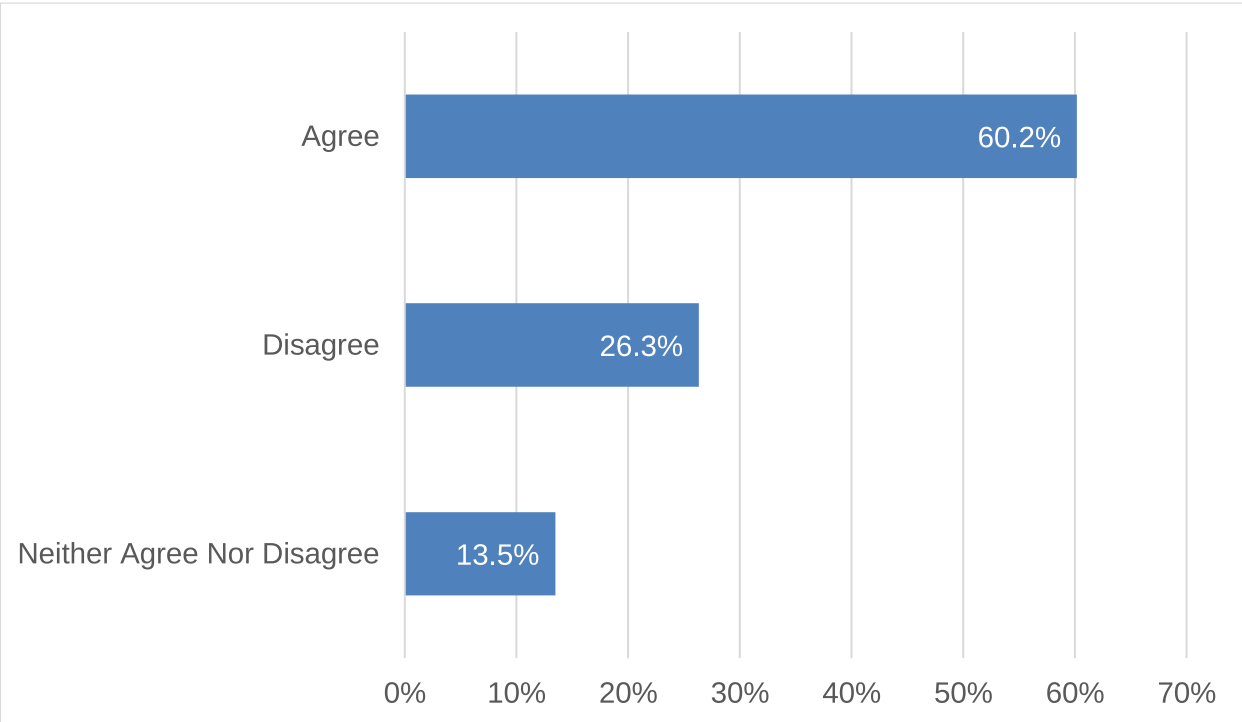


Figure 3, which is based on the data from the survey, shows that the overall majority of people agreed with the proposals to confer housing functions and new housing related functions to a North East Mayor and Mayoral Combined Authority.

4.3.1 Feedback from the survey

Overall: 1,226 respondents to the on-line and paper questionnaires explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below: (some respondents gave more than one reason and this is reflected in the totals shown below).

Agree: The reasons given by those agreeing with the proposed changes, showed they believe

- **The region needs an integrated housing approach** (104 responses). These respondents said it was important to have an integrated housing strategy, with a combined approach to issues impacting the North East
- **The provision of more affordable and social housing** (100 responses). Respondents believed that the proposals would be an impetus for the building of more affordable and social housing, something that was seen to be very much needed
- **Local people are best placed to make local decisions (**90 responses). Respondents welcomed the prospect of having the power to control budgets and make decisions locally, as opposed to in Westminster
- **Environmental sustainability and the protection of green belts** (63 responses). Respondents said the proposals were an opportunity to improve environmentally sustainability within housing. Many were concerned with Net Zero targets and the protection of green belts

Disagree: of those who disagreed with the proposals the main reasons given were –

- **Not wanting a North East Mayor or concentration of power** (141 responses). These comments said they did not want a North east Mayor or the concentration of power in the hands of one person or a small group of people
- **It would be unfair or detrimental to some areas** (105 responses). These respondents said the proposals were unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse

- **Housing to remain under the control of individual authorities** (54 responses). These comments were opposed to the North East devolution deal, with many wanting to keep the existing arrangements

- **Environmental sustainability and the protection of green belts** (41 responses). These respondents said the proposals would not improve environmental sustainability in the region. Many of the respondents were concerned that green belts would not be protected and that new properties would be substandard in terms of sustainability.

Neither agree nor disagree: Of those who neither agreed nor disagreed with the proposals, their comments referred to –

- **Conditional support** (67 responses). These respondents said they would support the proposals if one or more conditions were met. These included the proposals leading to the provision of more affordable and social housing, environmental sustainability and a consistent approach to housing strategy within the region

- **A need for more information** (46 responses). These respondents said they needed more information on or details of the proposals and how they would be implemented

- **It would be unfair or detrimental to some areas** (25 responses). These comments said the proposals could be unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse

4.3.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

However, a number of additional points were raised by small numbers of participants, including:

- The need to support innovation

4.4 Finance and investment

Summary

- Just over half of respondents agreed with the proposals. They believe it will create opportunities and improvement for the region as decisions can be better made locally by people who 'know' the area

- Those neither agreeing nor disagreeing suggested they need more information about the deal to make an informed opinion. They also raised concerns about possible increased costs to local people to fund the deal

- Those disagreeing felt the proposals would increase costs to local people and the distribution of funding would be unfair. It was also suggested that the deal is a waste of money and undemocratic

Figure 4: Do you agree or disagree with the proposal to confer additional finance functions on a North East Mayor and Mayoral Combined Authority?

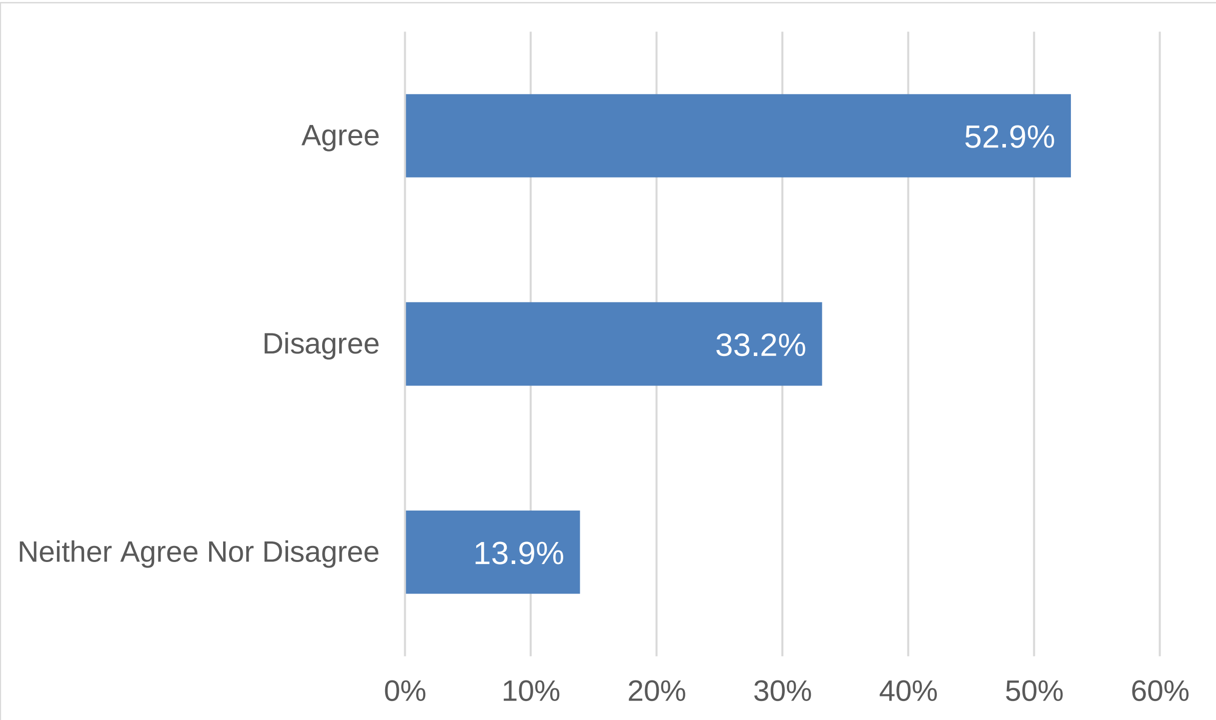


Figure 4, which is based on the data from the survey, shows that just over half of respondents agreed with the proposals to confer additional finance functions on a North East Mayor and Mayoral Combined Authority.

4.4.1 Feedback from the survey

Overall: 1,132 respondents to the on-line and paper survey explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below: (some respondents gave more than one reason and this is reflected in the totals shown below).

Agree: The reasons given by those agreeing with the proposed changes, demonstrated their belief that the proposals will:

- **Lead to long-term investment that will create opportunities and improvement in the region** (110 responses). These comments suggested that devolution would attract strategic long-term investment that would improve the region by creating better infrastructure (e.g., transport) and opportunities for employment, thereby helping to close the North / South divide

- **Result in fair distribution of funds** (63 responses). These comments agreed that devolution would be positive for the region as long as the finances were distributed evenly across the area without the need for a rise in council tax or other costs to local people

- **Support better decisions based on local knowledge** (53 responses). These comments believe that devolved finances will allow better decisions to made by local representatives who 'know' the area better than Whitehall

- **Ensure transparency and accountability** (32 responses). These comments agreed with the idea of devolution but wanted reassurance about the transparency and accountability of decision making

Disagree: of those who disagreed with the proposals the main reasons given were:

- **It would increase costs to local people** (244 responses). These comments said the proposals were unfair as it would inevitably mean more costs for local people in order to fund the new Mayor's activities and result in higher council tax

- **Concerns with distribution** (60 responses). These comments suggested that devolution would bring an unequal distribution of funds with the bigger city areas getting a higher proportion of resources compared to more rural areas

- **Bureaucracy** (39 responses). These comments said that devolution would create more bureaucracy which would inhibit delivery

- **Waste** (38 responses). These comments were opposed to the North East devolution deal, with respondents suggesting the deal is a waste of money and things should be kept as they are

- **Undemocratic** (30 responses). These comments highlighted a belief that the process for agreeing a devolution deal is undemocratic as a referendum has not been held

Neither agree nor disagree: Of those who neither agreed nor disagreed with the proposals, their comments referred to:

- **They did not understand the proposals** (39 responses). These comments suggested respondents did not understand the proposals and that more information was needed to make an informed decision about whether or not the devolution deal would be beneficial

- **Concerns with increased costs** (36 responses). These comments said they were not sure about the devolution deal and were concerned that it may lead to increased costs for local people, including higher council tax

4.4.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

However, a number of additional points were raised by small numbers of participants, including:

- the impact of inflation on the funds provided by central government.
- the nature of the formula for allocating funds across the area.
- whether there will be formal fiscal devolution including revenue raising powers
- the need to fund existing businesses as well as those that are new, incoming businesses or currently prioritised sectors such as green and digital

4.5 Skills, Employment and Adult Education

Summary

- The majority of respondents agreed with the proposals. They felt it made sense for areas to work together and integrate with local education providers and businesses
- Most of those neither agreeing nor disagreeing said they needed more information on the proposals
- Those disagreeing felt that a combined authority was the wrong geographical area in which to make these decisions or that some areas would be poorly served, particularly rural areas or County Durham

Figure 5: Do you agree or disagree with the proposal to confer skills, employment and adult education functions to a North East Mayor and Mayoral Combined Authority?

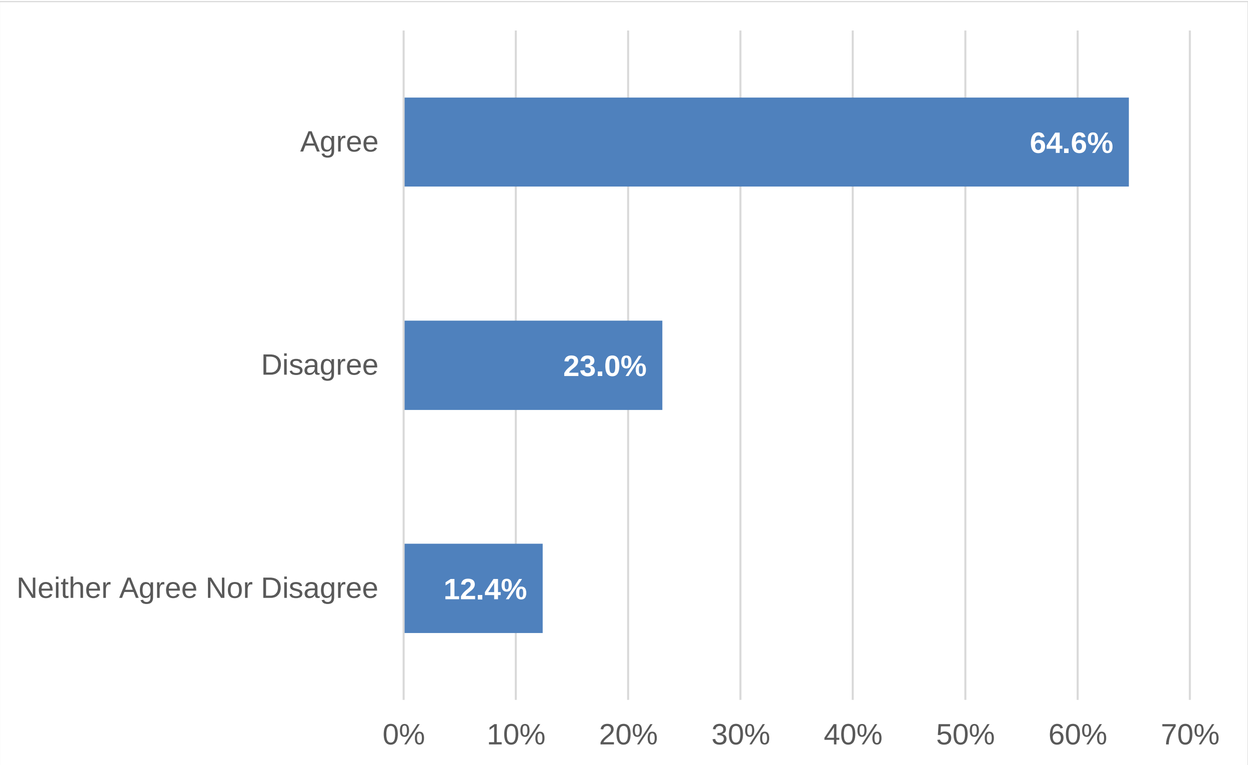


Figure 5, which is based on the data from the survey, shows that the overall majority of people agreed with the proposals for skills, employment and education.

4.5.1 Feedback from the survey

Overall: 863 respondents to the on-line and paper questionnaires explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below:(some respondents gave more than one reason and this is reflected in the totals shown).

Agree: Among those respondents agreeing with the proposals and who offered further information the following key themes are seen:

- **Skills and training should be delivered at the NEMCA level.** (327 responses). Respondents felt that national delivery was too out of touch with local needs and/or local authority level delivery was too small to be efficient or lacked synergies. Integration with other partners was often felt to be enhanced at this geographic level, as was efficient use of funding

- **Agree with the proposals but with some caveats.** (108 responses). Respondents felt that apprenticeships should be included in scope; governance should include education providers and businesses and funding should be shared fairly across local authorities

- **Increase in funding welcomed.** (43 responses). These respondents only cited the extra funding available

Disagree: of those who disagreed with the proposals the main reasons given were –

- **NEMCA is too large an area for skills planning and delivery** (95 responses). These respondents felt that Local Authorities were best placed to deliver these proposals

- **Concerns around governance** (79 responses). These comments said these respondents did not want a North East Mayor; or were worried about the concentration of power in the hands of one person or a small group of people; many expressed distrust of politicians in general or noted that these proposals had not been subject to a referendum

- **NEMCA was too small an area for skills planning and delivery** (39 responses). Respondents stated that the proposed activities were best coordinated and funded at a national level

- **Felt the proposals would not work** (38 responses). These respondents stated that the proposed activities would not achieve improvements within NECMA. Often citing insufficient funding or inadequate scope

- **Unfair or detrimental to some areas** (32 responses). These comments said the proposals would be unfair or detrimental to some areas, particularly rural areas or specific local authorities

Neither agree nor disagree: Of those who neither agreed nor disagreed with the proposals, their comments referred to –

- **A request for more information** (87 responses). These respondents wanted further information to help them form an opinion either about skills training in the region or the devolution proposals. Others wanted to understand more about how funding would be shared fairly between local authorities

- **Will not improve** (22 responses). These respondents felt that these proposals would have no impact

- **Should be a wider scope** (17 responses). A variety of levels of activity were offered including that proposals should include Higher Education; higher level qualifications; lower-level qualifications or schools

4.5.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

However, a number of additional points were raised by small numbers of participants, including:

- the impact the new arrangements would have on the current post-16 procurement rocess
- education provision for the deaf community

5. Views from Stakeholders

Business

- **Advance Northumberland:** is an economic growth and inward investment company, wholly owned by Northumberland County Council. It submitted a letter of support for the North East Mayoral Combined Authority Devolution.

  The letter offers a commitment to help devolution achieve benefits for Northumberland and the wider region.

  It also says devolution will stimulate and accelerate economic growth and job creation opportunities and help shape Northumberland for the benefit of residents.

- **Bionow:** is a not-for-profit specialist business development and services company serving the biomedical and life science sector across the North of England. It has over 320 members and direct links to approximately 1,300 life science organisations across the North of England, employing more than 50,000 people.

  It believes that strong engagement between regional and local authorities and the sector is crucial to a vibrant life sciences sector and that other devolved authorities have a positive impact on the local and regional ecosystem in developing the skills, investment and infrastructure needed for the region and the sector to thrive. They therefore support the devolution deal and look forward to the positive impacts.

- **Confederation of British Industry (CBI)** responded on behalf of businesses, higher and further education providers, and regional institutions. The response is endorsed by the CBI North East Regional Council.

  The region's business community overwhelmingly support a devolution deal involving all seven local authorities. A single Mayoral Combined Authority would be an opportunity to deliver cohesive, integrated regional change, reflective of the local economic and political geography.

  In addition to broadly agreeing with all five policy proposals, CBI members are pleased that the principles across each policy area meet the ambitions of the CBI Seize the Moment framework.

  The response also contains requests for the proposed North East Mayoral Combined authority on each of the policy areas set out in the consultation. These include a robust partnership with North East business, long-term strategies for transport and business investment, a simplified regional planning system and partnerships to deliver a skills programme that services regional demands.

- **Dynamo North East:** are the region's tech sector membership body with over 130 members. They advocate for the needs of businesses and learners and work to develop and deliver programmes that underpin the success of the digital economy. Dynamo are delighted to support the proposed North East Devolution Deal on behalf of the tech sector, which they explain has a crucial role to play in driving the innovation economy and jobs underpinning growth and shared prosperity in the North East and across the UK.

- **Federation of Small Businesses (FSB):** confirm their support for the North East devolution deal and welcome the agreement that this will cover the seven local authority areas and will deliver significant benefits to the region.

  The FSB agree with the policy proposals in the devolution consultation. They say the continued role of the Local Enterprise Partnership is welcome, but it is essential to broaden the scope of the proposed Mayoral Combined Authority's Business Board to include the voice of small business through the inclusion of business representatives. They feel it is essential that small businesses and representative bodies are consulted in the design and development of skills support programmes.

- **Institute of Directors:** support the proposed North East Devolution deal as the deal will help directors across the North East to fulfil the mission to build a better world.

  The Institute of Directors say transferring powers from Whitehall to local people with detailed knowledge and experience of the region, people and communities will create a better environment for business.

  They feel a chronic and systemic skills shortage is holding back business growth and the devolution deal promises to address this by providing funding to train local people to meet the skills priorities of the Institute of Directors' members.

- **Nissan:** sees the creation of the new combined authority as a positive development that will support the future success of the business and help to attract future inward investment opportunities. It believes that the creation of a directly elected mayor will provide strategic direction and act as a strong champion for the region.

  The company recognises that the Authority's ability to allocate funding for skills, infrastructure, innovation, transport, regeneration and housing will support

Nissan's ambition to enhance its investment in the region, to reskill and upskill its workforce, and to export more electrified vehicles.

In particular they: welcome the deal's commitment to investing in electric vehicle infrastructure and look forward to engaging with the combined authority on its 'Institute of Future Mobility' initiative; recognise that similar skills are needed for the manufacture of both vehicle and off-site modular housing and wish to explore opportunities for regional collaboration with NEMCA; want to work closely with the combined authority and partners to develop a business case for forming an industrial cluster to support the growth of low emission manufacturing across the region; and would like to explore further the development of a new skills facility to support the development of advanced manufacturing skills.

- **North East Business and Innovation Centre (BIC):** gives its unreserved support to the proposal to create the devolution deal and is looking forward to seeing significant powers transferred to the North East from central government. The BIC highlights that as well as bringing multi-billion-pound investment into the area, allowing it to work together ever more closely, 24,000 extra, good jobs will be created and tens of thousands of local people supported with increased skills to fill them.

  BIC believes the deal will give businesses more confidence to invest and the anticipated £5bn of private sector investment will be transformational. It concludes the scale of the opportunity the deal presents cannot be over-estimated and is massively to be welcomed and that this feeling is echoed by many others in the business community.

- **North East of England Chamber of Commerce (NEECC):** express support for the North East devolution deal. NEECC members see the area of the seven local authorities included in the deal as a coherent economic area. They believe the proposed North East Mayoral Combined Authority would enable more collaborative working across the region and help it speak to government with a unified voice. They say there is also the potential to promote greater equality and spread the benefits of growth more equally which would enable more local businesses to flourish.

  The NEECC support the policy proposals set out in the North East devolution consultation, including the creation of a Business Board. However, feel it is important that any new governance arrangements do not create added complexity for individuals and organisations engaging with the public sector and that the Mayoral Combined Authority is easy to do business with. Careful allocation and monitoring of the proposed investment fund and any subsequent funding will be vital to ensure it had the maximum positive impact for local people and communities. The NEECC would also welcome a commitment to procure from local firms wherever possible.

- **North East Enterprise Agency (NEEAL):** is a not-for-profit Company Limited by Guarantee, and special purpose vehicle that champions enterprise support and provides a single service to anyone starting a new business or in their early stages of growth. Over the last two years it has supported the establishment of over 5,500 businesses and supported nearly 16,000 to develop and grow.

  NEEAL offers its unreserved support to the proposal to create a devolution deal. It believes that the North East has long lagged behind a lot of the rest of the UK in terms of both its business stock and the number of new businesses created here. They feel this deal, when implemented, will see significant powers transferred to the region, together with a multi-billion-pound investment that will create the conditions to drive a more entrepreneurial culture and, as a result, significantly increase the level of new business activity.

  NEEAL believes that having the ability to exercise control over such key economic levers as transport, skills, housing, finance and economic development will give the region's two million residents real power over the decisions which affect their everyday lives and the economic wellbeing of the area. It will give businesses more confidence to invest and residents more confidence to set up businesses and as a result has the capacity to be truly transformational. It concludes that 'the scale of the opportunity which this presents cannot be over-estimated and is massively to be welcomed.'

- **North East Local Enterprise Partnership** (LEP): The Board of the North East Local Enterprise Partnership (LEP) confirms its strong support for the progress made towards devolution in the region, as expressed in this deal and welcomes the policy proposals set out in the consultation. The LEP welcome the deal for its content and opportunity to deepen devolution in the region in the future. They welcome the agreement covers the area of the seven local authorities.

  The LEP look forward to working with partners to form the new Mayoral Combined Authority. It is strongly committed to playing its role as the new Business Advisory Board and facilitating a business voice to provide advice and support to the Mayor and Cabinet. It is important to include leaders from education, who have been a critical pillar of their current partnership.

- **Sunderland Empire and Sunderland Culture**: strongly welcome the proposed arrangements for the North East Mayoral Combined Authority, and ask that consideration be given to representation of the creative and cultural sector on advisory boards.

They highlight the role that cultural infrastructure can play as a catalyst for regeneration, inclusive economic growth and community development, and would like the cultural sector to benefit from the Investment Fund, particularly with regard to infrastructure and workforce development.

- **Sunderland Software City:** is a not-for-profit company driving the tech economy in the North East, supported the proposed North East Devolution deal. It believes the deal would help unlock opportunities to grow the tech sector and ensure more businesses, people and communities across the region could share in its success.

  They believe the deal provides a strong basis on to drive forward the tech ecosystem in the North East, ensuring businesses across the region are able to benefit from digital innovation and it will enable government, industry and local partners to work together to support the skills and talent base of the region's communities.

  They say the devolution deal will help raise aspirations, encouraging more people in the region to consider tech employment and starting up businesses. Understanding and reacting to local need is vital to a flourishing tech ecosystem and local empowerment to support inclusive growth and skills would produce this.

- **Taylor Wimpey:** agree with the proposals for the North East Combined Authority (NEMCA) and believe that collaborative working between the constituent councils is key for securing and maximising the long-term prosperity of the region. They believe appropriate resources and political backing should be made available to the NEMCA Mayor from the outset and clear conflict management and resolution procedures should be established.

  Taylor Wimpey supports the proposal to confer transport functions to the NEMCA. They say Local Transport Plans should be closely aligned with the NEMCA's growth plans and there should be a transport and growth working group including all key stakeholders.

  Taylor Wimpey generally supports the proposals to confer housing and planning functions from government to the NEMCA. However, new acquisition powers should be directed to areas where the market was failing and the possibility of a single Spatial Development Strategy for the NEMCA area should be explored.

Taylor Wimpey had no specific comments on the additional finance functions in the devolution deal but welcome the investment from the government in the North East region.

Taylor Wimpey agree that employment and adult education functions should be conferred to the NEMCA. It supports the commitment to produce Local Skills Improvement Plans and the recognition of the challenges facing the North East employment market. They believe Local Skills Improvement Plans need to highlight the range of skilled jobs in the house building and construction industry. They say there is also a need to ensure consistency between local education institute offerings and the skills and knowledge required by the North East employment market. Taylor Wimpey would welcome any future engagement with the NEMCA on adult education, employment and skills.

- **TEDCO Business Support Ltd:** offer unreserved support for the North East devolution deal. They say the North East has long failed to keep pace with the rest of the UK in terms of its business stock and the number of new businesses created. The devolution deal would potentially bring multi-billion-pound investment into the region which would create conditions that would drive a more entrepreneurial culture and significantly increase the level of new business activity.

Trade Unions

- **Trades Union Congress**: looks forward to working with NEMCA and supports the transfer of government functions to the combined authority. It welcomes the proposal for NEMCA to have non-voting members and asks that trades unions be represented. They would also like to see the creation of additional advisory boards to cover transport, education and skills, housing, public service provision and Net Zero, and broadening of the Inclusive Economy Board remit.

  The creation of a co-ordinated transport body for the region would be welcomed. While the TUC support bus franchising as an interim measure, they aspire to public ownership of bus services. Additional proposals made by the TUC include: housing stock to be improved through retro-fitting, increased collaboration with the TUC on learning and skills funding, that the Adult Education Budget prioritise disadvantage groups, and the combined authority apply good employment principles to the delivery of its work agenda.

- **UNISON:** is in principle supportive of devolution, however feel that the North East devolution deal presents some issues.

UNISON is keen to see strengthened accountability and democratic processes and does not want to see individual local council roles eroded to consolidate powers in a single individual.

UNISON is also concerned that the deal omitted workforce issues, health inequalities, police and fire services, the role of communities and trade unions and promoting equality and diversity. It is also concerned about the level of funding in the deal and this being subject to five-yearly gateway assessments.

UNISON would like to see greater community engagement before any deal is finalised and applauds the work done to get the deal to this point. Provided its concerns are addressed, UNISON supports a devolved future for the North East and hopes to be able to work with government, the Mayor and the constituent councils.

Community and Voluntary Sector:

- **Children North East (CNE):** welcome the North East Devolution Deal as a potential major stepping stone towards improving the lives of babies, children and young people in the region. They believe that it presents a huge opportunity to join up regional infrastructure and provision to enable all babies, children and young people to grow up happy and healthy.

  It particularly welcomes the transport investment and devolved powers to design and manage transport services around the needs of local people. They highlight the need for frequent, affordable, reliable public transport and safe walking and cycling routes and think integrated ticketing is a potential 'game-changer.' The organisation also wants to ensure that the voices of young people and low-income families are heard in the refresh of the Regional Transport Plan.

  CNE believe that increased planning powers at a regional level has the potential to bring in investment and ensure planning decisions reflect the needs of the community. They hope this might be a catalyst for building more social housing and genuinely affordable family homes close to amenities and public transport.

  They are delighted that the deal becomes the first in the country to contain a specific commitment to addressing child poverty and look forward to continued collaboration in the North East leading the way to prevent and tackle child poverty.

  CNE urge that regional integration does not result in centralisation if this moves opportunities out of local communities and makes them harder to access for people dependent on public transport or trying to balance caring responsibilities.

Similarly, they would not want financial powers granted to the NECMA to result in an additional financial burden on struggling families. The charity would therefore welcome any future opportunities to work with NECMA to make the voices of babies, children and young people they work with heard, and ensure decision-making keeps children, particularly those growing up in poverty, at their heart.

Education

- **Durham University:** welcomes the North East devolution deal, which would bring together the economic strengths of County Durham with that of the broader North East region. It would also enable Durham University to support the business and skills agenda more readily within the region and enable collaboration with other universities in the region to deliver innovation support, including the 'Inclusive Innovation Deal' programme identified in the draft devolution document.

  Given the critical importance of the regional universities in delivering an economic transformation, it asks that consideration be given to representation of the sector on the Business Board or at the immediate decision-making level below – an appropriate nominee within the Business Board with an expanded remit.

- **Newcastle College Group (NCG):** support over 30,000 learners and employing over 2,000 people across a network of seven colleges and wishes to show support for the creation of a North East Mayoral Combined Authority.

  It states that with responsibility for skills and funding already moving towards a regional system to ensure the skills needs of local areas are met, a devolved government would mean the Adult Education Budget (AEB) would now lie completely with the North East Mayoral Combined Authority. NCG hope this will offer more flexibility, as the proposed combined authority would have a much clearer understanding of local needs and demands.

  NCG conclude that if approved, the devolution deal could provide a significant opportunity for them to work closely with employers across the area and collaborate with other local education providers. They therefore offer their full support for the deal and look forward to working with the combined authority for the benefit of its local communities.

- **Newcastle University:** is pleased to see that the proposed North East devolution deal includes areas in which it had strengths in research and innovation. Key among these are sustainable transport and net zero, inclusive economic growth, longevity, addressing inequalities and education and skills. These are areas where it already enjoys strong collaborations with partner organisations and universities in the region.

Devolution is an opportunity to build on and further develop these collaborations, drive up productivity and deliver real impact for everyone in the region as well as at a national and global level.

The university therefore strongly supports the formation of the proposed North East Mayoral Combined Authority, which will benefit residents, communities and the region's social, cultural and economic prosperity into the future.

- **Northumbria University:** fully supports the North East devolution deal and the creation of a North East Mayoral Combined Authority.

  They say the greater powers and funding to be devolved to the North East have the potential to make a huge impact on the region's communities and businesses and the university recognised the opportunity devolution gave to deliver coordinated and inclusive economic growth.

  Northumbria University is keen to build on the North East's strong track record of regional collaboration and innovation and play a role in helping to jointly unlock new jobs, skills, economic development and investment. It is keen to work with the proposed North East Mayoral Combined Authority to enable more people in the region to access opportunities through employment and education that met the skills needs of the region's economy.

- **Regional Universities Business and Engagement (RUBE) Group:** brings together the North East's universities, focusing on opportunities for collaboration to strengthen the region's economy.

  The RUBE Group welcome the proposed North East devolution deal and strongly support the formation of the proposed North East Mayoral Combined Authority. Adopting this governance model would benefit the region's residents, communities and social, cultural and economic prosperity.

  It is particularly pleased that the deal included areas in which the universities had strengths in innovation and skills. Key among these were sustainable energy, health and life sciences, data and digital culture and creative arts. These are areas where the universities enjoyed strong collaborations with partner organisations in the region.

  Devolution is an opportunity to build on and further develop these important collaborations, drive up productivity and deliver real impact for everyone in the region, as well as at a national and global level.

- **Tyne Coast College:** support the devolution deal and are very excited to work together with the proposed combined authority to create jobs and courses that will enable people to thrive in the local economy.

  As a key stakeholder, they wholeheartedly support the devolution deal and support the vision to create 24,000 extra jobs and the flexibility of offering education and training that meets local needs. The college also recognises the benefits of a united vision for the area and believes that a devolved funding system would enable a fairer delivery of qualifications in a responsive, flexible and agile way, with a key focus on positive outcomes for learners, leading to sustained employment.

- **University of Sunderland:** strongly supports the proposal for a North East devolution deal and the opportunity it presented to improve productivity and reduce disparities within the region.

  It is working with the NHS and city partners to develop the Sunderland Health Innovation Zone and hope the deal will provide local leadership with the powers and access to funding and investment incentives to build on and progress this important work.

  A deal that attracts new businesses and international investment into the city and supports them thorough developing the skills base they needed to succeed and grow would be 'game changing' for Sunderland, the North East and the UK.

<u>Sport and Culture:</u>

- **Active Partnership for County Durham:** is Sport England's representative in the county. It works at a local, countywide and regional level with its partners to bring about sustained system change in approaches to physical activity.

  The organisation wrote to offer its support to the proposed combined authority. As it works in many of the thematic areas identified as important in the devolution deal, including climate change and active travel, with a range of communities including rural communities and in areas experiencing multiple deprivation and inequalities, the Active Partnership states it can 'make a significant contribution to the success of devolution. Working in complex systems, showing impact and addressing inequalities is our business and we look forward to supporting the development of this major regional project and ensuring its success.'

- **New Writing North:** wrote to support the Devolution Deal for the North East and in support of the seven local authorities coming together to achieve this ambition. It suggests that devolution is 'our best bet' to ensure that the North East gets a fairer financial settlement and can define and deliver its own future. Furthermore, that collaborative working at this scale will depth charge possibilities for co-operation and smarter working to address some of the huge challenges the region has around skills, employment, Net Zero and in how it represents and sells itself to the rest of the UK and beyond.

- **Rise North East:** is the active partnership for Northumberland and Tyne and Wear. It works with partners address issues facing communities, using the power of physical activity to tackle inequalities.

  Rise North East supports the approach set out in the North East devolution deal and could see the benefits devolution would bring to enable the region to make its own decisions.

  Rise North East is particularly interested in, and excited by, the areas of the devolution deal on transport, housing, land and planning and skills, employment and education. Rise North East hope for the appointment of an Active Travel Commissioner and the use of Active Design Principles in planning. It also welcomes the reference to a potential vehicle to support and promote grassroots sport and physical activity and to a new Radical Prevention Fund for population health.

- **Sport England:** support people to be active so that everyone can benefit from the profound physical and mental health benefits it brings and encourage the proposed combined authority to do the same.

  Sport England has supported other devolution deals across England where a health-in-all-policies approach has been taken. It would encourage the proposed combined authority to ensure that any devolution deal provides a clear and codified framework for collaboration between national and local partners – alongside a clear focus on sport and physical activity, defining the additionality this could bring - it looks forward to working with Authority to deliver such an agenda.

<u>Public Sector</u>

- **Durham Constabulary:** agree with the principle of devolution and are pleased to see the investment the deal will bring to the region. They believe that economic growth can only be achieved by having localised decision making and creating the right conditions for investment and look forward to receiving feedback on the progress being made.

- **Durham Enable:** is a supported employment service which supports the creation of a combined authority. They want to see additional funding to support those furthest away from the labour market (highlighting their service model as an example of good practice) and consultation with disabled people and those with long term health conditions on the combined authority's adult education and skills initiatives.

- **North East Procurement Organisation** (NEPO): is the North East's public buying organisation, funded and governed by the twelve North East local authorities.

  The North East Devolution deal would help leverage more investment into the region, tackle skills challenges, ensure the transport system is fit for purpose and deliver the jobs of the future.

  Public procurement would be a bedrock for delivering the devolution deal and NEPO would play a central role in delivering the ambitions of the deal.

  NEPO is fully supportive of the North East devolution deal and NEPO looks forward to working in partnership to make it a success.

- **Northumbria Police and Crime Commissioner:** submitted a letter of support for the North East devolution deal. Elements of the deal give the region the tools to address the challenges of unemployment, economic inactivity, health inequalities and child poverty. These include investment in the transport system, the investment fund and oversight of the skills agenda.

- **Pegswood Parish Council:** offer their support for the proposals contained in the scheme for North East Devolution and is keen to see good governance in place, accountability by the Mayor and seven representative members and efficient use of funds to the best advantage of North East population.

- **Tyne and Wear Fire and Rescue Authority**: offer their support for the current devolution proposals for the North East area. They believe that investment in the North East to date has not matched the challenges faced and the potential inward investment and greater say in determining local matters will be a positive step.

  The Fire and Rescue Authority welcome plans to invest in infrastructure, transport and regeneration projects, for as well as driving up the area commercial, domestic and visitor offer the deal has the potential to improve life chances and opportunities for young people, support vulnerable communities and improve skills and employment opportunities across the area.

- **County Durham and Darlington Fire and Rescue Service (CDDFRS)** welcome the investment into the North East region from the proposed devolution deal and the intention for councils to work together. It also welcomes any opportunities for further consultation on issues arising as the devolution deal comes into force and for developing relationships with key stakeholders.

  As the proposed governance arrangements do not refer to existing combined orders, the CDDFRS anticipates that in the medium term the direct impact of the devolution deal on the Combined Fire Authority for County Durham and Darlington would be minimal.

Housing

- **North East Housing Associations:** collectively manage 12,000 homes in the region and view the deal as a hugely exciting opportunity for the North East. They believe that powers and funding are best held with local decision makers who understand their region, its strengths and the challenges it faces, and this is an opportunity for the North East to take its future into its own hands.

  The Associations believe that the social housing sector has an integral role to play in the future of the North East by developing more affordable homes, shaping sustainable communities and supporting the wider economy through training and job opportunities, together with our significant spending power. This broad contribution would be enhanced by the range of powers that the devolution deal unlocks:

  - the £69 million allocated in the deal for housing and regeneration would support their plans to build more good quality homes where people need them most
  - the £1.4 billion investment fund could support further regeneration projects that they are well placed to act as delivery partners on.
  - the £1.8 billion identified for adult education and skills which links with the emerging need for skilled employees who can deliver the large-scale programmes of decarbonisation investment required in the region, creating high quality employment opportunities.

  The North East Housing Associations acknowledge the benefits that other combined authorities have brought to the areas they serve and the significant convening powers they have to bring together partners to address long-standing issues, therefore they look forward to being a key part of those partnerships.

Other stakeholders

- **Tyne Task Force:** brings together MPs, councillors, businesses, the Offshore Renewable Energy (ORE) Catapult, the Port of Tyne, local authorities and the North of Tyne Combined Authority to focus on issues, challenges and opportunities offered by the River Tyne. Members of the Task Force welcome the deal for both its content, and for the opportunity it presents to deepen devolution to the region. They note the evidence that this is both a genuine functional economic area enclosing both labour market and sectoral geographies, and one with genuine scale and a combination of assets across business, education, and labour force, particularly in relation to marine and maritime assets, skills, investment and employment.

  The Tyne Task Force strongly back the deal's focus on the delivery of a 'Green SuperPort' structure and the proposal to address the electricity pylons that cross the river. They also strongly wish to engage collectively with the opportunities afforded to the river by the advanced Skills and Investment Zone Status. The Taskforce believe that together these proposals give the region a real chance to make long lasting positive change for the river, associated businesses, the citizens of the region and to support UK aspirations for Net Zero, Renewable Energy, long term sustainable employment, defence and shipbuilding amongst other policy positions and believe a collective voice under a newly devolved combined authority will be an essential pillar towards this end.

Appendix A: Questionnaire

North East Devolution Consultation

We would welcome your views on the proposed changes to the way the councils in the North East work together. Please take a few minutes to complete the following questions. The consultation finishes on **23 March 2023**. All information provided will be treated as confidential and will not be attributable to you.

In order to help you answer each of the questions on the proposed changes to the way councils work together in the North East, we have provided a summary of the key points. Further details on these can be found on the North of Tyne Devolution website.

To begin the questionnaire, please press the 'next' button below.

Changing how councils work together (governance)

To implement the devolution deal and access the long-term funding and devolved powers for the area we are proposing that the following changes are made to the way in which the seven councils work together across the North East region:

- The abolition of the two combined authorities which currently exist in the area of the seven councils; and

- The creation of a single new mayoral combined authority to cover the area of all seven councils.

- The Mayor for the new NEMCA will be elected by the local government electors for the seven council areas and the first Mayor is to be elected in May 2024.

- Each term of the Mayor will be four years.

- It is proposed that the Cabinet of the Combined Authority will comprise 8 members made up of:

  - The Mayor
  - Seven elected members, one appointed from each council

This group are known as voting members.

In addition, the Cabinet will be supported by a representative of the business community and a representative of the community and voluntary sector; these will be non-voting Members.

Q1 Do you agree or disagree with our proposals for the revised arrangements for the Combined Authority, as set out and in the Scheme, in particular the proposed arrangements for a Mayor, mayoral combined authority, and the councils, working together?

◯ **Agree**
◯ **Neither agree nor disagree**
◯ **Disagree**

Please give your reasons here:

Transport

The new Combined Authority would use a full package of devolved transport investment and powers to create an integrated transport system.

If the (North East Mayoral Combined Authority NEMCA) is created it will be the designated Local Transport Authority for the area under the Transport Act 2000. As North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) will be abolished, the Joint Transport Committee will also cease to exist. NEMCA will exercise the transport functions for the Combined Area which were previously held by NECA and NTCA.

The following functions are the responsibility of the Mayor and are referred to as "Mayoral Functions:":

- Power to draw up a Local Transport Plan and strategies
- Bus franchising powers
- Ability to pay grants to bus service operators
- Ability to pay grants to the Constituent Councils for exercising transport functions.
- Develop and agree a strategy for the key route network of roads

Q2 Do you agree or disagree with the proposal to confer transport functions and new transport related functions to a North East Mayor and Mayoral Combined Authority?

- ◯ Agree
- ◯ Neither agree nor disagree
- ◯ Disagree

Please give your reasons here:

Housing and planning

While the individual local authorities would continue to discharge their housing responsibilities, with new powers the NEMCA would work to improve the supply and quality of housing; to support in other ways the creation, regeneration and development of communities or their continued well-being and to contribute to the achievement of sustainable development and good design.

Mayoral functions will be:

- Power to designate Mayoral Development Areas and establish Mayoral Development Corporations

- Housing and land acquisition powers [including compulsory purchase] to support housing, regeneration, infrastructure and community development and well being

- Power to draw up a Spatial Development Strategy (subject to NEMCA agreeing to allocate the power to the Mayor) .

Q3 Do you agree or disagree with the proposal to confer housing and planning functions from central government to a North East Mayor and Mayoral Combined Authority?

◯ **Agree**
◯ **Neither agree nor disagree**
◯ **Disagree**

Please give your reasons here:

Finance and investment

It is proposed that the new combined authority will have new finance powers to help deliver a long term investment plan to support employment and growth opportunities across the region.

These include:

The power to issue to the Constituent Councils levies under section 74 of the Local Government Finance Act 1988 to meet the expenditure that is reasonably attributable to the exercise of its functions. It is proposed that NEMCA will be able to issue three transport levies, as is currently the case across the Combined Area, ie a levy for Durham, a levy for Northumberland and levy for the Tyne and Wear area.

It is proposed that the Mayor will have the power to issue a Council Tax Precept on behalf of NEMCA to provide for the costs of the Mayor that are incurred in, or in connection with, the exercise of Mayoral Functions. The Cabinet will be able to amend
the proposal for a precept if at least 5 Members of the Cabinet oppose them.

Q4 Do you agree or disagree with the proposal to confer additional finance functions on a North East Mayor and Mayoral Combined Authority?

- ○ Agree
- ○ Neither agree nor disagree
- ○ Disagree

Please give your reasons here:

Skills, employment and adult education

The devolution deal gives the region more control and funding to shape skills and help people into jobs and careers.

It is proposed that NEMCA will be given devolved functions in respect of Adult Education and will control the Adult Education Budget from the academic year 2024/2025. (These arrangements will not cover apprenticeships training or persons subject to adult detention.)

Q5 Do you agree or disagree with the proposal to move these skills, employment and adult education functions to a North East Mayoral Combined Authority?

- ◯ Agree
- ◯ Neither agree or disagree
- ◯ Disagree

Please give your reasons here:

Q6 Are there any comments you would like to make that you do not feel you have addressed in your response so far?

About You

By answering the questions below you will help us to make sure we are consulting with and can take into consideration the views of our diverse communities (please note this section contains routing so some questions may be skipped depending upon your answers).

Q7 In which of the following are you primarily completing this questionnaire?

- ◯ As a resident
- ◯ As a business representative
- ◯ As a member of the Voluntary and Community sector
- ◯ As an education provider
- ◯ As a housing and development representative
- ◯ As a transport representative
- ◯ Trade Union
- ◯ Other

Q8 Which one of the following Local Authorities do you pay your Council Tax to?

- ◯ Durham County Council
- ◯ Gateshead Borough Council
- ◯ Newcastle City Council
- ◯ Northumberland County Council
- ◯ North Tyneside Borough Council
- ◯ South Tyneside Borough Council
- ◯ Sunderland City Council
- ◯ Not applicable

Q9 Please provide the name of your business or organisation in the space below:

Q9a Which one of the following Local Authorities is your organisation or company based in?

- ◯ Durham County Council
- ◯ Gateshead Borough Council
- ◯ Newcastle City Council
- ◯ Northumberland County Council
- ◯ North Tyneside Borough Council
- ◯ South Tyneside Borough Council
- ◯ Sunderland City Council
- ◯ Not applicable

Q10 **Are you...?**

- ◯ Female
- ◯ Male
- ◯ Prefer not to say

Q11 **Which of the following age ranges do you fall into?**

- ◯ 15 or under
- ◯ 16-24
- ◯ 25-34
- ◯ 35-44
- ◯ 45-59
- ◯ 60-74
- ◯ 75 or over
- ◯ Prefer not to say

Q12 **Which of the following best describes your ethnic group?**

- ◯ Arab
- ◯ Asian or Asian British: Indian
- ◯ Asian or Asian British: Pakistani
- ◯ Asian or Asian British: Bangladeshi
- ◯ Asian or Asian British: Chinese
- ◯ Any other Asian Background
- ◯ Black or Black British: Caribbean
- ◯ Black or Black British: African
- ◯ Any other Black Background
- ◯ Mixed Heritage: White and Black Caribbean
- ◯ Mixed Heritage: White and Black African
- ◯ Mixed Heritage: White and Asian
- ◯ Any other Mixed Background
- ◯ White British
- ◯ White Irish
- ◯ Gypsy / Traveller
- ◯ Any other White Background
- ◯ Other ethnic group
- ◯ Prefer not to say

Q13 Do you have any physical or mental health conditions or illnesses lasting or expected to last 12 months or more?

- ◯ Yes
- ◯ No
- ◯ Prefer not to say

Q13a If yes, do any of your conditions or illnesses reduce your ability to carry out day to day activities?

- ◯ Yes a lot
- ◯ Yes a little
- ◯ Not at all

Q14 What is your religion/belief?

- ◯ Buddhist
- ◯ Christian (includes Church of England, Catholic, Protestant and all other Christian Denominations)
- ◯ Hindu
- ◯ Jewish
- ◯ Muslim
- ◯ Sikh
- ◯ No religion
- ◯ Other

Q15 Which of the following best describes your sexual orientation?

- ◯ Bisexual
- ◯ Gay or Lesbian
- ◯ Straights/Heterosexual
- ◯ Other
- ◯ Prefer not to say

Q16 Is the gender you identify with the same as your sex registered at birth?

- ◯ Yes
- ◯ No (if you wish please write in your gender identity below)
- ◯ Prefer not to say

Thank you for taking the time to complete this questionnaire.

Appendix B: How the consultation was promoted

Pre-consultation

The announcement that a devolution deal had been reached was made on 28th December 2022 and was first announced nationally by government. Localised statements were issued by the seven constituent councils aimed at local media outlets.

Standardised local press releases were published by each of the seven councils, but for the purposes of this report, links to published releases will be provided from Newcastle City Council's website:

- New North East devolution deal – 28th December 2022.

The announcement of the 'minded to' deal achieved widespread media coverage, including on the BBC and in The Guardian as well as among local titles.

This was also further publicised through the respective social media channels of the seven local authorities involved.

Consultation period

The consultation period began on 23rd January 2023, after the Cabinets of each of the seven local authorities had approved the governance review and scheme and had agreed to move to public consultation.

Each council promoted the consultation through their own websites.

Two press releases were issued at different stages of this process. The first provided an update to highlight that the seven local authority Cabinets were set to meet to discuss the deal and be asked to approve to move to consultation:

- North East devolution deal set to progress – 13th January 2023

The second formally announced the start of the consultation period. This set out how people could take part in the consultation, how and where they could provide feedback, and what specifically they were being asked to provide their views on:

- £4.2bn devolution deal for the North East – 26th January 2023.

There was again significant local media coverage across the region, including by the Hexham Courant (Northumberland), Chronicle Live (Newcastle) and the Northern Echo (County Durham).

A further press release was issued in the week before the end of the consultation period to remind people to have their say before the opportunity was gone:

- North East devolution consultation reaches final stages – 16th March 2023

Social media

Each of the seven local authorities made use of their considerable social media followings to promote the public consultation across the entire region.

These channels were used to share press releases which had been sent to media outlets, publish an explainer video which detailed what the consultation was about, weekly reminders that the consultation was in process, details about other offline opportunities people had to provide feedback, and issue reminders across the region ahead of the consultation coming to a close.

Content was standardised to ensure that people in all parts of the region were receiving the same information in a consistent manner throughout the consultation period.

In-person events

At least one in-person consultation event was held in each of the seven local authority areas.

Members of the public were invited to attend these events to hear a presentation explaining what was in the deal, how the new Mayoral Combined Authority would function, what its powers were and how this would impact anybody who lives or works in the region. Attendees were also invited to put questions to senior councillors and officers in attendance, while they also had the chance to provide their consultation responses in person instead of having to submit them online.

These events were publicised through councils' respective social media channels to reach audiences within their own local authority area.

Regional stakeholder events aimed at specific sectors such as the voluntary and community sector, business, transport and education sectors were also held.

Other

A communications toolkit was produced ahead of the launch of the consultation to enable partner organisations and key stakeholders of each council to help promote the consultation to their own internal and external audiences.

This included:

- social media assets
- website and newsletter content
- e-mail footers
- key contacts
- FAQs

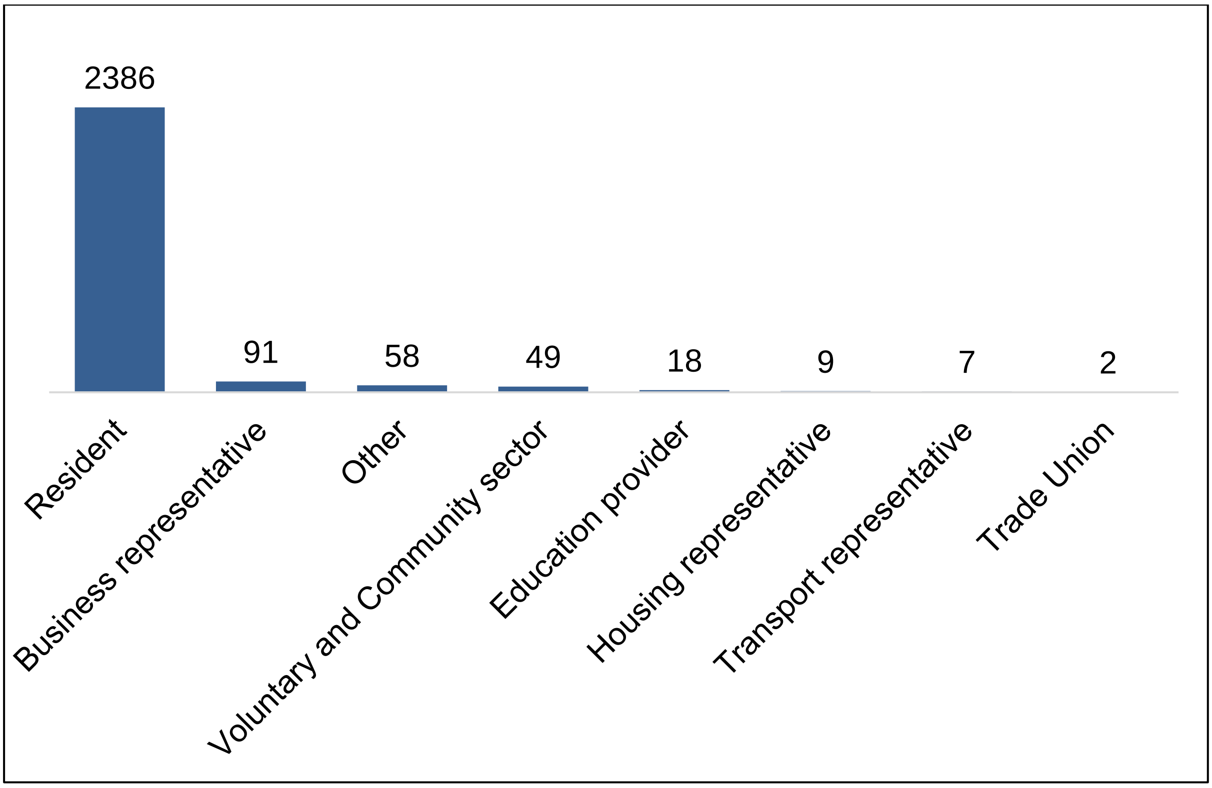
Easy-read versions of key consultation documents were also produced to make the process more accessible to respondents.

Appendix C: Demographics

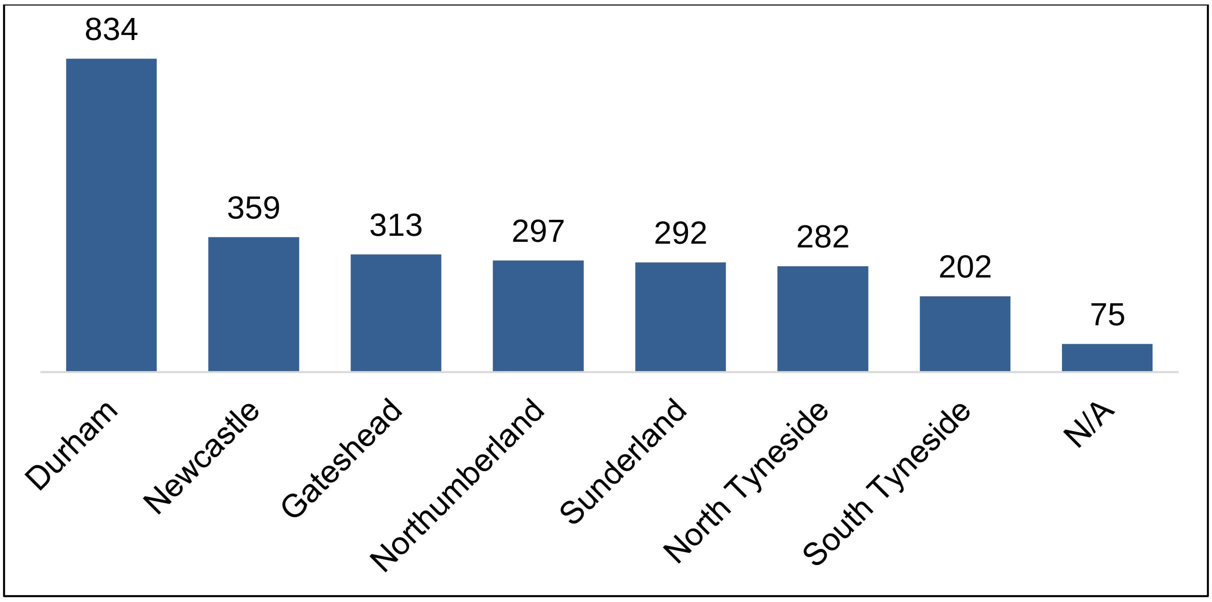
Profile of who took part in the survey

Responding as: The clear majority of people who took part in the survey did so in their capacity as residents. 2,386 responses were from residents.

Of the 58 respondents identifying as other, 31 did not provide any further information, 20 were from other types of organisation (e.g. local authorities, other public sector organisations), 5 stated their job role (e.g councillor, local authority officer), 2 were residents.



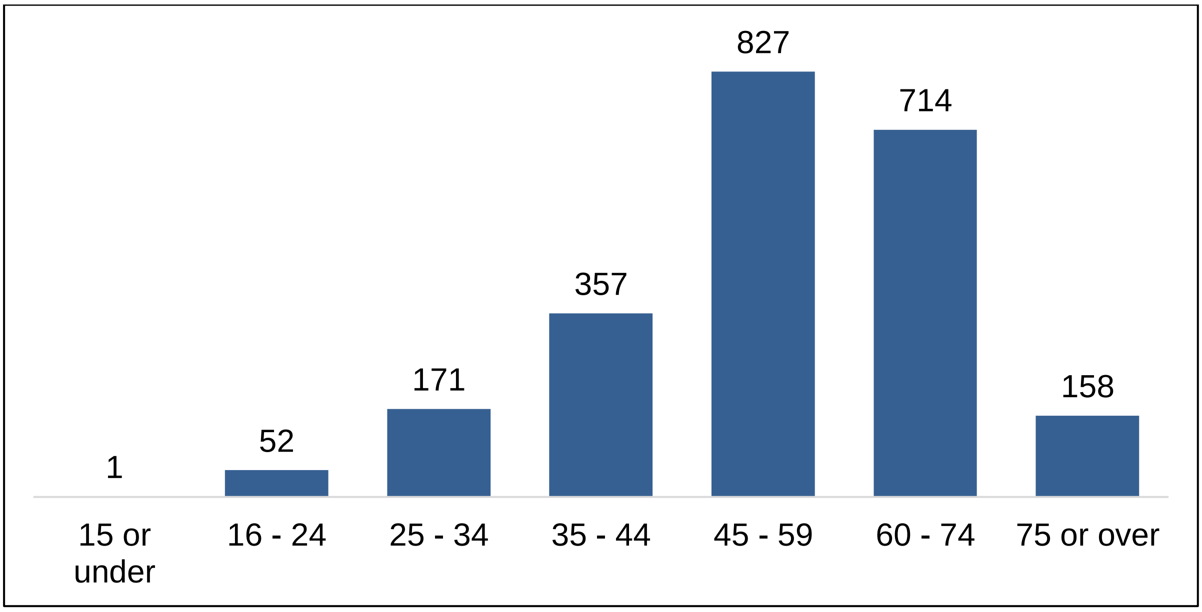
Local authority: Just under a third of responses came from County Durham.



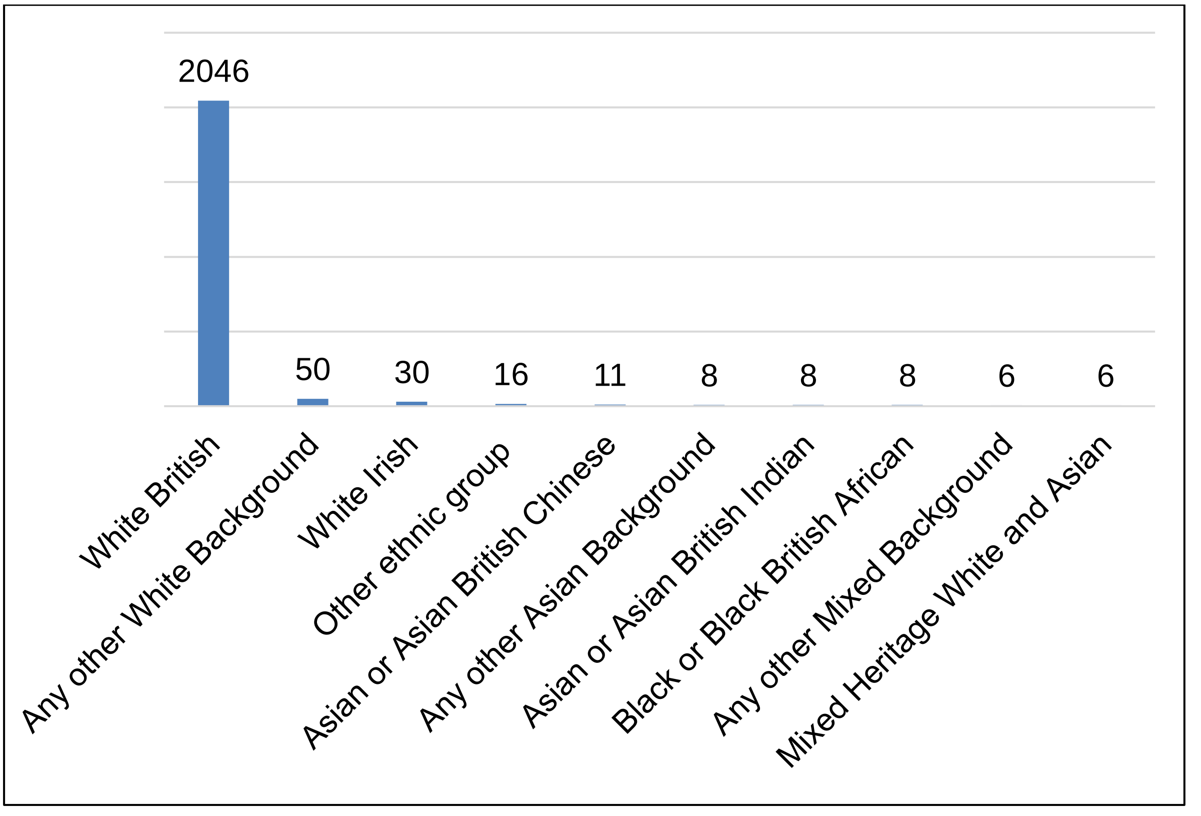
Sex: 895 respondents identified as female and 1,206 as male, 239 preferred not to say.

Gender: 16 respondents said that their gender is not the same as their sex registered at birth.

Age group: Almost two-thirds of respondents were aged 45-74 years old.

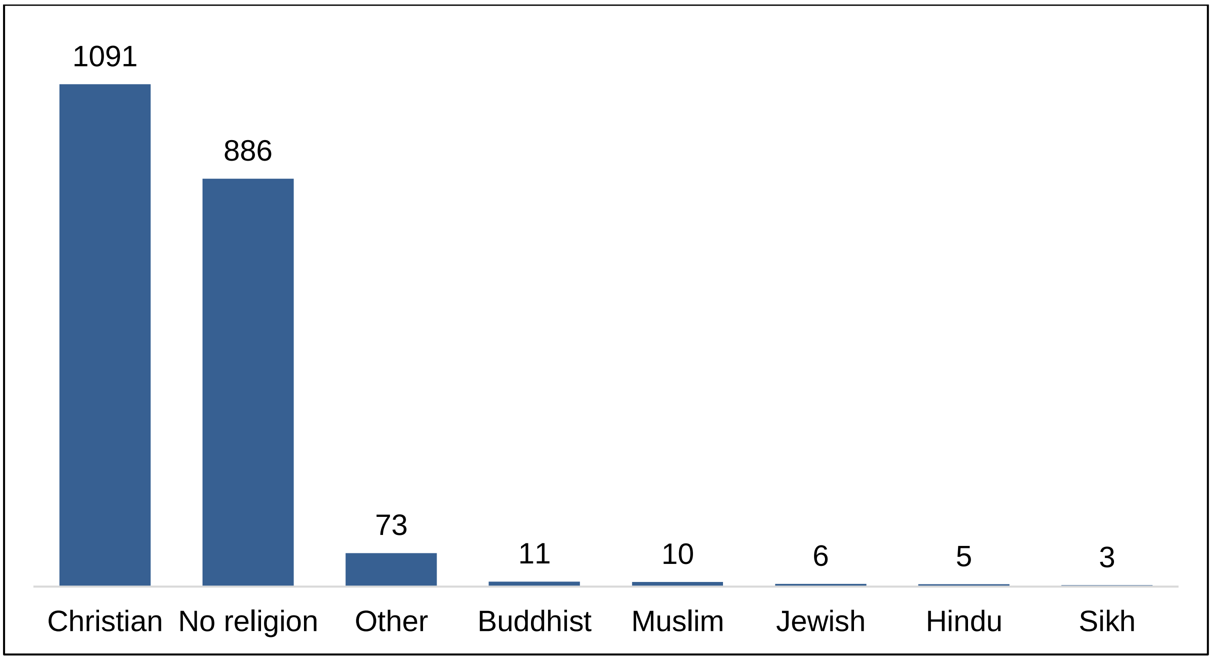


Ethnicity: 97.1% of respondents identified as white, 2.9% of respondents identified as being from all other ethnic groups combined.

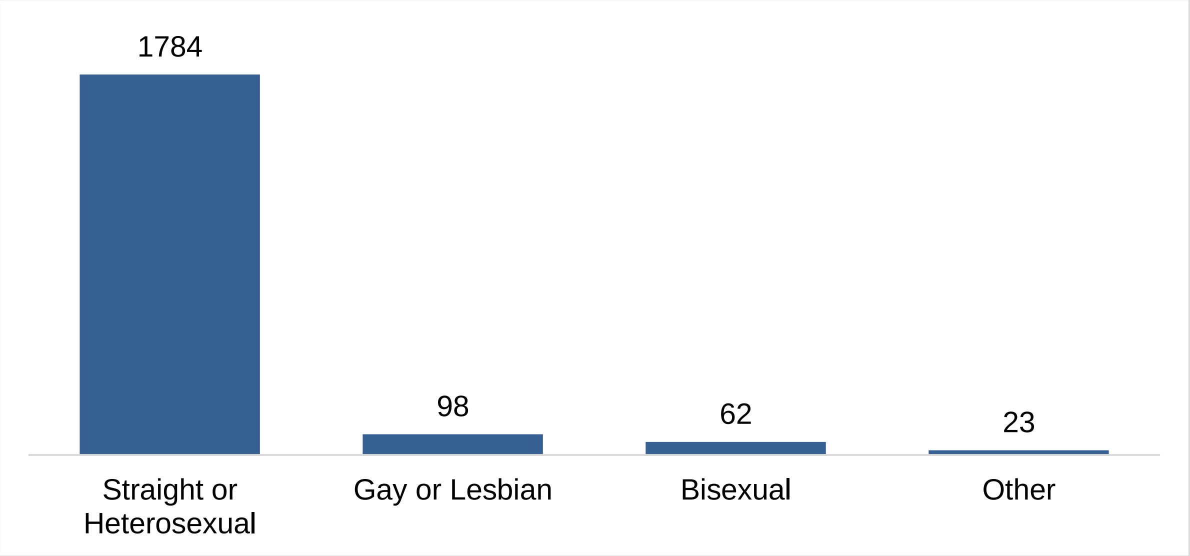


Disability/long term condition: 346 people (16.4% respondents answering this question) said they had a physical or mental health condition or illness that has lasted (or is expected to last) longer than 12 months and reduce their ability to carry out day to day tasks.

Religion: 52% of respondents answering this question identified as Christian, while 42.5% said they have no religion.



Sexual orientation: 9% of respondents identified as gay, lesbian, bisexual or other.



Appendix D: Full list of issues from the consultation

All comments to the consultation were read and coded into themes.

Section 4 in the report highlights the key issues that people raised, per theme and by view, during the consultation.

This appendix includes the full list of issues that were raised during the consultation survey.

1. Changing how councils work together

Agree

- **The proposals make sense** (275 responses). These comments stated that the proposals make sense, will create efficiencies, increase resources, ensure a coordinated strategy and are the best option for the region.
- **The proposal will increase regional power** (218 responses). These comments welcomed the increased powers and local decision making the deal will bring and were positive about the role of the mayor and the higher profile they would help to create for the region.
- **Working together benefits the region** (190 responses). These comments said the proposals were an opportunity for local authorities and stakeholder organisations to work together for the benefit of the region.
- **Change is needed** (25 responses). These comments said that change was needed as the current system wasn't working.
- **Missed out due to delays** (20 responses). These comments said that the area had missed out due to devolution not happening earlier and wanted the proposals to proceed as quickly as possible.
- **Other** (29 responses). These comments referred to saving money, increased accountability and positivity around the inclusion of non-voting members.

Neither agree nor disagree

- **Agreement in principle, but with some concerns, questions or caveats** (79 responses). These comments were broadly in favour of the proposals but raised specific areas of concern, had questions or showed support for the proposals if one or more conditions were met.

- **Other** (78 responses). These comments referred to a variety of issues, including a desire to see the proposals go further and replacing/changing existing local authorities.

- **A need for more information** (65 responses). These comments requested more information or details about the proposals and how they would be implemented.

- **Changes or clarity to the non-voting roles on the Cabinet of the Combined Authority** (59 responses). These comments asked for more representatives from the business and voluntary and community sectors, education or cultural sector representation, thought these representatives should have voting rights or wanted clarity about how they would be appointed.

- **Cabinet arrangements** (38 responses). These comments thought there should be more councillors from each local authority in the cabinet. Clarity was also sought about how cabinet members would be appointed alongside a desire from some for Cabinet Members to be directly elected.

Disagree

- **Lack of trust** (230 responses). These comments raised concerns that creation of the Combined Authority would result in the concentration of power in the hands of one person or a small group of people and the organisation being unaccountable. Lack of trust in politicians (locally and nationally), local authorities and the national government were also highlighted.

- **Additional bureaucracy** (226 responses). These comments said the proposals would result in an extra layer of bureaucracy with associated additional costs.

- **The creation of the Combined Authority would be unfair or detrimental to some areas** (179 responses). These comments said that implementation of the proposals would be unfair or detrimental to some areas, particularly rural areas and County Durham, concerns were raised that Newcastle or larger settlements would unfairly benefit.

- **Undemocratic** (109 responses). These comments said the proposals were undemocratic, that there was no mandate for the proposals or that they/the North East had previously voted against devolution.

- **Will not or do not work** (64 responses). These comments believe the proposals will not work or that combined authorities elsewhere do not work, with some respondents feeling that the proposals were simply a bad idea.

- **Too big or different** (62 responses). These comments said the area involved was too large and that the areas were too different to be able to make the proposals a success and to ensure the benefits were felt in all areas.

- **Unnecessary** (48 responses). These comments didn't agree with the proposals as the believed them to be unnecessary and the current system should not be changed.

- **Not enough money** (32 responses). These comments said the deal did not provide enough money or investment to be worth the conditions attached.

2. Transport

Agree

- **The region needs an integrated transport system** (174 responses). These comments said it was important to have an integrated transport system, with different modes of transport working together, including ticketing.

- **Working together as a region makes sense** (156 responses). These comments said it made sense for areas to work together, with a regional approach or strategy for transport.

- **An opportunity to improve transport** (135 responses). These comments said the proposals were an opportunity to improve transport, particularly public transport. Many of the comments referred to poor services which needed to be improved.

- **General support** (89 responses). These comments offered general support for the proposals, including the view that they were in the best interests of the region, would cost less than existing arrangements and would bring investment.

- **Suggested priorities** (87 responses). These comments suggested priorities for improving transport, including affordable and reliable public transport, control of buses through franchising, fully dualling the A1 and reopening the Leamside rail line.

- **Locally designed and accountable** (58 responses). These comments said transport should be locally designed or controlled and locally accountable.

- **Conditional support** (54 responses). These comments offered support for the proposals if certain conditions were met. These included fair funding for all areas, reduced costs and improved public transport.

- **Public transport problems** (27 responses). These comments referred to problems with public transport, particularly buses, and poor services in some areas, particularly rural areas.
- **Works well in other areas** (27 responses). These comments said the proposals would bring improvements in transport seen in areas such as London and Manchester to the region.
- **Extend Metro system** (20 responses). These comments called for the Metro system to be extended to other areas, including Washington and beyond Tyne and Wear.
- **Other** (48 responses). These comments referred to a variety of issues, including that transport should be nationalised or taken into public control, a need for more information and opposition to road schemes such as clean air zones, low traffic neighbourhoods and 15-minute cities.

Neither agree nor disagree

- **Suggested priorities** (30 responses). These comments suggested priorities for improving transport, including fully dualling the A1, better public transport and extending the Metro system to more areas.
- **Need more information** (23 responses). These comments said they needed more information on or details of the proposals and how they would be implemented.
- **Conditional support** (20 responses). These comments offered support for the proposals if certain conditions were met. These included being fair to all areas, improvements to public transport and lower costs.
- **Other** (103 responses). These comments referred to a variety of issues, including that the proposals would not lead to improvements, would be unfair or detrimental to some areas including rural areas, the need for an integrated transport system, problems with public transport, the proposals were an opportunity to improve transport, and opposition to road schemes such as clean air zones.

Disagree

- **Unfair or detrimental to some areas** (148 responses). These comments said the proposals were unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse.

- **Not wanting a North East Mayor or concentration of power** (62 responses). These comments said they did not want a North East Mayor or the concentration of power in the hands of one person or a small group of people.
- **It would not lead to improvements** (53 responses). These comments said the proposals would not improve transport in the region. Many of the comments said bringing together local authorities who they feel had been unable to address transport problems, or had made things worse, would not change anything.
- **Opposition to the devolution deal** (52 responses). These comments were opposed to the North East devolution deal, with many referring to the result of the 2004 devolution referendum or wanting to keep the existing arrangements.
- **More bureaucracy** (47 responses). These comments said the proposals would lead to an unnecessary additional layer of bureaucracy or administration in the region.
- **Democratic deficit** (28 responses). These comments raised concerns including political infighting and self-interest, perceived corruption, lack of accountability and poor decision making.
- **Road schemes** (28 responses). These comments expressed opposition to road schemes such as clean air zones, bus and cycle lane and 15-minute cities. Some comments referred to not wanting to follow the approach taken in London.
- **Local control** (23 responses). These comments said decisions and control of transport should be the responsibility of individual local authorities rather than a regional body.
- **Other** (125 responses). These comments referred to a variety of issues, including problems with public transport, suggested priorities for improving transport, needing more information and nationalising transport or taking it into public control.

3. Housing and planning

Agree

- **The region needs an integrated housing approach** (104 responses). These respondents said it was important to have an integrated housing strategy, with a combined approach to issues impacting the North east.
- **The provision of more affordable and social housing** (100 responses). Respondents believed that the proposals would be an impetus for the building of

more affordable and social housing, something that was seen to be desperately needed.

- **Local people are best placed to make local decisions (**90 responses). Respondents welcomed the prospect of having the power to control budgets and make decisions locally, as opposed to in Westminster.

- **Environmental sustainability and the protection of green belts** (63 responses). Respondents said the proposals were an opportunity to improve environmentally sustainability within housing. Many comments were concerned with Net Zero targets and the protection of green belts.

- **Regeneration** (46 responses). These respondents highlighted potential benefits to regeneration in the region.

- **Support for devolution & the new deal** (22 responses). These respondents showed support for the new authority, mayor or devolution deal.

- **It would be unfair or detrimental to some areas** (19 responses). These respondents agreed with the proposals on the condition they were fair and that there was accountability within decision making.

- **Other** (69 responses). These respondents referred to a variety of issues, including the need for compulsory purchase orders (CPOS), homelessness and the role of housing associations.

Neither agree nor disagree

- **Conditional support** (67 responses). These respondents said they would support the proposals if one or more conditions were met. These included the proposals leading to the provision of more affordable and social housing, environmental sustainability and the need for compulsory purchase orders.

- **A need for more information** (46 responses). These respondents said they needed more information on or details about the proposals and how they would be implemented.

- **It would be unfair or detrimental to some areas** (25 responses). These comments said the proposals could be unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposal being too large or diverse.

- **Other** (47 responses). These respondents referred to a variety of issues, including regeneration, rogue landlords and cost implications.

Disagree

- **Not wanting concentration of power or opposed to a new deal** (141 responses). These comments said they did not want a North East Mayor or the concentration of power in the hands of one person or a small group of people.

- **It would be unfair or detrimental to some areas** (105 responses). These respondents said the proposals would be unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse.

- **Housing to remain under the control of individual authorities** (54 responses). These comments were opposed to the North East devolution deal, with many wanting to keep the existing arrangements.

- **Environmental sustainability and the protection of green belts** (41 responses). These respondents said the proposals would not improve environmental sustainability in the region. Many of the respondents were concerned that green belts would not be protected and that new properties would be substandard in terms of sustainability.

- **The provision of more affordable and social housing** (24 responses). Respondents believed that the housing needs of the North East would not be met. Many expressed the need for new affordable social housing but were uncertain whether this issue would be resolved.

- **Compulsory Purchase Orders (CPOs)** (21 responses). These respondents expressed opposition to compulsory purchase orders. Some comments outright rejected the devolution proposal based on this power.

- **Other** (100 responses). These comments referred to a variety of issues, including problems with new costs, rogue landlords, regeneration and some made suggestions on how to improve current housing issues.

4. Finance and investment

Agree

- **Long-term investment that will create opportunities and improvement in the region** (110 responses). These comments suggested that devolution would attract strategic long-term investment that would improve the region by creating better infrastructure (e.g., transport) and opportunities for employment, thereby helping to close the North / South divide.

- **If there is fair distribution of funds** (63 responses). These comments agreed that devolution would be positive for the region as long as the finances were distributed evenly across the area without the need for a rise in council tax or other costs to local people.

- **Support better decisions based on local knowledge** (53 responses). These comments believe that devolved finances will allow better decisions to made by local representatives who 'know' the area better than Whitehall.

- **Ensure transparency and accountability** (32 responses). These comments agreed with the idea of devolution but wanted reassurance about the transparency and accountability of decision making.

Neither agree nor disagree

- **They did not understand the proposals** (39 responses). These comments suggested respondents did not understand the proposals and that more information was needed to make an informed decision about whether or not the devolution deal would be beneficial.

- **Concerns with increased costs** (36 responses). These comments said they were not sure about the devolution deal and were concerned that it may lead to increased costs for local people, including higher council tax.

Disagree

- **It would increase costs to local people** (244 responses). These comments said the proposals were unfair as it would inevitably mean more costs for local people in order to fund the new Mayor's activities and result in higher council tax.

- **Concerns with distribution** (60 responses). These comments suggested that devolution would bring an unequal distribution of funds with the 'bigger' cities getting a higher proportion of resources compared to more rural areas.

- **Bureaucracy** (39 responses). These comments said that devolution would create more bureaucracy which would inhibit delivery.

- **Waste** (38 responses). These comments were opposed to the North East devolution deal, with respondents suggesting the deal is a waste of money and things should be kept as they are.

- **Undemocratic** (30 responses). These comments highlighted a belief that the process for agreeing a devolution deal is undemocratic as a referendum has not been held.

5. Education, skills and employment

Agree

- **Skills and training should be delivered at the NEMCA level.** (327 responses). Respondents felt that national delivery was too out of touch with local needs and/or local authority level delivery was too small to be efficient or lacked synergies. Integration with other partners was often felt to be enhanced at this geographic level, as was efficient use of funding.

- **Agree with the proposals but with some caveats.** (108 responses). Respondents felt that apprenticeships should be included in scope; governance should include education providers and businesses and funding should be shared fairly across local authorities.

- **Increase in funding welcomed.** (43 responses). These respondents only cited the extra funding available.

Neither agree nor disagree

- **A request for more information** (87 responses). These respondents wanted further information to help them form an opinion either about skills training in the region or the devolution proposals. Others wanted to understand more about how funding would be shared fairly between local authorities.

- **Will not improve** (22 responses). These respondents felt that these proposals would have no impact.

- **Should be a wider scope** (17 responses). A variety of levels of activity were offered including that proposals should include Higher Education; higher level qualifications; lower-level qualifications or schools.

Disagree

- **NEMCA is too large an area for skills planning and delivery** (95 responses). These respondents felt that Local Authorities were best placed to deliver these proposals.

- **Concerns around governance** (79 responses). These comments said these respondents did not want a North East Mayor; or were worried about the concentration of power in the hands of one person or a small group of people; many expressed distrust of politicians in general or noted that these proposals had not been subject to a referendum.

- **NEMCA was too small an area for skills planning and delivery** (39 responses). Respondents stated that the proposed activities were best coordinated and funded at a national level.
- **Felt the proposals would not work** (38 responses). These respondents stated that the proposed activities would not achieve improvements within NECMA. Often citing insufficient funding or inadequate scope.
- **Unfair or detrimental to some areas** (32 responses). These comments said the proposals would be unfair or detrimental to some areas, particularly rural areas or specific local authorities.

NORTH OF TYNE COMBINED AUTHORITY

Cabinet

6 June 2023

Title: **Investment Fund Update and Funding Approvals**
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 and UKSPF programmes, including £18.3m of new approvals:

- **£5,000,000** to replace the Northumberland Line level crossing at Newsham with a road bridge, as part of a wider programme to ensure that the inclusive economic opportunities from the reopening of the railway line are maximised.
- **£3,183,820** for projects which will support economically inactive people to overcome barriers to work, help those furthest from the labour market to access basic skills, and provide skills to enable progress in work.
- **£2,750,000** of funding to deliver targeted innovation and commercialisation support for businesses, in a programme being delivered by our regional universities.
- **£1,750,000** to support supply chain growth and productivity improvements in the North of Tyne's offshore wind sector.
- **£3,391,570** of funding to support rural business growth and enterprise creation – as part of our commitment to Rural Growth and Stewardship.
- **£1,967,000** of further investment into our Towns and High Streets Programme, including funding to improve public realm and help bring buildings back into use, alongside support for existing businesses and funding for events.
- **£311,000** of further funding for the NTCA's Crowdfunding Programme, providing direct support for around 60 community-based projects.

These projects build on previous Investment Fund commitments of £118.8m which are expected to create 5049 jobs, more than half of our ten-year target.

Recommendations

Cabinet is recommended to:

1. Note progress to date on the Investment Fund and UKSPF, 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. Authorise the Chief Executive to make final approvals and associated decisions relating to implementation, in accordance with existing delegations, for £5,000,000 of NTCA's Investment Fund for the Newsham Road Bridge; and £13,353,390 of project approvals from the NTCA's Shared Prosperity Fund allocation.

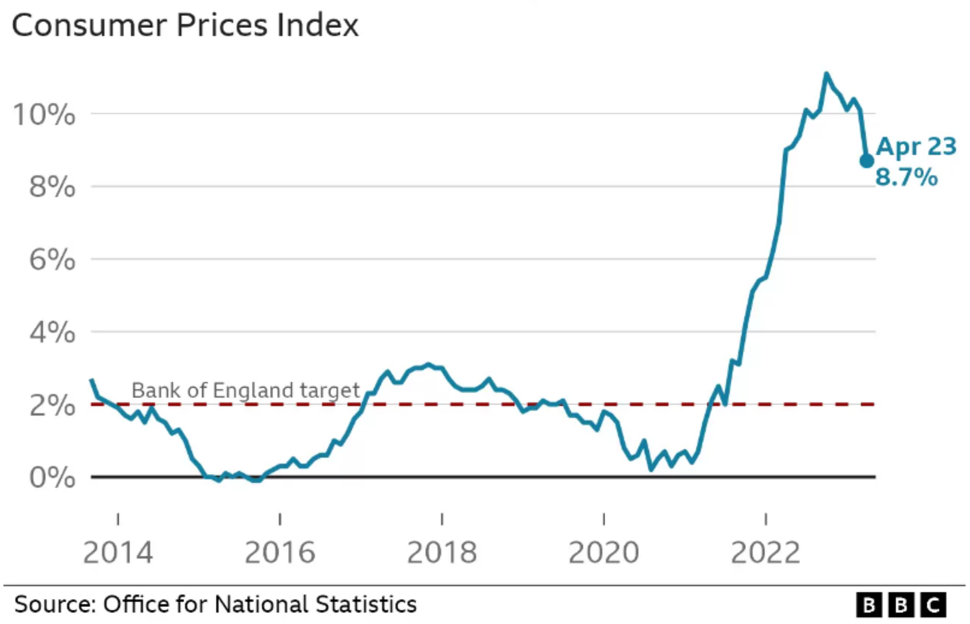
A. Context

1. Background and Economic Context

1.1. The latest data show that the UK economy remains weak, with growth of only 0.1% over the past quarter – weaker than all but one of the other major G7 economies (Germany). The level of activity in the UK remains below pre-pandemic levels, with the latest forecast from the IMF predicting that the outlook "remains subdued", with growth of only 0.3% this year, rising to 1% next year and 2% in 2025.

1.2. Although the annual rate of inflation fell from to 8.7% in April, it remains stubbornly high (Figure 1) and well above target. High inflation is being driven by increases in the cost of essential household items, with food prices rising at their fastest pace in 45 years. Some of the biggest price increases have been to staple items, including sugar, milk and cheese. Such high inflation has translated into weakness in the Consumer Confidence Index – a predictor of future household spending – with the measure finding that large numbers of households are worried about their financial position.

Figure 1:



1.3. Despite the weak UK economy, the latest data for the North of Tyne area show a big reduction in the headline rate of unemployment, with the official rate falling by 2.1pp over the past year to 4.5%. This is a bigger reduction than in all other UK regions outside the North East. The number of people unemployed in the NTCA area is down by almost 10,000 since the height of the pandemic – although this still means that 17,700 people are out-of-work and seeking a job. In addition, there are 25,000 more people classified as 'economically inactive, but wanting a job', partly due to an increase in the number of people with long-term health conditions preventing them working.

1.4. Against this backdrop, the Combined Authority continues to invest to support inclusive economic growth, and this report provides updates on:

- delivery of the Investment Fund, including substantial progress towards our 10,000 new jobs target;
- the first major investment from our Northumberland Line Economic Corridor programme;
- early progress with our Shared Prosperity Fund, including £13.3m of new project approvals.

2. Investment Fund progress to date

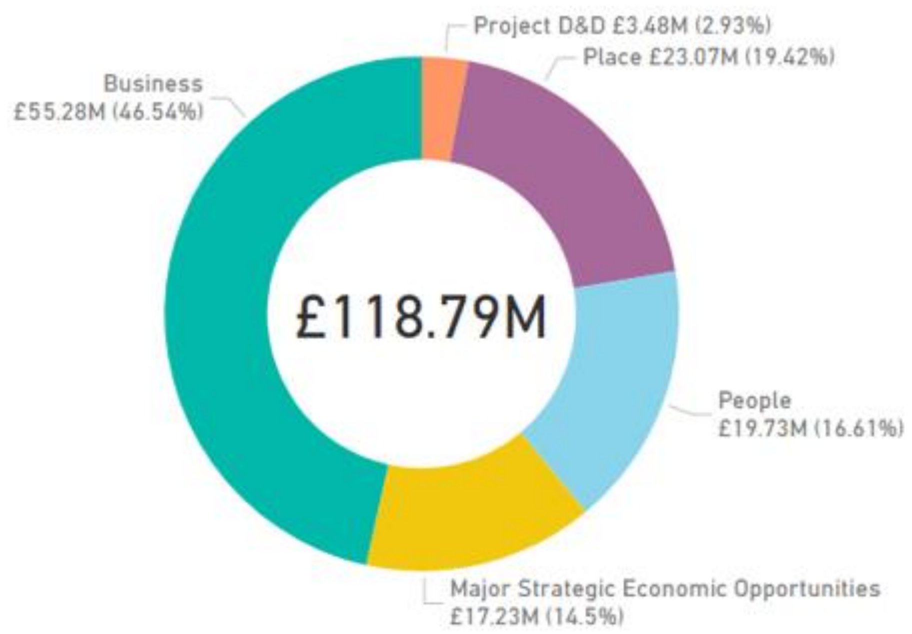
2.1. Delivery of the Investment Fund Programme continues, with 141 projects approved since the launch of the Combined Authority. 125 of these are currently active, providing direct support to residents, promoting business growth and investing in our communities. These projects are expected to create 5049 jobs, more than half of our ten-year target.

2.2. Excluding the projects discussed in this report, the Combined Authority has achieved:

- A contracted spend of almost £120m (Figure 2), including commitments and expenditure into the next programme period to ensure ongoing progress with our strategic priorities.
- Ten brownfield housing schemes have been supported so far, with a total NTCA contribution of £19.749m. The NTCA is making good progress on its Brownfield Housing Fund [BHF], with another 4 projects currently being appraised and collectively valued at over £11m.
- The ten approved BHF projects are forecasting the creation of 1805 housing units, while our extended pipeline accounts for a further 620 units. We are therefore expecting to significantly overachieve against our target of 2,100 units.
- Together, these projects are expected to secure £292m of private sector leverage.

2.3. The first 1288 new jobs have been created and verified, with North East residents employed as a direct result of NTCA investment. In addition, 1805 roles have been confirmed as safeguarded. Job creation has been from new businesses to the region – including Verisure and Xplor – as well as existing businesses, supported through a spectrum of NTCA's interventions, ranging from our Innovation Grants to Sector Growth Programmes.

Figure 2: NTCA Investment Fund, project approvals to date



2.4. The Combined Authority has also secured a range of other outcomes including:

- More than 100 businesses have signed up to the NTCA's Good Work Pledge, while 60 Schools have signed up to the Mental Health Award;
- 25,600 learning opportunities being delivered this year;
- Over 2000 people have been supported through the Multiply Programme, overperforming our initial target of 1745 opportunities;

- NTCA has been successful in securing additional funding (£9.2m) to deliver 'Wave 4 Skills Bootcamps', with delivery having started at the beginning of this financial year.

3. Investment in the Northumberland Line Economic Corridor

Proposal Name	Northumberland Line Economic Corridor – Newsham Bridge
Lead Organisation	Northumberland County Council
Delivery Areas	Northumberland
Timescales	March 2023 - December 2025
Project Value	£30,678,538
Grant amount requested	£5,000,000

3.1. In September last year, Cabinet approved the Northumberland Line Economic Corridor 10-point plan, alongside an allocation of £10m to ensure that the economic opportunities for businesses and residents from the reopening of the railway line are maximised.

3.2. The vision for the Northumberland Line is for it to be a catalyst for transformational change in our economy and communities across the entire area. It will:

- open up access to jobs and support the growth of our economy by connecting key innovation and employment assets in Newcastle City Centre, our business parks in North Tyneside and the green economy cluster in South East Northumberland;
- link our town and places;
- provide access to good quality housing;
- and open up opportunities for our young people.

3.3. Running from Ashington to Newcastle, the line will also stop at Bedlington, Blyth Bebside, Newsham, Seaton Delaval and Northumberland Park. NTCA's Cabinet agreed that its funding should be focussed on major place-based interventions around these anchor nodes, complemented by drawing in funding from the region and Government to support a wider programme of interventions for residents and businesses.

3.4. The first project to come forward is the construction of the Newsham road bridge, which will replace the existing level crossing on the A1061 over the line. NTCA's Investment Panel considered a proposal to make a £5m contribution to the £31m scheme at its May 2023 meeting, recommending the project to the CX for approval. The A1061 is an important, and busy, route into Blyth, including the Port of Blyth's South Harbour. Without a road bridge, the introduction of passenger rail services would have closed the level crossing up to an additional four times per hour. This would have led to a significant additional congestion, with the standing traffic also causing significant air pollution. This scheme will also increase safety and, by creating a smooth route of vehicle access to the Port, reduce barriers to jobs growth.

4. Shared Prosperity Fund Update

4.1. As previously discussed by Cabinet, the NTCA was allocated funding of £47.1m for 'core-UKSPF' and £4.1m for the 'Multiply' adult numeracy programme, covering the areas of Newcastle, North Tyneside and Northumberland. Following an intensive programme of consultation – with events attracting around 600 participants – the NTCA submitted Investment Plans ahead of Government's deadlines.

4.2. UKSPF investment will, alongside our other funds and programmes, enable us to:

- Maximise the benefits of our Economic Growth Corridors (the Northumberland Line; the Arc of Energy Innovation between Blyth and the Tyne; and our Urban Core), creating more opportunities for residents, businesses and communities

- Grow businesses in important growth sectors (clean energy, digital, health & life sciences, professional services, culture and tourism), creating new high-quality jobs, supporting innovation, and boosting productivity.
- Build an inclusive economy, ensuring all our residents benefit from economic growth and prosperity by investing in skills and access to good quality jobs, supported by our Good Work Pledge.
- Deliver sustainable growth by accelerating the net zero transition in our economy and communities.
- Invest in our rural economy and communities recognising the opportunities presented by our unique environment and land assets, as well as the specific challenges facing rural areas.
- Support confidence with numbers, money management and progress towards formal numeracy qualifications through the Multiply Programme.

4.3. The Multiply Programme is well under way, with over 2000 residents supported in its first year, over performing against a target of 1745. More than half of the interventions are in substantive programmes which will directly improve maths literacy. Good feedback has been received on the benefits of the programme from participants, with one commenting:

‘I really enjoyed both programmes and I gained a lot of knowledge from them. I would definitely recommend them to someone, it will help you practice the essential maths skills that are everywhere and help you use them confidently in your day-to-day life.’

4.4. Good progress is also being made with the core-UKSPF. Including the projects highlighted below, a total of £14.6m of project funding for the UKSPF and Rural England Prosperity Fund (REPF) has now been approved (table 1). This included £1.76 million of expenditure for the period to March 2023.

UKSPF Investment Priority	Total approvals (£mn)
Communities & Place	4.1
Supporting Local Business	5.8
People & Skills	3.2
Rural England Prosperity Fund (REPF)	1.5

4.5. Recent project approvals include:

- Investment of £3.2m in **employment and skills support projects** which will support economically inactive people to overcome barriers to work; help people furthest from the labour market to access basic skills; and provide skills to enable progress in work. Following an open call process, these projects will be delivered by the Wise Group, Citizens Advice and the North East Autism Society.

- Funding to **support business innovation**, with £2.75m of investment from NTCA, alongside further funding from County Durham Council. The *In-TUNE* project is a collaborative regional project led by Durham University in partnership with Newcastle, Northumbria and Sunderland Universities and CPI. It will deliver targeted innovation and commercialisation support for SMEs operating across the North of Tyne and Durham areas improving business innovation and productivity, and directly assisting in new company formation.

- Funding to support supply chain growth and productivity in the North of Tyne region’s **offshore wind sector**. Delivered by the Offshore Renewable Energy Catapult (OREC), the NTCA will provide £1.75m of funding for an extension of the successful phase 1 programme and will further accelerate new products and services from the North of Tyne to the offshore wind market through providing financial, technical and dissemination support.

- **Rural business and enterprise support,** with Northumberland Small Business Service (NSBS) providing workshops, specialist expertise and rural capital grant investment for eligible SMEs within rural North of Tyne, predominantly Northumberland. These interventions aim to unlock barriers to business resilience, investment, productivity, enterprise creation and economic growth. The total funding for this project until March 2025 includes: £1.5m of REPF, £1.35m of UKDPF and £541,570 of Investment Fund.

- Further investment in the NTCA's **Towns and High Streets Programme**, with additional investment into Ashington, Wallsend and Newcastle's East End. With a combined total of £1.967m of new funding, these projects will support local regeneration priorities, including funding for a range of improvements to public realm and shop fronts; consultancy advice to existing businesses; help to bring empty properties back into use; and funding for events to increase footfall and vibrancy.

- An expansion of NTCA's **Crowdfunding programme**, with £311K of UKSPF resources. This will provide grants of £2,000-5,000 to neighbourhood level, community led initiatives and is expected to support around a further 60 projects. A multitude of different projects have been funded so far through this scheme, with the majority in our more deprived neighbourhoods. These projects include community beekeeping, food poverty initiatives, green spaces, cafes, horse riding lessons for disadvantaged teenagers, art projects, bike repair and cycling events.

4.6. Over the next six months, the NTCA will launch a number of further calls using UKSPF funding, including for business growth, skills development and employment support. These will be complemented by investment into localised Community Partnerships, focused on the most deprived communities and aiming to improve wellbeing and pride in place.

B. Impact on NTCA Objectives

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

C. Key risks

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

D. Financial and other resources implications

All the proposed project approvals set out in this report have been identified to be funded from the Investment fund or UK Shared Prosperity Funds.

E. Legal implications

The Monitoring Officer's comments have been included in this report, and the Monitoring Officer will continue to oversee subsidy control compliance.

F. Equalities implications

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

G. Inclusive Economy and Wellbeing implications

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 new jobs and through an intensification of community engagement.

H. Climate Change implications

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, including by supporting businesses to reduce their emissions.

I. Consultation and engagement

Stakeholders are engaged in the development of project proposals and, as far as possible, wider engagement has been sought in the development of the programme – particularly the UK Shared Prosperity Fund, where consultation included VCSE organisations, businesses, other stakeholders and MPs

J. Appendices

None

K. Background papers

None

L. Contact officer(s)

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M. Glossary

NTCA	North of Tyne Combined Authority
SME	Small to Medium Enterprise
UKSPF	UK Shared Prosperity Fund
BHF	Brownfield Housing Fund

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NORTH OF TYNE COMBINED AUTHORITY

Cabinet

6 June 2023

Title: **NTCA 2022/2023 Outturn Position**
Report of: **Director of Finance**
Portfolio: **Investment and Resources**

Report Summary

The purpose of this report is to advise Cabinet on the 2022/2023 outturn position of the North of Tyne Combined Authority (NTCA) including the Corporate Fund, Investment Fund, Adult Education Budget, and Brownfield Housing Fund. The outturn position will be subject to external audit as part of the Audit of the 2022/2023 Statutory Accounts and therefore the figures in this report will remain provisional until the completion of the accounts.

The North of Tyne Combined Authority became the Accountable Body for the North East LEP and Invest North East England from 1 April 2020. This report will also include the 2022/2023 Outturn position for the North East LEP and Invest North East England in addition to reporting on the Accountable Body Budget.

Recommendations

The Cabinet is recommended to note the Outturn position for 2022/2023 in respect of the following:

1. Corporate Fund as set out in section 2
2. Investment Fund and Investment Fund Capital Budgets as set out in section 3
3. Performance against the UKSPF and Multiply as set out in section 4
4. Performance against the Brownfield Housing Capital Budget as set out in section 5
5. Performance against the Adult Education Budget as set out in section 6
6. Performance against Bootcamp Wave 3 funding as set out in section 7
7. The position on Reserves as set out in section 8
8. The Accountable Body Budget Outturn position and funding position as set out in section 9
9. Note the Combined Authority's Treasury Management performance as set out in section 10
10. The North East LEP 2022/2023 Outturn position and 2023/2024 Outline Budget position as detailed in Appendix A
11. The Invest North East England 2022/2023 Outturn position and 2023/2024 Outline Budget position as detailed in Appendix B: and
12. Cabinet is asked to note the delay in the publication of the 2022-23 Draft Statement of Accounts and that the Chief Finance Officer, Janice Gillespie published a statement on the NTCA website on 31 May 2023 giving the reason for the delay in publishing the 2022/2023 Statement of Accounts (see section 1.5).

A. Context

1. Background Information, Proposals and Timetable for Implementation

1.1 This report sets out the provisional outturn position to be included in the Statutory accounts for 2022/2023.

1.2 The Accounts are a statutory document which set out the Authority's financial position and performance for the year in a series of formal accounts prepared according to specific and regulatory framework. Successive changes to local government accounting practice and the way in which the Combined Authority is structured have made the accounts a very technical document.

1.3 This report sets out the Authority's financial performance in an outturn report. This reflects the Combined Authority's structure and is set out in a similar basis to the quarterly budget monitoring reports presented to Cabinet throughout the year.

1.4 As part of statutory reporting regulations there is a requirement to ensure there is a clear audit trail between the outturn figures reported to Cabinet and those published in the Statement of Accounts. For 2022/2023 and 2021/2022 revised pension figures have been requested from the actuary to take account of the 2022 triennial review. In addition, as the NTCA include an element of the accounts for the North East Combined Authority that relate to transport activities that can be attributed to the North of Tyne Authorities a recent review on reporting of infrastructure assets has also been included in the 2021/2022 and 2022/2023 Statement of Accounts in relation to the Pedestrian Tyne Tunnel. The North East LEP and Invest North East England figures will be incorporated into the NTCA Statement of Accounts as their Accountable Body. For this purpose, the Accountable Body Budget outturn position is reflected in section 9 including the funding sources.

1.5 In March 2021 The Accounts and Audit (Amendment) Regulations 2021 amended the requirements about when accounts must be made available for public inspection for the 2020/2021 and 2021/2022 accounts and set out that the period for the exercise of public rights for those two years needed to commence on or before the first working day in August in the following financial year. For 2022/2023, the statutory requirement for category 1 authorities revert to the original requirement in the 2015 regulations, i.e., to make the unaudited accounts available for public inspection for a period that includes the first 10 working days of June and publication of the unaudited accounts by 31 May 2023. The North of Tyne Combined Authority will not achieve publication of the Draft Statement of Accounts by 31 May 2023. The reason for this, as detailed elsewhere on the agenda in report NTCA Statement of Accounts 2021/22 Update, the 2021/2022 accounts are not yet finalised. This has impacted on timescales for the already tight turnaround for completing the draft accounts and the time needed to ensure appropriate review and quality assurance is completed. The current intention is to publish the draft Statement of Accounts on the 30 June 2023. Janice Gillespie, as Chief Finance Officer for the Combined Authority will publish a statement on the 31 May to explain the reason for the delay in publishing the 2022/2023 Statement of Accounts.

Outturn and Reserves

1.6 The budget for 2022/2023 was approved by full Cabinet at its meeting of 25 January 2022. Included in that budget was estimated expenditure across the year for both the Corporate Budget, Investment Fund, Brownfield Housing Fund and Adult Education Budget.

1.7 The Corporate Budget was set at a net zero position covering the costs associated with capacity to deliver. The Investment Fund Budget was set at £45.000m reflecting the costs associated with continuing development of proposals to be delivered from the Investment Fund. 2022/2023 saw the launch of the UK Shared Prosperity Fund (UKSPF) a central pillar of the UK government's Levelling Up agenda and a significant component of its support for places across the UK, NTCA were awarded £51.2m including £4.1m Multiply funding and £8m capital funding for the period up to 31 March 2025. Anticipated spend on UKSPF in 2022/2023 was £6.9m however, final confirmation of this funding was received late November 2022 resulting in only £1.5m of spend in 2023/2024 with the remainder to be carried forward into 2023/2024 delivery. There is an agreed maximum of 4% top slice to provide support on delivery of the fund. In addition, Capital funding of £15.350m was received from Department of Levelling Up Communities and Housing (DLUHC) late in the financial year, three schemes were identified for this funding with £3.172m being spent in 2022/2023 and the remaining to be spent early 2023/2024 (section 3.9).

1.8 The Adult Education Budget (£22.706m) reflected the full academic year of delivery August to March 2023. Further Skills funding for Wave 3 of Bootcamps (£5.532m) was also received in

2022/2023 with a 10% top slice to support delivery. The Brownfield Housing Fund showed a profiled capital budget for year 3 of £10.563m although actual spend against delivery is only £1.046m due to challenges that have arisen from the timing of formal planning approval of the projects. A Levelling up Revenue Grant of £0.625m was also received late in the financial year to support delivery.

1.9 The Outturn for 2022/2023 indicates a net zero position for the Corporate Budget. Additional grant income during the year has resulted is a lower level of top slice from the Investment Fund and an increase in the level of contribution to reserves at the year end. The reserves position detailed in section 8, reflects the position on all reserves, including the Investment Fund Reserve at the end of the financial year 2022/2023 and shows the Strategic Reserve maintained at £0.200m.

2. Corporate Budget Outturn

2.1 The Corporate Budget Outturn is presented in Table 1. The narrative below provides more detail.

Table 1. NTCA 2022/2023 Corporate Outturn position

Corporate Budget 2022/2023	2022/2023 Budget	2022/2023 Outturn	Variance
Expenditure	**£m**	**£m**	**£m**
Staffing/Secondments	3.393	3.622	0.229
Advisors External	0.100	0.171	0.071
Contribution to Reserves	0.800	1.486	0.686
Other Expenditure	1.103	0.911	(0.192)
SLA with Constituent Authorities	0.285	0.412	0.127
JTC Levy	29.335	29.335	0.000
Gross Expenditure	**35.016**	**35.937**	**0.921**
Income			
Investment Fund Contribution	(2.649)	(2.149)	0.500
Mayoral Capacity Fund	(1.000)	(1.000)	0.000
Contributions from Constituent Authorities	(0.111)	(0.111)	0.000
Levelling up Capacity Grant		(0.625)	(0.625)
Adult Education Budget Contribution	(0.678)	(0.678)	0.000
Bootcamps	-	(0.502)	(0.502)
UKSPF and Multiply Top slice	-	(0.365)	(0.365)
Programme support costs recovered from IF	(0.832)	(0.516)	0.316
Brownfield Housing Programme Costs	(0.104)	(0.104)	0.000
Other Grants and Contributions	(0.132)	(0.050)	0.082
Investment Interest Receivable	(0.175)	(0.502)	(0.327)
JTC Levy	(29.335)	(29.335)	0.000
Gross Income	**(35.016)**	**(35.937)**	(0.921)
Net (Income)/Expenditure	**0.000**	**0.000**	**0.000**

2.2 Gross expenditure for the year was £35.937m including the JTC Levy, reflecting an increase in expenditure over budget of £0.921m. This increase in expenditure can be attributed to the sharp increase in delivery in relation to new funding streams being awarded to NTCA such as UKSPF and Multiply, and increased funding on Bootcamps. Staffing expenditure shows an increase over the original budget of £0.229m, 14 FTE have been recruited since the budget was set in January 2022, this is in line directly with new funding streams. SLA expenditure has also increased by £0.127m due to additional resource required to meet the additional demands from increased delivery this relates specifically to legal and procurement and additional IT requirements of additional staff. External advisor budget was exceeded by £0.071m due to costs in relation to studies to inform new areas of work.

2.3 Contribution to reserves during the year has increased by £0.686m over and above the budgeted contribution to reserves The additional contribution to reserves is in relation to UKSPF and Multiply funding received of £5.714m and £1.248m respectively for 2022/2023 which attracted a 4% and 10% top slice respectively to cover additional capacity and resource requirements. Due to the delay in receiving confirmation of the grant award, a proportion of this top slice (£0.136m) has been carried forward to reserves to meet capacity for delivery in 2023/2024. Bootcamps grant funding received in relation to the skills agenda (£5.532m) allows a 10% top slice to provide capacity/resource to deliver on the project, £0.300m of this has been carried forward into 2023/2024 to support delivery. Levelling up Capacity Grant (£0.625m) was received late in the financial year, resources were identified against this with £0.125m carried forward into 2023/2024. The remaining balance of contribution to reserves (£0.125m) relates to balance of underspend against expenditure budgets and additional income over budget for example additional income earned from interest on investments.

2.4 Interest on investments exceeded the budget by £0.327m due to the increase in interest rates available in comparison to previous years and an increase in the level of cash investment due to new funding streams, such as £15.350m capital funding received in year from DLUHC, in addition to the Bootcamp and UKSPF grant funding. Due to the overall increase in income the Investment Fund contribution was reduced by £0.500m to that budgeted in January 2022.

3. Investment Fund Outturn

3.1 The Investment Fund sets out costs associated with the development, management and delivery of projects to be funded through the Investment Fund. In common with other long-term devolved Investment Funds, the North of Tyne Investment Fund (NTIF) is subject to a five-yearly Gateway Review by Government. The first five-year review of the NTIF was March 2022/2023 which NTCA have now received confirmation that they have passed successfully, with quotes from senior economic development stakeholders stating:

"***The NTCA and NTIF are a unifying force which allows us to deliver [social and economic] benefits*** and
'***NTIF has enabled more and larger investment decisions to be made in the region, based on local knowledge and a long-term plan'***

3.2 At the end of financial year 2022/2023 the Investment Fund total commitments stood at £118.79m against 141 approved projects. A strong pipeline of high-quality projects is in place 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.

- These projects will attract £292.015m of private sector leverage and are forecast to deliver 5,049 new jobs based on current commitments against a target of 10,000. The number of forecast jobs directly safeguarded is 3,277.

- Of these, a total of 1,288 jobs have been created, in addition 1,783 have been reported as safeguarded.

Table 2 sets out the commitments against the key themes of the Investment Fund.

Table 2: Commitments against Investment Fund Themes

	Committed	%Allocated
	£m	**%**
Business	55.28	46.54
People	19.73	16.61
Place	23.07	19.42
Major Strategic Economic Opportunities	17.23	14.50
Business Case Development Fund	3.48	2.93
	118.79	**100.00**

3.3 Table 3 shows the actual expenditure across the year in terms of funding issued to projects.

Table 3: Investment Fund Outturn 2022/2023

	2022/2023 Budget	2022/2023 Outturn	Variance
Expenditure	**£m**	**£m**	**£m**
Business Case Development Fund	0.500	0.454	(0.046)
Workstreams	41.600	30.960	(10.640)
Technical Support	0.250	0.213	(0.037)
Corporate Contribution	2.650	2.149	(0.501)
Total Expenditure	**45.000**	**33.776**	**(11.224)**
Income	(20.000)	(20.000)	-
Total Income	**(20.000)**	**(20.000)**	**0.000**
Net (Income)/Expenditure Position	**25.000**	**13.776**	**11.224**

3.4 The financial performance reported in Table 3 is actual spend against the Investment Fund Plan during 2022/2023, but clearly Table 2 illustrates the significant progress made in decision and actions to deliver the overall programme. Delivery against the Investment Fund Programme reflects an improvement in project delivery following the impact of Covid-19 which had been felt across the programme in the two previous financial years, where a number of projects re-profiled expenditure into future years.

3.5 Following the exit from the European Union, Officers continue to work with the organisations applying for funding to understand the State Aid requirements that are set out in the UK approach to Subsidy Control. This has led to some delay in agreeing grant/funding agreements. NTCA Officers have worked proactively with legal colleagues to understand the changes and develop solutions to reduce the risk of ongoing delays. These solutions have been embedded into the application and contracting processes; it is anticipated this issue will reduce further over the course of 2023/2024.

3.6 Whilst delivery has been delayed in some areas, 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.

3.7 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 budget provision for this support has been transferred to a specific reserve at the year end to support the delivery of this programme of work in future years.

3.8 Within the above investment fund workstream there are the following projects which include capital schemes:

Table 4: Capital Schemes within the Investment Fund

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
NU Futures	0.335	1.636	0.028		
North Shields Fish Quay		0.346	1.084	0.242	
Swans Energy Park			2.000		
Spirit of North Tyneside			0.249		
Community Hubs Northumberland		0.010			
CCZ – North Tyneside			0.142	0.657	
Energy Central Learning Hub (ECLH)				1.000	
Northumberland Line Newsham Bridge				5.000	
Berwick CCZ				0.100	
North Bank of the Tyne EZ Phase 1		0.110	0.372	0.317	
North Bank of the Tyne EZ Phase 2				1.000	2.444
Bates Clean Energy Terminal		0.752	1.457	0.113	
Clean Energy Park, Howdon Yard and Quay			2.791	0.038	
Technology Development Centre				1.000	1.000
NEP1 Battle Wharf			0.508	0.741	
Northumbria Healthcare Laundry Facility			0.082		
Neptune & Swans Energy Parks Enabling Work				0.141	
Total	**0.335**	**2.854**	**8.713**	**10.349**	**3.444**

3.9 In addition to the above capital schemes funded from the NTCA Investment Fund, £15.350m of capital funding was provided by DLUHC in March 2023. for spend within 2022/2023 however, slippage into 2023/2024 was allowed due to the late receipt of the notification of funding. Table 5 shows the three schemes identified for this additional capital spend:

Table 5: £15.350m Capital Funding

Capital Project	Outturn on 31 March 2023 £m
Port of Tyne -Tyne Clean Energy Park	0.745
Sunderland City Council – Sunderland Studio Development	2.119
North Tyneside Council – North Shields Town Square	0.308
	3.172

4. UKSPF and Multiply

4.1 The UK Shared Prosperity Fund (UKSPF or the Fund) is a central pillar of the UK government's Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025. The intention of the fund is to invest in domestic priorities and targeting funding where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances.

4.2 Table 6 below shows expenditure against the first-year profile of UKSPF including Multiply. Confirmation of funding was received late in November 2022 and therefore first year spend against funding is lower than budget, although unspent funding from year 1 can be slipped into year 2.

Table 6: UKSPF and Multiply Outturn 2022/2023

	2022/2023 Budget	2022/2023 Outturn	Variance
Expenditure	**£m**	**£m**	**£m**
Community and Place	2.195	1.563	(0.632)
Supporting Business	3.291	-	(3.291)
People and Skills	-	-	-
Administration top slice (4%)	0.229	0.241	0.012
Total Core UKSPF	**5.715**	**1.804**	**(3.911)**
Multiply Programme	**1.123**	**1.089**	**(0.034)**
Administration top slice (10%)	0.125	0.125	**-**
Total UKSPF Multiply	**1.248**	**1.214**	**(0.034)**

5. Brownfield Housing Fund

5.1 The Brownfield Housing Fund (BHF) was the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least 2000 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.

5.2 An extension to BHF was announced in the Levelling Up White Paper. Mayoral Combined Authorities (MCAs) were awarded £120 million nationally, to be allocated to each MCA based on population. NTCA was awarded £7.96 million, bringing the total amount of BHF funding to £31.820 million.

5.3 In terms of approvals to date, NTCA have approved 11 schemes with a total commitment of

£23.227m, with a further 4 projects currently going through appraisal valued at £9.264m. These schemes are forecasting the creation of 2133 housing units with the extended pipeline accounting for 2422, this is set against the DLUHC target of 1500. Forecast private sector leverage for the contracted projects stands at £115.95m.

5.4 Table 7 shows the projected programme with current allocation of funds.

Table 7: Projected programme with current allocation of Brownfield Housing Fund

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Total
	£m	£m	£m	£m	£m	£m
Initial Funding Profile	4.854	8.100	6.700	3.100	1.100	23.854
Extended Funding Profile	0.000	0.000	4.753	2.674	0.524	7.951
Combined Funding Profile	**4.854**	**8.100**	**11.453**	**5.774**	**1.624**	**31.805**
Projected spend as of 31/03/2023	0.916	3.877	5.552	9.388	11.543	31.277
Actual spend as of 31/03/2023	**0.636**	**3.228**	**1.046**			**4.941**

5.5 Overall good progress is being made with the NTCA's Brownfield Housing Programme. The programme is expected to over deliver in terms of outputs and deliver good value for money, with expenditure profiles expected to be completed by March 2025 in line with government's expectations.

5.6 Actual project expenditure was broadly in line with projected expenditure in 2020/2021 and 2021/2022, however, fell below projection in 2022/2023. Schemes delivering early in the programme were selected due to their high level of shovel readiness. Extensive work has been undertaken to progress less well-developed schemes. This is time consuming and consequently a lag between schemes being added to the pipeline and developing to the point they begin to draw down Brownfield Housing Grant funding. Actual expenditure is expected to increase significantly in 2023/2024 as a number of pipeline schemes begin on site works.

6. Adult Education Budget (AEB)

6.1 As part of the devolution deal the Adult Education Budget was devolved to the authority with an effective start date of August 2020. This provided the Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.

6.2 NTCA's devolved AEB Budget for the period 1 April 2022 to 31 March 2023 is £23,577,970 plus an additional £1,614,180 for the delegated Free Courses for Jobs Offer. Bringing the total AEB for 2022/2023 to £25,192,450.

6.3 2022/2023 is the 3rd and final year of the original AEB framework delivery. The above devolved AEB Allocation for 2022/2023 has been allocated. However, the Free Courses for Jobs Offer funding allocation is subject to change as reconciliation is finalised with the DfE and providers.

6.4 Providers AEB delivery plans are monitored at quarterly performance management meetings throughout the year. AEB Devolution features as a strategic risk on the NTCA Strategic Risk Register.

In addition, at a project level, appropriate risk management processes are in place to identify and mitigate risks, with escalation requirements embedded.

Table 7: Adult Education Budget Outturn Position

	Budget £m	Actual £m	Variance £m
Grant Awards and Procured Services	22.900	17.932	(4.968)
Delegated Level 3 (Free Courses for Jobs)	1.614	1.281	(0.333)
AEB Transfer to Reserves	0.000	5.301	5.301
Corporate Contribution	0.678	0.678	0.000
Total Expenditure	**25.192**	**25.192**	**0.000**
Devolved AEB	(23.578)	(23.578)	0.000
Delegated Level 3 (Free Courses for Jobs)	(1.614)	(1.614)	0.000
Total Income	**(25.192)**	**(25.192)**	**0.000**

7. Bootcamps

7.1 NTCA have received a grant funding agreement directly from the Department for Education (DfE) for a total of £5.531m to support the delivery of Skills Bootcamps in the NTCA region. This is a significant investment in our region and has the potential to deliver new opportunities to generations of adult who may have been previously left behind. The funding for Bootcamps is allocated on an annual basis and not guaranteed on an ongoing basis, however, NTCA have been allocated £10.530m for Bootcamp Wave 4 in relation to 2023/2024.

7.2 Table 8 below shows the 2022/2023 outturn position on Wave 3 Bootcamps, 50% of the funding plus the 10% top slice is provided upfront (£3.017m) from DfE, of this £1.609m has been incurred plus the £0.202m of the £0.502m top slice. The remaining balance (£1.206m) of funding received to date has been carried forward in reserves to 2023/2024. The balance of funding from the original £5.029m allocation will be received in arrears of grant claims made.

Table 9: Bootcamps Wave 3 2022/2023 Outturn

	2022/2023 Budget	2022/2023 Outturn	Variance
	£m	**£m**	**£m**
Bootcamp Wave 3 Procured Services	5.029	1.609	(3.420)
Corporate contribution	0.502	0.202	(300)
Bootcamp Wave 3 c/f to Reserves		1.206	1.206
Total Expenditure	**5.531**	**3.017**	**2.514**
Bootcamp Wave 3 Funding	(5.531)	(3.017)	(2.514)
Total Income	**(5.531)**	**(3.017)**	**0.000**

8. Reserves

8.1 Reserves held at 31 March 2023 are detailed below in Table 10 overleaf.

Table 10: Reserves held at 31 March 2023

Reserves Statement	2021/2022	Movement (from)/to Reserves	2022/2023
	£m	£m	£m
Preparing to Exit EU	0.051	-	0.051
Strategic Reserve	0.200	-	0.200
Investment Fund Reserve	54.591	(13.776)	40.815
UKSPF including Multiply	-	3.018	3.018
Brownfield Housing Fund	9.088	3.706	12.794
DLUHC Capital Grant 2022/2023	-	12.177	12.177
Create Growth Programme	-	0.425	0.425
Adult Education Budget	3.458	5.301	8.759
Bootcamps Wave 3	-	1.206	1.206
Recovery Contingency Fund	-	0.452	0.452
Strategic Capacity Reserve	-	0.800	0.800
Levelling up Capacity Grant	-	0.125	0.125
Other grant reserves: Kickstart, Bootcamps Wave 2, Defra Rural, Redmond Review, Net Zero North East	-	0.264	0.264
Total General (Useable) Reserves	**67.388**	**13.246**	**81.086**

8.2 Useable Reserves have increased by £13.246m to £81.086m. Key movements in reserves relate to £13.776m planned drawdown of the investment fund. To date £100m Investment Fund monies have been received since 2018/2019 the closing balance on reserve of £40.815m represents spend on Investment Fund delivery of £59.185m (including contribution to the corporate top slice) since inception of the NTCA. UKSPF and Multiply, along with additional Capital Grant £6.963m and £15.350m respectively, were received late in the financial year with £3.945m and £3.173m spent in year with the balance remaining of £3.018m and £12.177m carried forward for delivery in 2023/2024. Adult Education Budget shows a contribution to reserves in 2022/2023, this is partly to pay for the remainder of the academic year delivery, and also some unallocated funding where providers have not met their anticipated level of funding. Bootcamps Wave 3 funding was received in year for 50% of the total allocation (£3.017m) of this £1.811m has been incurred with £1.206m carried forward for future delivery. A reserve has been created from Mayoral Capacity Funding (£1m) for a Strategic Capacity Fund £0.800m for 2023-24 as budgeted.

8.3 Brownfield Housing is a capital grant and therefore any unspent capital grant received and not yet spent (£12.794m) is carried forward. To date NTCA have received £17.705m funding in respect of Brownfield Housing of this £4.911m (small balance of £0.030m from the revenue allocation was drawn down in year to reduce project management costs) has been spent since 2020/2021.

9 Accountable Body Budget

9.1 All seven local authorities (LA7) in the North East area currently contribute £0.010m to meet the costs of the North East (LEP) Accountable Body role. This funding covers the SLA providing support to the North East LEP in 2022/2023.

9.2 Additional costs over and above the SLA charges (£0.022m) relate to finance and legal advisory costs. These costs are funded from interest earned on investment income on the North East Investment Fund (NEIF) balances. Table 9 shows the 2022/2023 North East LEP Accountable Body Outturn.

Table 9 North East LEP Accountable Body 2022/2023 Outturn

2022/2023 Accountable Body Outturn	
Expenditure	**£m**
Service Level Agreements	0.070
External Support	0.022
Total Expenditure	**0.092**
Income	
Accountable Body Contributions (LA7)	(0.070)
Interest Income (NEIF)	(0.022)
Total Income	**(0.092)**

10. Treasury Management

10.1 In line with the CIPFA Code of Practice on Treasury Management in the Public Services, the Authority is required to approve a treasury management strategy before the start of each financial year and to monitor/report performance against the strategy (with a mid-year review). Cabinet approved the 2022/2023 Treasury Management Strategy on 25 January 2022.

10.2 A key part of the 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 Authority's low risk policy, providing adequate security and liquidity before considering investment return.

10.3 A key element of the treasury management function is the management of the funding associated with the Authority's capital investment plans. These capital plans provide a guide to any borrowing needs of the Authority, essentially the longer-term cash flow planning to ensure that the 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.

10.4 Borrowing

10.4.1 NTCA were granted borrowing powers late March 2022. Discussions have been ongoing through 2022/2023 to agree the level of the borrowing cap. 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, will be brought to Cabinet in the near future. The debt cap for each year will be agreed with HM Treasury on an annual basis.

10.4.2 An authorised borrowing limit of £20.000m in advance of obtaining the borrowing powers was agreed in 2021/2022 and subsequently 2022/2023 Treasury Management Strategy. To date no borrowing has been made as there is no requirement at present to do so.

10.5 Investment Strategy

10.5.1 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.

10.6 Financial Investments

10.6.1 The 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. The Authority's investment strategy will consider 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.

10.6.2 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.

10.6.3 To date the authority has invested solely in investments defined as Specified Investments these are investments which 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 The authority's financial limits against this type of investment is shown in Table 10 below:

Table 10 NTCA Investment Financial Limits

Type of institution	Financial Limit	Time Limit
UK central government (Debt Management Office	£50m	Unlimited
Money Market Funds AAA	£5m each	Liquid
Term deposits with Bank and Building Societies	£5m each	12 months 6 months 100 days Not for use
UK Local authorities	£10m each	1 year
Certificate of Deposits with banks and building societies	£5m each	12 months 6 months 100 days Not for use
UK Government Treasury Bills	£10m each	1 year
Local Authority controlled companies in the NTCA area	£5m	5 years

10.6.4 As accountable body for the North East LEP (LEP) NTCA is responsible for managing the cashflow of the LEP in addition to its own. As of 31 March 2023 NTCA, including LEP balances, had a portfolio of £97m with an average rate of 2.60% invested, however the weighted average return over the financial year was 0.798% this earned a total of £0.801m net interest from investments with other local authorities for a term no greater than 1 year. The interest has been split at year end across NTCA and LEP according to balances invested, the LEP proportion of investment income is £0.240m with £0.022m contributing to funding of the Accountable Body costs, see section 9 above. The additional level of investment income has allowed investments to be placed for a longer-term (up to 1 year) attracting higher levels of interest.

10.6.5 Link Asset Services report on the Bank of England interest rates over the financial year shows that interest rates would rise from 1.25% to 2.0% by the end of the financial year, however, bank rates peaked at 4.25% in March 2023. The Bank of England weighted average interest rate for the financial year was 2.3%.In comparison to the NTCA weighted average rate of return of 0.798% this is lower than the Bank of England weighted average interest rate due to fact we use fixed term deposits there is typically a lag between the rate changes between the Bank of

England and increase in NTCA rates secured. Table 11 shows the NTCA position at the end of the financial year which shows some of the earlier investments made in the financial year at 0.2% however, some of the later ones show rates showing 4% and above we anticipate next financial years average rate of return to be considerably higher. The budgeted level of investment income was set at a prudent level of £0.175m this, however, was still considerably exceeded by £0.329m for NTCA.

Table 11. NTCA Investments as of 31 March 2023

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Merthyr Tydfil County Borough Council	2,000,000	1.22%	14/07/2022	14/04/2023
Derbyshire County Council	10,000,000	0.20%	29/04/2022	28/04/2023
Derbyshire County Council	10,000,000	0.20%	06/05/2022	05/05/2023
London Borough of Brent	10,000,000	1.30%	10/08/2022	10/05/2023
Blackpool Borough Council	10,000,000	1.30%	26/08/2022	26/05/2023
Liverpool City Council	10,000,000	3.88%	13/02/2023	14/08/2023
Wirral Metropolitan Borough Council	10,000,000	4.30%	28/02/2023	31/08/2023
City of Bradford Metropolitan District Council	10,000,000	3.90%	12/12/2022	11/12/2023
Stockport Metropolitan Borough Council	10,000,000	3.85%	21/12/2022	20/12/2023
Highland Council	5,000,000	4.00%	30/01/2023	29/01/2024
Birmingham City Council	10,000,000	4.05%	28/02/2023	27/02/2024
Total Investments	**£97,000,000**	**2.60%**		

10.6.6 All investments made are in line with NTCA's Treasury Management Strategy and are considered a low-risk counterparty/instrument commensurate with the Authority's low risk policy, providing

B. Impact on NTCA Objectives

The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority. The 2022/23 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.

B. Key risks

There are no specific risks relating to this report.

C. Financial and other resources implications

1. This report sets out in full the financial and resource implications that have arose over the past financial year 2022/2023.
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.

D. Legal implications

1. For 2022/2023, the statutory requirement for category 1 authorities is to revert to the original requirement in the Accounts and Audit 2015 Regulations, i.e., to make the unaudited accounts available for public inspection for a period that includes the first 10 working days of June and publication of the unaudited accounts by 31 May 2023. The North of Tyne Combined Authority will not achieve publication of the Draft Statement of Accounts by 31 May 2023. The current intention is

to publish the draft Statement of Accounts on the 30 June 2023. Janice Gillespie, as Chief Finance Officer for the Combined Authority will publish a statement on the 31 May to explain the reason for the delay in publishing the 2022/2023 Statement of Accounts. The NTCA Monitoring Officer has been consulted on this and has no further comments to add.

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.

E. Equalities implications

There are no direct equalities implications arising out of the recommendations in this report.

F. Inclusive Economy and Wellbeing implications

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

G. Climate Change implications

There are no direct climate change implications arising out of the recommendations in this report.

H. Consultation and engagement

The creation of the North of Tyne Combined Authority has been subject to significant and regional consultation. The 2022/2023 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.

I. Appendices

Appendix A: North East LEP 2022/2023 Outturn and 2023/2024 Budget Report

Appendix B: Invest North East England 2022/2023 Outturn and 2023/2024

J. Background papers

None

K. Contact officer(s)

Janice Gillespie, NTCA Director of Finance Janice.gillespie@northoftyne-ca.gov.uk

L. Glossary

AEB	Adult Education Budget
INEE	Invest North East England
LA7	7 Tyne and Wear Local Authorities
NTCA	North of Tyne Combined Authority
North East LEP	North East Local Enterprise Partnership

Appendix A

North East Local Enterprise Partnership Board

25th May 2023

ITEM 4: LEP budget: Financial Outturn 2022/23; and 2023/24 Budget Estimate

1. Introduction

1.1 The purpose of this report is to provide an update to the Board on the final outturn revenue budget position for 2022/23, including the performance on the Enterprise Zone account, Local Growth Fund (LGF), Getting Building Fund (GBF) and the North-East Investment Fund (NEIF).

1.2 This report also provides the Board with an update on the current budget position for financial year 2023/24. The budget estimates for 2023/24 reflect a reduced level of LEP Core Funding to £0.250m, with reduced funding from both LGF and GBF as the programmes are tapered towards their close.

2. LEP 2022/23 Revenue Budget Outturn

2.1 The LEP core budget for 2022/23 covers core operational activity of the LEP and also management of the LGF, GBF, NEIF and Enterprise Zone (EZ) programmes. Table 1 provides; the original approved budget from May 2022, revised forecast reported to the Board in January 2023 and the actual spend for the year, with further details explaining significant variations provided below.

2.2 The original budget for 2022/23 presented in May 2022 comprised gross expenditure of £6.480m and gross income of £6.397m, projecting a drawdown requirement from the EZ Account of £0.0.83m. The update to the LEP Board in January revised the 2022/23 forecast gross expenditure to £8.320m and gross income to £8.342m, reflecting a forecast surplus of £0.022m

2.3 In summary, the North East LEP outturn is a surplus of £0.500m as illustrated in Table 1 set out below.

Table 1: 2022/23 North East LEP Outturn

	Revised Budget 2022/23 (Jan 2023)	**Outturn Position 2022/23 (May 2023)**	**(Under)/ Over Variance to Revised Budget**
Expenditure	£000	£000	£000
Employee costs	3,294	3,072	(222)
Other core costs	440	446	6
Programme Operational costs	4,586	4,399	(187)
Contribution to Reserves	-	-	-
Total	**8,320**	**7,917**	**(403)**
Income			
Core Funding	(375)	(375)	0
Grants and Programme Funding	(7,478)	(6,970)	507
Other Income	(490)	(572)	(83)
Contribution from EZ Reserve	(500)	(500)	0
Total	(8,842)	(8,418)	425
Net Outturn (surplus)	(522)	(500)	22
Reserves Brought Forward	(701)	(701)	0
Reserves Carry Forward	(1,223)	(1,201)	22

2.4 **Expenditure**

Gross Expenditure at the end of the 2022/23 financial year was £0.403m lower than the Revised Budget for the year reported to the January 2022 LEP Board. The key variances making up this underspend are detailed below:

2.5 Employee Costs
Employee expenditure totalled £2.950m, which is £0.217m lower than the revised budget position. This underspend reflects staff leaving the organisation, and also some staff transitioning across into the Accountable Body, the North of Tyne Combined Authority (NTCA).

2.6 Premises costs for the financial year 2022/23 totalled £0.247m. This showed an increase of £0.040m against the base budget set in May, this is due to the increase in utility cost rises which is being experienced by many organisations.

2.7 Other Operational Costs funded from Core Budget
Other operational expenditure budgets reflect additional budget provision, funded from LEP Core Funding, provided to the individual sectors to fund key supplementary operational activity. This budget area reflects an underspend of £0.045m. This variance is due to a cautious approach to spending on some operational activities, with the sector teams requesting to carry forward any surplus budget to operational activity in future years.

2.8 Business Growth Team - Operational Costs
The Business Growth Team's operational costs includes the Growth Hub, Made Smarter and LGF High Potential programmes. All of these areas have specific funding streams. Other operational expenditure on areas within the Business Growth Team is as anticipated within budget.

2.9 Energy Strategy Budgets
The Energy Team is funded from various funding streams such as LGF, ERDF, contributions from the North of Tyne and Tees Valley Combined Authorities, plus local authority contributions in relation to the Energy Accelerator programme. Funding mainly covers salary costs with some operational costs in relation to commissioning costs and studies. Going forward this area of work is to be delivered by a team within the NTCA during 2023/24, as the LEP and NTCA teams were merged for more effective delivery across the seven local authorities.

2.10 Strategic Economic Planning Team – operational costs
The key areas of activity within the Strategic Economic Planning Team are the European Union (EU) Exit policy and work programme, Trade and Export Strategy and activities with the Northern Powerhouse 11 (NP11). The EU Exit delivery came in under budget.

2.11 Skills Team – operation costs
The Skills Team covers a number of funding streams, namely the European Social Fund (ESF) North East Ambition, Careers and Enterprise Company (CEC), EY and Department for Education (DfE) One Vision and DfE Skills Advisory Panel and Bootcamps. Expenditure on operational activity across the various funding streams totalled £2.414m, reflecting a small overspend against budget of £0.018m.

2.12 Innovation – operational costs
The LEP was successful in securing grant funding in relation to two key schemes: the Future Markets Acceleration Fund through CRF (Community Renewal Fund) which finished in 2022/23, and the Challenge North of Tyne Fund due to complete in 2023/24. The Challenge North of Tyne project is on target to spend in line with the grant funding profile.

2.13 Investment Team – operational costs
The Investment Team manages the following four funding streams: LGF, GBF, NEIF and the Enterprise Zone account, as well as the new Commercial Property Investment Fund (CPIF) and North East Property Fund (NEPF). Operational activity in this area was £0.427m in total and relates to commissioning activity and external advice to support programme delivery.

2.14 **Income**

The 2022/23 outturn position reflected gross income of £8.417m reflecting an increase in funding of £0.075m compared to the revised budget position reported in January. The increase in gross income reported at year end is linked directly to reduced expenditure on salary and related operational activity.

2.15 The Business Growth Team's funding amounted to £2.120m in total, including Made Smarter Funding (£0.800m) and Growth Hub Funding (£0.390m). Growth Hub Funding has been one of the core areas of delivery for the North East LEP, however, it received 50% less funding from Government in 2022/23 in line with the national position.

2.16 The Skills Team's funding amounted to £3.694m including ESF North East Ambition (£1.001m) and CEC Funding (£0.614m). Funding of £1.312m across all Skills Sector budgets has been carried forward to fund delivery in future years, in line with contractual commitments.

2.17 As mentioned in paragraph 2.12, innovation activity drew in funding for delivery on the CRF Future Market Acceleration Fund (£0.165m) and Challenge North of Tyne, total funding (£0.442m, £0.264m in 2023/24).

2.18 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income (EZ BRGI) surplus of up to £0.500m per annum could be utilised to support the revenue budget if required. In January 2023, Board agreed to utilise this drawdown facility in both 2022/23 and 2023/24, which is required as a result of reduced government funding at a time when increased capacity and resource is needed on the development and delivery of the Devolution Deal and the mobilisation of and transition into the new Mayoral Combined Authority, as well as one-off pieces of work, for example, the evaluation of the Strategic Economic Plan.

3. North East LEP Revenue Balances

3.1 Table 2 below shows the North East LEP revenue balance as at 31st March 2023. The movement in year on the reserve has increased to £1.201m . This increased provision is to recognise the requirement to fund any costs arising from work to progress Integration of the LEP and transition to the North East Mayoral Combined Authority, and funding of maintaining support for the current LEP programmes from May 2024.

Table 2:Revenue Balances

	2022/23 £m
LEP Reserves brought forward	(0.701)
In year (Surplus)/Deficit	(0.500)
Reserves carry forward	(1.201)

4. North East Enterprise Zones

4.1 Round 1 Enterprise Zones (EZ) 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 with 2022/23 being the tenth year of the Round 1 EZ life.

4.2 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 fifth year of the round 2 sites life. Ramparts (Northumberland), and Follingsby North (Gateshead) have generated Business Rates Growth Income during 2022/23 as the result of occupation on parts of the sites.

4.3 The 2022/23 EZ Account provisional Outturn figures are summarised in Table 3 below, which shows business rate income in 2022/23 of £7.1m for the year, which is significantly higher than the previous year. This is mainly because of the rates income from previous years for buildings on two of the EZ sites (Newcastle International Airport and the Follingsby EZ sites) has only recently been received and the figures include some backdated income in respect of previous years.

Table 3: 2022/23 Enterprise Zone Revenue Account Outturn

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Outturn £000	2022/23 Variation £000
ROUND 1 EZ SCHEMES				
Newcastle - Neptune Yard	543.1	530.9	509.9	(21.0)
North Tyneside - Swans	199.0	207.6	230.7	23.1
Northumberland - Blyth Port / Estuary	316.4	353.0	381.3	28.3
Sunderland A19 Corridor	830.7	764.0	826.1	62.1
ROUND 2 EZ SCHEMES				
Durham - Jade	185.1	248.9	276.6	27.7
Gateshead - Follingsby	258.6	3,475.0	4,123.9	649.0
Newcastle - International Airport	-	213.7	247.1	33.4
Northumberland -Ashwood Business Park	-	-	-	0.0
Northumberland - Ramparts (Berwick)	61.1	49.0	40.6	(8.4)
South Tyneside - Tyne Dock	-	-	-	0.0
Sunderland/ South Tyneside IAMP	927.9	525.2	500.7	(24.5)
TOTAL BRGI	**3,321.8**	**6,367.3**	**7,136.9**	**769.7**
Interest	15.0	150.0	53.3	(96.7)
Total Income	**3,336.8**	**6,517.3**	**7,190.3**	**673.0**
Expenditure				
Capital Financing Costs	2,170.7	2,832.0	2,832.0	-
Revenue Operating Costs	95.5	108.0	108.0	-

Contribution to INEE Team Costs	157.0	241.0	208.3	(32.3)
Total Costs	**2,423.2**	**3,181.0**	**3,148.3**	**(32.3)**
Annual Surplus	**913.6**	**3,336.3**	**4,042.0**	**705.3**
Cumulative Surplus	**4,568.6**	**7,904.9**	**8,610.6**	**705.3**
Use of the Surplus				
- Fund LEP Core Costs		(500.0)	(500.0)	-
- Project Development Fund		(885.8)	(706.0)	179.8
Residual Surplus balance	**4,568.6**	**6,519.1**	**7,404.2**	**885.1**

4.4 Actual interest earned on balances and other costs were lower than the estimate. The annual surplus of £4.041m was higher than the estimate and resulted in a cumulative surplus of £8.610m.

4.5 In terms of capital financing costs, the outturn figure of £2.820m includes in year interest costs paid to councils for projects in construction (£0.257m), annuity loan borrowing costs (of £1.861m) paid to councils and NECA and repayment of NEIF loans (£0.712m) previously used to fund capital costs on EZ sites. Capital financing costs have been kept in line with the budget for the year.

4.6 The original approved budget for the year envisaged that the EZ surplus could be used to meet up to a £0.5m contribution to the LEP annual budget and could fund up to £1.5m of Development Fund projects. The EZ account has funded the full budget provision of £0.5m of LEP costs for the first time. Actual Development Fund costs in 2022/23 of £0.706m were lower than originally anticipated and have been partly met in the first instance by the approved budget contribution from the NEIF.

4.7 Capital expenditure and the cost of feasibility studies in 2022/23 was slightly lower than anticipated at £11.55m. This was more than twice the level in the previous year. Expenditure to be funded by some EZ loans slipped back into future years as the use of grant funding from the Local Growth Fund (LGF) were used first before the use of EZ funding.

Table 4 : 2022/23 Enterprise Zone – Capital Expenditure

	2022/23 March £	2022/23 Outturn £	Variation £
Newcastle - International Airport - Site B	43,034	24,562	(18,472)
Northumberland - Ashwood Business Park	588,421	452,098	(136,323)
South Tyneside - Holborn 1	2,813,077	2,213,097	(599,980)
South Tyneside/Sunderland - IAMP	4,471,348	4,471,473	125
Northumberland - NEP1	(766,436)	(766,436)	0
Newcastle - North Bank of Tyne	1,932,701	2,443,556	510,855
Port of Sunderland	3,159,739	2,713,406	(446,333)
Feasibility Studies	202,968	0	(202,968)
Total	**12,444,852**	**11,551,756**	**(893,096)**

4.8 Capital expenditure on the Northumberland Energy Park (NEP1) was funded from Getting Building Fund grant over a two-year period, resulting in a refund of EZ funding relating to 2021/22. The cost of Feasibility Studies was funded by Local Growth Fund (LGF) grant in line with the approval of the North East LEP Board in January 2023.

5. Local Growth Fund

5.1 The Local Growth Fund (LGF) provided capital funding of £270.1m over six years up until March 2021. However, temporary project funding swaps, using budget freedoms and flexibilities from DLUHC over the lifetime of the LGF programme, has allowed legacy funding to fund projects beyond March 2021, including revenue projects. The outturn expenditure of £6.51m, of which £0.555m related to project management costs, was below the initial estimate of £7.288m for the year, reflecting slippage into 2023/24 on the East Pilgrim Street (public realm works project), Central Gateway (Newcastle Central Station - access and amenity improvements) and a lower than expected take up of the Invest in North East England inward investment fund. Investment activity includes the Energy Project Acceleration Fund that is facilitating the development of strategic energy projects in support Net Zero Carbon ambitions and work to install EV Rapid Charging points across all local authority areas.

5.2 The programme has achieved good outputs during the past year with almost 2,200 jobs, 70,000sqm of new and refurbished floorspace created and £81m of ‘follow on’ private sector investment delivered on key employment sites across the North East including the International Advanced Manufacturing Park, Sunderland, East Pilgrim Street Newcastle and the Integra 61 employment site in County Durham.

Getting Building Fund

5.3 The Getting Building Fund (GBF) programme received £47m capital from DLUHC split 50/50 over financial years 2020/21 and 2021/22. All funds were spent by the end of the two-year programme period, helped by the ability to use financial flexibilities and freedoms provided by the DLUHC. These flexibilities have been important given the significant challenges faced by the majority of the programme's capital projects in terms COVID disruptions and more recently rising construction costs and associated budget pressures. These factors have contributed to the outturn expenditure of £9.78m, of which £0.358m related to project management costs, being below the initial forecast for the year of £11.2m.

5.4 Of the 20 projects in the programme, three have residual grant budget allocations that have slipped into 2023/24 totalling £1.44m. Local funding from the NEIF/EZ account will be used to monitor and report on programme performance in 2023/24 and 2024/25. Though it is expected that the remaining GBF funds will be claimed by the end of Quarter 2 2023/24, several project will not financially complete until early 2024. The risk of further underspend in 2022/23 was mitigated by the LEP Board's decision to withdraw the Panther Court project following protracted delays in its commencement and the reallocation of over £960,000 of decommitted funds to the NETPark Phase 3 units scheme.

5.5 Due to delays in the physical completion of many projects the occupation of new buildings and the creation of new jobs has consequently been much lower than forecast to date, with just over 100 jobs reported against a forecast of 700. Although lower than forecast, the amount of new commercial floorspace created at 27,000sqm remains significant and the UKs first Digital, Autonomous and Robotic Engineering (DARE) research centre was opened at the Offshore Renewable Energy Catapult in Blyth, Northumberland.

North East Investment Fund

5.6 During 2022/23 the North East Investment Fund continued to receive repayments from its projects continuing its record of 0% default on investment. Of greatest significance having successfully completed the necessary procurement exercise, FW Capital Limited were appointed in January 2023 to carry out fund management services for the new Commercial Property Investment Fund (CPIF) for the region. The NEIF will cashflow the CPIF to help tackle weaknesses in the North East commercial property market. The CPIF provides £35m of senior debt, supported by up to £15m of grant incentives over the Fund term of 15 years. The fund was launched by FW Capital in January 2023, with Local Authorities and the Local Developer community on facilitating deal flow.

Table 5: North East Investment Fund (NEIF) Position

NEIF Fund 31 March 2023	
Regional Growth Fund (RGF)	£29.3m
Growing Places Fund (GPF)	£24.7m
Total Fund Budget (including interest)	£54m+(£2.1m)
Total Investment made to date (no. of projects)	£79m (31)
Current Balance for Investment	£15.4m

5.7 Repayments have continued from significant projects, however, NEIF beneficiaries have been amongst the many businesses affected by macro-economic challenges, and this has resulted in several projects renegotiating repayment terms. The secured nature of NEIF investments has meant the Partnership has been able to agree to such requests when they have come forward when supported by satisfactory evidence. Investment has continued into the North East Property Development Fund, managed by FW Capital (FWC), providing loans up to £1m to developers of small scale residential and commercial development. The additional investment occurs following the successful piloting of the Fund and growth in demand from SME developers in region

5.8 FW Capital have invested £13.2m during 2022/23 into 10 investment opportunities. There are further 11 investments under consideration as funds return for re-investment. The current qualified loan pipeline is £3.98m and relates to 5 schemes. FWC are actively working on the six remaining enquiries, which a potential borrowing requirement of £3.81m. This call on the Fund across deals, led to FWC drawing on the final tranche of approved NEIF funds of £2.5m, which was paid at the beginning of November. The fund is now at maximum capacity.

Commercial Property Investment Fund (CPIF)

5.6 At the year-end some £15.4m is available from the NEIF to support new activity. In addition, there will be £5m available for incentives from the Enterprise Zone account over the first investment cycle. This is envisaged to be used to fund Inward Investment Activity and to support the proposals for a new Commercial Property Investment Fund, which has been previously agreed by the Board. It is estimated that the £35m CPIF investment which will be made over the four years (including other NEIF retuned funds and cash flow) will be loaned out several times (three or more cycles are envisaged) and repaid in full at the end of the 15-year period, plus interest of c£10.3m and the potential of surplus of £6m, potentially rising to £8m if the bad debt provision is not called upon.

6 LEP Revenue Budget 2023/24

6.1 The indicative budget position for 2023/24 was reported to the North of Tyne Combined Authority (NTCA) as the accountable body for the North East LEP on 31 January 2023, and to the North East LEP Board on 26 January 2023.

6.2 The Levelling Up White Paper detailed the direction of travel for the integration of LEPs into combined or local authorities, with LEP Core Funding reduced to £0.375m in 2022/23 from £0.500m and then further reduced in 2023/24 to £0.250m. Growth Hub funding also was reduced from £0.780m to £0.390m in 2022/23 and confirmed at that level for 2023/24. The 2023/24 budget detailed in Table 7 takes account of the reduced funding. This report will be reported to the NTCA Cabinet on 6 June 2023, as the accountable body for the North East LEP.

6.2 Table 7 below, provides a summary of the revenue budget for the North East LEP showing financial years 2023/24.

Table 7: 2023/24 North East LEP Budget

	Indicative Budget (January LEP Board)	Base Budget (May LEP Board)	Variance
Expenditure	£'000	£'000	£'000
Employee costs	3,037	3,168	130
Other core costs	440	440	0
Programme Operational costs	3,472	10,174	6,702
Contribution to Reserves	-	-	-
Total	6,950	13,782	6,833
Income			
Core Funding	(375)	(250)	125
Grants and Programme Funding	(5,044)	(12,393)	(7,351)
Other Income	(716)	(727)	(12)
Contribution from EZ Reserve	(500)	(411)	89
Total	(6,634)	(13,782)	(7,147)
Net Budget Position (surplus)/deficit	315	0	0
Reserves Brought Forward	(1,223)	(1,201)	22
Contribution from LEP Reserve	315	0	315
Reserves Carry Forward	(908)	(1,201)	(293)

6.3 The 2023/24 LEP base budget reflects an increase of £0.130m in salary costs. The increase is largely due to an increase to the superannuation employer rate from 5.2% to 15.1% as part of the triennial pensions review. The employee expenditure line also includes the LEP Chair remuneration (£0.021m) and a travel allowance budget for all staff of £0.020m. Should no additional income be identified the costs are estimated to exceed the available grant and core contributions income by up to £0.411m in 2023/24. The deficit of £0.411m in 2023/24 is proposed to be funded from the EZ account surpluses as agreed at the January 2023 Board. This enables the potential risk of not securing additional income during the transition year to be managed.

6.4 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income (EZ BRGI) surplus of up to £0.500m per annum could be utilised to support the revenue budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2.500m of potential spend from the EZ account.

6.5 The opportunity to draw on the EZ reserve, if necessary, helps compensate for the uncertainty of other income streams. In recent years, this contingency has not been called upon as other income streams have been confirmed or new income streams have been identified.

6.6 Employee budgets have factored in an average pay award of 2% to NJC pay grades, however this has not been accepted by Unions at this stage. The budget reflects the very recently approved pay award for JNC posts. A staff turnover allowance of 3% has been factored into the employee budget, which is considered prudent given experience in recent years.

6.7 The NECA pension fund enabled the LEP to benefit from a 0% employer superannuation contribution rate which provided a significant budget saving. The change in accountable body status to NTCA, has meant an employer superannuation contribution rate of 15.1% is now applicable, however, in order to maintain the saving benefit to the LEP, the NTCA are providing a contribution at the same level to achieve a net budget impact (£0.378m in 2023/24).

6.8 The Communications' team operational budget for 2023/24 will maintain the level in 2022/23 at £0.200m, which had been at £0.250m since 2017. Key aspects of the budget include development of the communications' activity related to delivering the SEP plus the continuation of essential PR & Media support.

6.9 The LEP Core funding from Government is £0.250m, with an assumed match of £0.250m collectively from the seven local authorities. The Board is asked to note that the LEP team are providing significant capacity to support the seven local authorities in developing the devolution plans and to support the development and mobilisation of the new Mayoral Combined Authority.

6.10 As previously agreed by the Board, a 2.6% top-slice of the Local Growth Fund allocation is available to support the delivery of the programme, primarily LEP team staffing costs. Although the LGF programme officially ended in March 2021, by using funding SWAPs, revenue funds will be available in 2 2023/24 to support extended activity. The drawdown of the balance of the top-slice budget is profiled to be £0.338m for 2023/24.

6.11 As the annual LGF grant allocation is normally paid by Government in full at the beginning of the financial year, the cash balances held are able to attract interest (£0.100m in 2023/24). An estimate for each financial year is included within the budget, based on an assumption of the timing of LGF expenditure. The level of interest generated naturally reduces in line with the reducing LGF and GBF grant receipts in future years and also depends on the rate of interest that can be earned on fund balances. We will continue to seek to maximise the level of interest earned on cash flow balances and will update the estimate when the budget is reviewed during the year.

9. Recommendations

9.1 The Board is requested to:

i. Note the positive budget outturn position for 2022/23.
ii. Approve the 2023/24 budget.

10. Appendices

10.1 Appendix A: Outturn table 22-23
Appendix B: Budget table 23-24

	2022/23 TOTALS			
	Original Budget 2022/23 (May 22)	Revised Budget 2022/23 (Jan 2023)	Forecast Outturn Position 2022/23 (May 2023)	(Under)/ Over Variance to Original Budget
	£'000	£'000	£'000	£'000
Employees	3,129,642	3,168,249	2,950,296	(217,954)
Employee - Allowances	20,000	20,000	15,331	(4,669)
Strain on the Fund		18,319	18,319	0
Redundancy Costs	61,650	66,804	66,804	0
LEP Chair Renummeration	21,000	21,000	21,584	584
Premises	207,000	240,000	247,364	7,364
Communications	200,000	200,000	198,901	(1,099)
Other Operational Costs (Core)	586,803	301,232	255,976	(45,256)
Growth Hub Operational Costs (L6019)	228,500	103,249	110,478	7,229
Made Smarter	472,500	558,098	679,032	120,934
LGF High Potential Operational (L6047)	40,000	52,752	42,963	(9,789)
Life and Health Sciences (L6059)	48,008	48,008	35,053	(12,955)
Energy Operational Costs	0	26,000	0	(26,000)
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	0	100,000	0	(100,000)
Future Markets Acceleration Fund Ghead	136,917	91,784	91,784	0
Future Markets Acceleration Fund Sunderland	185,968	36,016	73,082	37,066
Challenge North of Tyne	438,241	470,000	378,856	(91,144)
Brexit Policy Work Programme (Strategy & Policy)	0	0	0	0
Trade and Export Strategy	20,000	18,000	2,733	(15,267)
NP11	0	0	0	0
North East Ambition Operational Costs 1	59,033	8,650	8,650	0
North East Ambition Operational Costs 2	125,687	125,687	68,769	(56,918)
Skills Operational BOSS, KS, CODE	0	200,155	74,189	(125,966)
Bootcamps	0	1,561,233	1,656,609	95,376
Skills Operational CEC, DfE	316,312	417,519	411,936	(5,583)
CEC Effective Transitions Fund	0	61,605	67,181	5,576
NTCA Careers	0	20,001	1,390	(18,611)
Sustainability Careers and Enterprise	0	0	12,218	12,218
NTCA Transitions	0	0	605	605
Central Hub	0	0	112,024	112,024
EZ, NEIF Costs	100,000	100,000	82,874	(17,126)
CPIF	0	0	0	0
LGF Project Management	22,000	195,000	180,431	(14,569)
GBF Project Management	61,382	90,682	51,859	(38,823)
GROSS EXPENDITURE	**6,480,643**	**8,320,043**	**7,917,292**	**(402,751)**
LEP Core & Strategy Grant from DCLG	(375,000)	(375,000)	(375,000)	0
Local Authority Match Contributions	(250,000)	(250,000)	(250,000)	0
CORE FUNDING	**(625,000)**	**(625,000)**	**(625,000)**	**0**
LGF Project Management	(431,239)	(540,926)	(555,478)	(14,551)
GBF Project Management	(195,604)	(215,469)	(191,223)	24,246
Interest Generated on Funds	(110,000)	(110,000)	(187,121)	(77,121)
Growth Hub	(390,000)	(390,000)	(390,000)	0
Made Smarter	(600,000)	(697,000)	(800,000)	(103,000)
LGF High Potential	(40,000)	(52,752)	(42,963)	9,789
Academic Health Science Network (AHSN)(LGF)	(48,008)	(48,008)	(79,375)	(31,367)
Energy Accelerator	(180,000)	(90,000)	(118,012)	(28,012)
Energy Strategy BEIS / TVCA / LGF	(63,918)	(159,271)	(84,333)	74,938
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	0	(100,000)	0	100,000
CRF Future Market Acceleration Programme Ghead	(148,355)	(91,784)	(91,784)	0
CRF Future Market Acceleration Programme Sunderland	(185,968)	(73,082)	(73,082)	0
Challenge North of Tyne	(497,804)	(470,460)	(441,396)	29,064
Internationalisation Policy Work (Brexit)	(92,036)	(57,751)	(85,562)	(27,811)
Trade and Export Strategy	(20,000)	(18,000)	(2,735)	15,265
NP11	0	0	0	0
European Social Fund North East Ambition 1	(169,044)	(243,144)	(153,104)	90,040
European Social Fund North East Ambition 2 (Mar 23)	(859,377)	(859,377)	(848,708)	10,669
FRIC Monies	(320,618)	(260,279)	0	260,279
Skills BOSS CODE KickStart	0	(156,958)	(79,859)	77,099
Bootcamps	0	(1,561,233)	(1,656,608)	(95,375)
Enterprise Adviser grant - CEC	(715,105)	(723,386)	(613,933)	109,453
CEC Effective Transitions Fund	0	(61,605)	(67,179)	(5,574)
Education Challenge	(20,980)	(20,980)	0	20,980
DfE	(79,382)	(76,047)	(36,047)	40,000
DFE - One Vison	(192,432)	(180,835)	(113,273)	67,562
Central Hub	0	0	(112,324)	(112,324)
Sustainability Careers and Enterprise	0	0	(12,218)	(12,218)
NTCA Careers	0	(20,001)	(1,390)	18,611
NTCA Transitions	0	(13,000)	0	13,000
NEIF Contribution to cover activity costs	(147,355)	(124,727)	(185,187)	(60,460)
EZ Contribution to cover activity costs	(31,570)	(61,570)	(134,400)	(72,830)
Contribution Pension - NTCA	(133,692)	(139,592)	(135,339)	4,253
EZ Contribution			(500,000)	(500,000)
Other Income	(100,000)	(100,000)		100,000
EXTERNAL FUNDING	**(5,772,486)**	**(7,717,237)**	**(7,792,634)**	**(75,396)**
GROSS INCOME	**(6,397,486)**	**(8,342,237)**	**(8,417,634)**	**(75,396)**
NET BUDGET	**83,156**	**(22,194)**	**(500,342)**	**(478,148)**
BROUGHT FORWARD BALANCE	**(701,317)**	**(701,317)**	**(701,317)**	
Use or (Contribution) LEP Reserves		**(22,194)**	**(500,342)**	
EZ Contribution	**(83,156)**	**(500,000)**		
CARRY FORWARD BALANCE	**(701,317)**	**(1,223,511)**	**(1,201,659)**	

2023/24 North East LEP Budget	2023/24 Indicative Budget (January LEP Board)	2023/24 Base Budget (May LEP Board)
	£'000	£'000
Employees	3,037,395	3,167,648
Premises	240,000	240,000
Communications	200,000	200,000
Other Operational Costs	600,000	600,000
Reduction in Operational Costs	(150,000)	0
Core Operational Costs c/f from 2022/23	0	16,907
Growth Hub Operational Costs	228,500	90,497
BG Operational Costs c/f L6027	0	87,818
Made Smarter	664,560	665,998
Energy Programme Operational Costs	5,000	0
Access to Finance	0	33,000
Challenge North of Tyne	242,395	228,971
North East Ambition Operational (ESF) 1	8,650	8,650
North East Ambition Operational (ESF) 2	140,764	50,000
Sustainability CEC	0	53,566
Bootcamps	1,129,631	7,460,306
Skills Operational CEC, DfE, BOSS,Kickstart, CODE	229,542	346,098
CEC Effective Transition Funds	50,395	116,321
Central Hub	0	155,081
NTCA Careers	49,403	0
NTCA Transitions	25,104	0
Internationalisation	0	15,000
Trade and Export Strategy	22,000	20,000
Norther Powerhouse11	15,275	15,275
EZ NEIF Costs	100,000	100,000
LGF Project Management	93,100	93,100
Getting Building Fund Project Management	17,844	17,844
GROSS EXPENDITURE	**6,949,558**	**13,782,081**
LEP Core & Strategy Grant from DCLG	(375,000)	(250,000)
Local Authority Match Contributions	(250,000)	(250,000)
CORE FUNDING	**(625,000)**	**(500,000)**
Local Growth Fund (Programme Mgmt)	(192,100)	(338,859)
Getting Building Fund (Programme Mgmt)	(38,744)	(80,126)
Interest Generated on Funds	(100,000)	(100,000)
Growth Hub	(390,000)	(420,000)
GH Business Support C/F	0	(204,875)
Enterprise Adviser grant - CEC	(234,065)	(583,585)
Challenge North of Tyne	(242,395)	(263,797)
NEIF Contribution to cover activity costs	(152,734)	(142,980)
EZ Contribution to cover activity costs	(35,156)	(28,653)
North East Ambition 1 (ESF)	(194,370)	(196,944)
North East Ambition 2 March 2023	(636,428)	(740,884)
Skills Operational CODE, BOSS, Kickstart	(226,207)	(305,410)
Bootcamps	(1,129,631)	(7,610,306)
DfE	(229,542)	(44,535)
Central Hub	0	(155,081)
Sustainability CEC	0	(53,566)
NTCA Careers	(49,403)	0
NTCA Transitions	(25,104)	0
CEC Effective Transition Funds	(50,395)	(127,821)
Internationalisation	(34,285)	(15,000)
SEP Core Operational c/f	(49,711)	(14,903)
Trade and Export Strategy	(22,000)	(20,000)
Norther Powerhouse11	(15,275)	(15,275)
Made Smarter	(800,000)	(800,000)
Access to Finance	0	(57,724)
Energy Accelerator LA Contributions	(75,000)	0
Energy Strategy BEIS/TVCA/LGF	(58,682)	0
DFE - One Vison	(62,370)	(72,917)
Contribution Pension - NTCA	(365,582)	(377,798)
Contribution from EZ Reserve	(500,000)	(411,041)
Other Income	(100,000)	(100,000)
EXTERNAL FUNDING	**(6,009,179)**	**(13,282,081)**
GROSS INCOME	**(6,634,179)**	**(13,782,081)**
NET BUDGET	**315,378**	**(0)**

	2023-24	2023-24
LEP Reserves brought forward	(1,223,511)	(1,201,659)
In year (Surplus)/Deficit	315,378	(0)
Reserves carrry forward	(908,133)	(1,201,659)

Appendix B

Invest North East England 2022-23 Outturn and 2023-24 Budget.

1. Overview

1.1 Invest North East England (INEE) 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 Business and Trade, and Universities to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses.

1.2 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 the 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)

2. Performance

2.1 2021/22 was a record year for inward investment in the North East with the region out-performing every region in the UK, including London, on jobs created by foreign direct investment (FDI) per 100,000 working-age population (a calculation allowing regions of different sizes to be compared). Over 8,000 jobs were created through FDI and UK investments.

2.2 Successes in 2022/23 have been more modest. With the figures still to be finalised, around 1,900 jobs have been created in the region, the vast majority of these coming from FDI. Digital technology investments have been particularly evident, focused mainly in Newcastle. There have been significant investments in advanced manufacturing and renewable energy throughout the region, although it was a very quiet year for business services following a bumper year in 21/22.

2.3 INEE currently has a very healthy project and visit pipeline which it hopes to secure investments in 2023/24. The team is focusing particularly on electrification projects, renewables, digital technology and advanced manufacturing with some very exciting and strategic investments on the horizon.

3. 2022/23 Outturn and 2023/24 Proposed Budget

3.1 The 2022/23 Outturn position reflects a slight decrease in employee expenditure relating to a member of the Team responsible for marketing and communications leaving for a new job. The team has been unable to fill this role and alternative arrangements have been made to deliver this function on an interim basis.

3.2 Other areas of underspend have been on the lead generation and marketing budgets. This is partly due to the constraints of attending events to promote the region being constrained in the first half of the year due to the overhang of Covid 19 restrictions. An extensive events and marketing programme has been planned in 2023/24 as events are getting back to their pre-Covid levels. Lead generation activities are also beginning once again, although not through a lead generation contract as in previous years.

3.3 INEE is working very closely with all seven LAs as well as the sector specialist employed through the NTCA inward investment funds to plan for a transition to the new NEMCA arrangements. This involves planning and attending key events with complementary promotional materials. Particular focus is planned on electrification, renewable energy, digital technology and space, and some key advanced manufacturing sub-sectors.

3.4 Table 1 overleaf shows the 2022/23 Outturn compared to the Original Budget and the 2023/24 Proposed Budget position for Invest North East England.

Table 1. Invest North East England 2022/2023 Outturn and 2023/2024 Proposed Budget

	2022/23 Original Budget	2022/23 Outturn	Variance	2023/24 Proposed Budget
Expenditure	**£**	**£**	**£**	**£**
Salaries	237,000	221,586	(15,414)	237,000
Staff Training	1,000	-	(1,000)	1,000
Travel and Subsistence	5,000	6,837	1,837	10,000
Web, Telecoms, Computers	8,000	5,837	(2,163)	16,000
Marketing/Coms/Events	90,000	64,878	(25,122)	90,000
Membership Fees	3,000	2,985	(16)	3,000
Professional Consultancy	8,000	13,700	5,700	8,000
Lead Generation	93,000	25,000	(68,000)	80,000
Research Resource Licenses	15,000	15,000	0	15,000
Gross Expenditure	**460,000**	**355,822**	**(104,178)**	**460,000**
Income				
Local Authority Contributions	(140,000)	(140,000)	0	(140,000)
EZ Contribution	(313,000)	(208,682)	104,318	(313,000)
Private Sector Contribution	(7,000)	(7,140)	(140)	(7,000)
Gross Income	(460,000)	(355,822)	104,178	(460,000)
Net Budget	0	0	0	0

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NORTH OF TYNE COMBINED AUTHORITY

Cabinet

6 June 2023

Title: NTCA Statement of Accounts
Report of: Director of Finance
Portfolio: Investment and Resources

Report Summary

This report presents Cabinet with the following;

1. The final 2020/2021 Audited Statement of Accounts for the year ended 31 March 2021 including the Narrative Report and Annual Governance Statement. The report covers the regulations under which the Statement of Accounts are prepared and details the items included within the Statement of Accounts and details of the Audit Completion Report from the external Auditors Mazars

2. Following an update to Cabinet in March 2023 a further update on the progress on the external Audit of the 2021-22 Statement of Accounts, with a recommended delegation to the Chief Executive and Director of Finance to approve, in consultation with the Mayor, and publish the final Audited Statement of Accounts and the Annual Governance Statement for 2021-22.

Recommendations

1. Note the NTCA 2020/21 Audit Completion Report 2020/21 (Appendix 1)

2. Note the NTCA Follow up letter to the Audit Completion Report 2020/21 (Appendix 2)

3. Note the Follow up Letter to the Audit Completion Report 2020/21 Further Letter of 13 April 2023 (Appendix 3)

4. Approve the NTCA 2020/21 Annual Governance Statement (Appendix 4)

5. Approve the NTCA 2020/21 Audited Statement of Accounts including the Narrative Report in line with Audit and Accounting Regulations 2015 as presented. (Appendix 5)

A. Context

1. 2020-21 Statement of Accounts and Annual Governance Statement (AGS)

1.1 The 2020-21 Statement of Accounts were taken to Audit and Standards Committee and then onto Cabinet in January 2022. As the Audit was not quite complete a delegation was given to authorise the Managing Director and the Chief Finance Officer in consultation with the Mayor to agree any final amendments or changes to the North of Tyne Combined Authority (NTCA) 2020-21 Statement of Accounts made by the external auditors after the Cabinet meeting to approve the final 2020-21 Statement of Accounts.

1.2 A technical accounting issue relating to Infrastructure Asset Valuations was raised shortly after, in February 2022, preventing final completion of the 2020-21 Statement of Accounts process allowing them to be published.

1.3 A national approach to the infrastructure issue was agreed early this year and officers at the North East Combined Authority (NECA) prepared the relevant adjustments in consultation with NTCA's officers and the external auditors. This has allowed the NTCA 2020/21 Statement of Accounts to be finalised. The 2020/21 Audit Completion Report plus follow up letters attached as Appendices to this report were taken to Audit and Standards Committee on the 25 April 2023 for information alongside the 2020-2021 Statement of Accounts, Narrative Report and AGS. These Statements are brought to Cabinet for final approval to be followed by publication on the NTCA website.

1.4 Due to the time that has elapsed since the original delegation for approval was put in place, the Director of Finance felt it was appropriate to bring the Final Statement of Accounts and the AGS back to Cabinet for further consideration. There have been no issues arising since the drafting of the AGS that need to be brought to Cabinet's attention.

2. 2021-22 Statement of Accounts and Annual Governance Statement (AGS)

2.1 An update on the 2021/22 Statement of Accounts was brought to March Cabinet 2023 informing that the technical issue in relation to Infrastructure Assets had been resolved with the intention of finalising the 2020/21 Statement of Accounts and, pending completion of the pension fund audit, to sign off the 2021/22 Statement of Accounts.

2.2 An issue in relation to the 2021-22 Pension fund valuation has since arisen. As a result of the external auditor being unable to conclude their audit of the IAS19 Pension Fund Statement data consideration of the impact of the 2022 Triennial valuation on the IAS19 disclosure was required. A national position was recently determined that resulted in the authority being required to request a new IAS19 Pension Fund Statement for 2021-22 from the Actuary. Whilst the authority has the revised IAS19 statement, however the subsequent changes made to the draft Statement of Accounts are subject to external audit's review, and importantly Mazars, the external auditors, require assurance on the data set used to produce the revised IAS19 disclosure statement. This assurance is provided by the auditor of the Pension Fund (Ernst Young). Mazars are currently considering their position on the approach proposed for that assurance.

2.3 The Audit and Standard's committee considered these matters at their last meeting on 24 April 2023. They raised their concern at the unsatisfactory delay in being able to conclude the external audit and publish the audited statement of accounts. They asked the Chief Finance Officer to consider what the impact would be should the authority chose not to make the recommended adjustments arising from a revised IAS19. In simple terms this would most likely lead to a qualification of the Accounts from the external auditor, with reputational damage to the authority the resulting outcome.

2.4 The Director of Finance has considered the options available to conclude the 2021-22 audit of the Statement of accounts. The NTCA Statement of Accounts are a complex document that contain a relevant share of financial information in respect of the Joint Transport position with the North East Combined Authority (NECA) and a set of Group accounts as a result of the requirement to consolidate financial information from Nexus. As NECA and Nexus and have all determined to update their statements with a revised IAS19 it would not be appropriate for NTCA to not do the same.

2.5 In light of this outstanding matter this report is recommending that a delegation is made to the Chief Executive and Director of Finance in consultation with the Mayor to agree any final amendments or changes to the North of Tyne Combined Authority (NTCA) 2021-22 Statement of Accounts and to approve the Accounts and AGS for publication.

B. Impact on NTCA Objectives

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

C. Key risks

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.

D. Financial and other resources implications

The Statement of Accounts has been carried out by North Tyneside's Finance SLA to the North of Tyne Combined Authority.

E. Legal implications

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.

F. Equalities implications

There are no equality implications arising from this report.

G. Inclusive Economy and Wellbeing implications

There are no inclusive economy implications arising from this report

H. Climate Change implications

There are no climate change implications arising from this report

I. Consultation and engagement

The NTCA 2020/21 draft Statement of Accounts were published on the NTCA Website on the 31 July 2021.

J. Appendices

2020/21 Audit Completion Report (previously presented in January 2022)
2020/21 Follow Up Letter to ACR (previously presented in March 2022)
2020/21 Further Follow Up Letter to ACR
2020/21 NTCA Annual Governance Statement
2020/21 NTCA Narrative Report
2020/21 NTCA Annual Statement of Accounts

K. Background papers

None

L. Contact officer(s)

Janice Gillespie, NTCA Director of Finance
Janice.gillespie@northoftyne-ca.gov.uk

M. Glossary

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

Audit Completion Report

North of Tyne Combined Authority
Year ended 31 March 2021

January 2022

mazars

Contents

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

Mazars LLP
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

14 January 2022

Dear Members

Audit Completion Report – year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our updated Audit Strategy Memorandum which we presented to the Audit and Standards Committee on 20 July 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We noted in our Audit Strategy Memorandum that our risk assessment in respect of our VFM work was not complete; following completion of this risk assessment, we did not identify any significant risks of weaknesses in arrangements.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07896 684 771.

Yours faithfully

Gavin Barker

Gavin Barker
Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 04 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls (relevant to NTCA and Group);
- Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to NTCA and Group); and
- Defined benefit liability valuation (relevant to NTCA and Group).

Section 05 sets out internal control recommendations and section 6 sets out audit misstatements. Section 07 outlines our work on NTCA's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, matters remaining outstanding as outlined in section 02. We will provide an update to you in relation to the matters outstanding through issuance of a follow-up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions.

Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that NTCA has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 07 of this report.

Whole of Government Accounts (WGA)

At the time of preparing this report , we have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received. Until this work is completed we are unable to issue our certificate.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of NTCA and to consider any objection made to the accounts. No questions or objectives have been received.

1. Executive summary

COVID-19 impacts

The Covid-19 pandemic continued to impact on NTCA and its subsidiaries and on the audit process this year. The audit team continued to work remotely. Whilst challenging at times, through the effective use of technology and close liaison with finance and other officers, these challenges were overcome.

There were also delays in completing the audit this year. We highlighted these to officers and Members early in 2021. However, the eventual delays were longer than originally anticipated. We are grateful to officers and Members for their understanding in the difficult circumstances faced by the audit team in relation to completion of the 2020/21 audit work. We would particularly like to thank the finance team for their co-operation and for being available throughout the audit work to answer our queries.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Work still outstanding at the point of drafting this Audit Completion Report	Green	We are finalising our testing in a number of areas, and continuing to write up our documentation of the audit file. We continue to discuss some matters arising with officers. We deem the risk of significant audit issues arising from the work that requires completion to be low. We will be able to provide a verbal update to Members when we present our report. In addition, we will provide a follow up letter setting out how any issues arising are resolved immediately prior to signing the audit opinion through issuance of a follow up letter.
WGA	Green	Our audit work will be completed once the Group Instructions have been received from the National Audit Office.
Audit quality control and completion procedures	Green	Our audit work is subject to ongoing review and quality control procedures. In addition, there are residual procedures to complete, including agreeing the expected amendments to the final Statement of Accounts, updating post balance sheet event considerations to the point of issuing the opinion and reviewing management's going concern assertion.

- Red: Likely to result in material adjustment or significant change to disclosures within the financial statements.
- Amber: Potential to result in material adjustment or significant change to disclosures within the financial statements.
- Green: Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our updated Audit Strategy Memorandum in July 2021. We have not made any changes to our audit approach since we finalised our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £9.787m for the Group and £5.081m for NTCA using a benchmark of 2% of total assets. Our final assessment of materiality, based on the final financial statements is £12.437m and £7.490m for the Group and NTCA respectively, using the same benchmark.

Group audit approach

The Group consists of Nexus, North East Metro Operations Limited (NEMOL) and Tyneside Transport Services Limited. We are responsible for the direction, supervision and performance of the group audit. Mazars is also the external auditor for NEMOL.

04

Section 04:

Significant findings

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risk – management override of controls

Management override of controls (single entity and group)

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Subject to completion of outstanding work, there are no issues arising from our work that we are required to report to you.

4. Significant findings – significant risk: revenue recognition

Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and group accounts)

Description of the risk

Revenue recognition has been identified as a significant risk due to:

- cut off considerations for Tyne Tunnel toll income given the cash nature of the receipts; and
- grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.

How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of controls management had in place to ensure income was recognised in the correct period;
- cash receipts around the year end to ensure they had been recognised in the right year;
- the judgements made by management in determining when grant income was recognised;
- for Tyne Tunnel toll income, performed a substantive analytical review; and
- for major grant income, obtained counterparty confirmation

Audit conclusion

Subject to completion of outstanding work, there are no issues arising from our work that we are required to report to you.

4. Significant findings – significant risk: net defined benefit liability (pensions)

Defined benefit liability valuation (relevant to single entity and group accounts)

Description of the risk

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We addressed this risk through performing audit work over:

- evaluating the management controls you had in place to assess the reasonableness of the figures provided by the Actuary; and
- considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

Audit conclusion

The entries for the pension liability are derived from information provided by the actuary, and relate to pensions administered by Tyne and Wear Pension Fund.

The actuary bases NTCA and the Group entities share of the Pension Fund assets based on actual asset performance for part of the year, but with an estimate in relation to the final quarter of the financial year. In normal circumstances this results in an estimate that is not significantly different to the actual asset performance at the end of the financial year and is a fair basis for the disclosures. In the final quarter of 2020/21, there was more volatility in asset values than is normally the case. Consequently, during the audit officers requested an updated report from the actuary based on final asset performance to see whether any differences were material and would need to be adjusted in the financial statements.

In relation to the NTCA single entity statements, the difference in asset values was only £215k, which is below the triviality level which means that we do not need to report this difference as an unadjusted misstatement.

Nexus, a significant component within the NTCA Group, also requested and obtained a revised report from the Actuary during their audit process. As Nexus has many more employees than NTCA, the impact was much more significant and this led to a material adjustment to the Nexus financial statements. The outcome was an increase of £13.550m in the re-measurement gain on assets as measured by the Actuary in the revised valuation report.

The impact on the NTCA Group statements is estimated at £6.035m. This is not material to the Group statements, and consequently management do not intend to adjust for this and this is the position reflected on page 22 of this report.

It is important for Members to understand that although these figures seem significant, they are disclosures of estimated assets and liabilities at a point in time, and subject to significant estimation. In addition, none of these issues impact on the outturn position or the usable reserves available to the Authority or its Group entities.

4. Significant findings

Qualitative aspects of NTCA's accounting practices

We have reviewed NTCA's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to NTCA's circumstances.

Draft accounts were received from NTCA on 20 July 2021, well ahead of the revised statutory deadline and were of a good quality. When we completed our audit work, we found that the financial statements were supported by comprehensive working papers, and officers were helpful in responding promptly to any queries we raised.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No questions or objections have been raised.

Delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts. We expect to issue the audit report but the Audit Certificate will not be issued until the following procedures are complete:

- Value for money - We are yet to complete our work in respect of the NTCA's arrangements for the year ended 31 March 2021 and expect to report our findings in the 2020/21 Annual Auditors Report within 3 months of giving our audit opinion. At the time of preparing this report, we have not identified any significant weaknesses in the NTCA's arrangements that require us to make any recommendations.
- Whole of Government Accounts - The NAO has not yet issued its Group Instructions to enable this work to be undertaken.

We will update Members when more information is known but at this stage the draft Auditor's Report at Appendix B assumes that we are not able to issue the Audit Certificate at this stage.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal controls or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal controls we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

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Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal controls should be strengthened in these additional areas when practicable.	2 (Group position, both issues relate to subsidiary Nexus)

5. Internal control recommendations

NTCA – single entity issues

No internal control recommendations have been identified in relation to the 2020/21 audit.

NTCA: Follow-up on previous internal control points

In our 2019/20 work, we reported three internal control recommendations, and our follow up of these issues is set out below:

- The need to develop and publish a partnership register on the NTCA website (Level 2 issue) – a list of significant partnerships has been published on the NTCA website. We now consider this issue to have been addressed and closed.
- Strengthen quality control arrangements in relation to the production of the draft financial statements (Level 2 issue) – fewer issues were identified in the 2020/21 audit, indicating that procedures have improved. We now consider this issue to have been addressed and closed.
- Obtaining related party disclosures from Members (Level 3 issue) – at the time of preparing this report, we had still not completed our review in this area.

Group position - Nexus reporting issues

Pages 19 and 20 of this report document the internal control recommendations and management response in the audit of Nexus, a significant subsidiary in the NTCA group.

5. Internal control recommendations

Nexus: Other deficiencies in internal control – Level 3

Description of deficiency

Related Party Disclosures

We identified the following as part of audit work:

- It was noted that Nexus appointed five Non-Executive Directors during financial year 2020/21 and they were not initially included in requests to complete a Related Party confirmation return. During discussions regarding the returns, it was agreed to seek returns from the Non-Executive Directors. All five Non-Executive Directors subsequently submitted a return; and
- It was identified that some officers who have left the organisation did not complete a related party confirmation return as part of the exit process.

Potential effects

- There is a risk that non-executive directors may not update the register of interests in a timely manner. As such at year end if there has been any material related party transactions with non-executive directors these may not be appropriately disclosed within the accounts; and
- There is a risk that at year end any material related party transactions with officers who have left the organisation part way through the year may not be appropriately disclosed within the accounts.

Page 135

Recommendations

- Non- Executive directors should continue to complete a declaration in subsequent years in line with current practices with the Directors and Heads of Service. This will ensure that appropriate related party transactions have been disclosed to Nexus and the relevant disclosures have been made in the accounts if required; and
- Officers leaving the organisation should complete a related party declaration form as part of the exit process. This will ensure that appropriate related party transactions have been disclosed to Nexus and the relevant disclosures have been made in the accounts if required.

Management response

The recommendation was implemented during the course of the 2020/21 audit and the declarations will continue to be obtained going forward.

5. Internal control recommendations

Nexus - Other deficiencies in internal control – Level 3

Description of deficiency

Asset Impairment process

Managers are requested to look at “Major assets” (no definition given), that have been “damaged significantly or had become effectively obsolete and unusable”, to identify “only those exceptional situations where an asset which may be in the books at a high value has, for whatever reason, become incapable of being used properly.”

We are not aware of any asset lists being provided to Managers for them to assess, or even to identify assets with a high NBV.

Potential effects

Impaired assets may not be identified.

Property, Plant and Equipment may be overstated in the Accounts.

Recommendation

Full impairment review of all assets be performed. Each manager could be given a list of the assets under their supervision, and they could assess each one against its NBV. This would be a simpler task if the asset list could be summarised by “headline” assets, as the client intends.

Management response

The impairment review process will be formalised by ensuring that each manager is given a list of assets to check for indication of impairment. Should any indication of impairment be found, an estimate of the recoverable value of the asset will be obtained and compared against the net book value of the asset, to assess if any impairment is required.

Nexus - Follow-up on previous internal control points

Our 2019/20 audit work did not identify any significant deficiencies which we needed to follow up.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

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

Unadjusted misstatements

There are no unadjusted misstatements in relation to the NTCA single entity financial statements. There is one misstatement that was identified during the course of our audit, relating to the Group statements only, which management has assessed as not being material either individually or in aggregate to the Group financial statements and does not currently plan to adjust.

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

Adjusted misstatements

No further amendments have been identified during the course of the audit that require adjustment by management.

6. Summary of misstatements

Disclosure amendments

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

Other issues

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

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

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

We are required to consider whether NTCA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** – how NTCA plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - how NTCA ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - how NTCA uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that NTCA has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on NTCA's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

We intend to issue the Auditor's Annual Report no later than three months after the auditor's report on the financial statements is signed, in accordance with the latest guidance issued by the NAO.

Status of our work

We are yet to complete our work in respect of NTCAs arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however, we continue to undertake work on NTCA's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to NTCA's arrangements. As noted above, our commentary on NTCA's arrangements will be provided in the Auditor's Annual Report no later than three months after the auditor's report on the financial statements is signed.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To: Mr Gavin Barker
Director
Mazars LLP

Date:

North of Tyne Combined Authority (NTCA) and Group - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of NTCA and Group for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within NTCA and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all NTCA and Group committee meetings, have been made available to you.

Appendix A: Draft management representation letter

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on NTCA and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by NTCA and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against NTCA and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

NTCA and Group have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting NTCA and Group involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting NTCA and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of NTCA and Group's related parties and all related party relationships and transactions of which I am aware.

Charges on assets

All NTCA and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed .Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on NTCA and Group, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that NTCA and Group will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the financial statements.

Unadjusted misstatements

I confirm that there were no unadjusted misstatements in the 2020/21 statement of accounts. IF THERE ARE UNADJUSTED MISSTATEMENTS PLEASE LIST THEM HERE OR INCLUDE THEM IN AN APPENDIX.

Yours faithfully

Chief Finance Officer

Date: ………………………

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Appendix B: Draft audit report

Independent auditor's report to the Members of North of Tyne Combined Authority and the Group

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of North of Tyne Combined Authority and Group for the year ended 31 March 2021, which comprise the North of Tyne Combined Authority and Group Comprehensive Income and Expenditure Statements, the North of Tyne Combined Authority and Group Balance Sheets, the North of Tyne Combined Authority and Group Movement in Reserves Statement, the North of Tyne Combined Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North of Tyne Combined Authority and Group as at 31st March 2021 and of North of Tyne Combined Authority and Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of North of Tyne Combined Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on North of Tyne Combined Authority and Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative Statement and the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of North of Tyne Combined Authority and Group will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for North of Tyne Combined Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of North of Tyne Combined Authority and Group, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Finance Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Appendix B: Draft audit report

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and Those Charged with Governance the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by North of Tyne Combined Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and Those Charged with Governance on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and Those Charged with Governance. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on North of Tyne Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on North of Tyne Combined Authority's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on North of Tyne Combined Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Appendix B: Draft audit report

Responsibilities of North of Tyne Combined Authority

North of Tyne Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of North of Tyne Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

- We are required by the Code of Audit Practice to report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of North of Tyne Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of North of Tyne Combined Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of North of Tyne Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Appendix B: Draft audit report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to satisfy ourselves that North of Tyne Combined Authority and Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Gavin Barker
Director
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Date

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and, therefore, we remain independent.

Appendix D: Other communications

Other communication	Response
Compliance with laws and regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any significant issues with respect to obtaining external confirmations.
Related parties	Issues were identified in respect of related parties disclosures, as set out in section 04 ‘significant matters discussed with management’ along with an internal control recommendations raised in section 05. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going concern	We have not identified any evidence to cause us to disagree with the Chief Finance Officer that North of Tyne Combined Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

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Appendix D: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged with Governance, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Gavin Barker, Director
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11 April 2022

Dear Members

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

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

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

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

The paragraphs below:

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

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

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

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

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

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

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

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

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

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

Resolution of outstanding issues in the Audit Completion Report

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

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

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

Current status of our audit work

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

Audit area	Status	Description of outstanding matters
Infrastructure assets - National issue	● (amber)	As summarised earlier in our letter, this is a national issue awaiting a national solution. We are unable to issue our audit opinion until this has been resolved.
Value for money commentary	● (green)	We are yet to complete our work in respect of the Authority's arrangements for the year ended 31 March 2021. At the time of preparing this letter, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority's arrangements.
WGA	● (green)	We have not yet received group instructions from the National Audit Office. The timescale for this now appears to have moved towards the summer of 2022.

Status
- ● (red) Likely to result in material adjustment or significant change to disclosures within the financial statements
- ● (grey) Potential to result in material adjustment or significant change to disclosures within the financial statements
- ● (green) Not considered likely to result in material adjustment or change to disclosures within the financial statements

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

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

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

Yours faithfully

Gavin Barker

Gavin Barker
Director

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APPENDIX A – SUMMARY OF MISSTATEMENTS

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

Unadjusted misstatements

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

Group financial statements

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

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

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

Adjusted misstatements

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

Disclosure amendments

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

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

NORTH EAST COMBINED AUTHORITY SINGLE-ENTITY FINANCIAL STATEMENTS

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

GROUP FINANCIAL STATEMENTS:

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

Other issues

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

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

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13 April 2023

Dear Members

Update/conclusion of pending matters – Audit Completion Report 2020/21

There has been a substantial delay in being able to conclude the 2020/21 Audit.

We initially reported our Audit Completion report to the meeting of the Audit and Standards Committee on 18 January 2022.

As required by International Standards on Auditing (UK), we then wrote a follow up letter dated 11 April 2022 to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 14 January 2022. The follow up letter was presented to the Audit and Standards Committee on 26 April 2022.

In our follow up letter of 11 April 2022, we also reported an additional national issue that had arisen. This has only now been finally resolved, and this follow up letter communicates an update on how this additional issue has been addressed, and includes an update on other matters since that date.

Together, our Audit Completion Report dated 14 January 2022, and our follow up letters dated 11 April 2022 and 13 April 2023 provide a complete record of the matters arising from the audit and how the audit has been concluded.

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

Matter	Update/conclusion reached	Status
Infrastructure	As Members are aware, there has been a national issue in relation to accounting for infrastructure which has impacted on every local authority related entity with material infrastructure balances. The issue identified that there was insufficiently detailed information available to allow local authorities to demonstrate the material accuracy of the gross carrying value of infrastructure assets. Specifically, the information deficits related to the type of assets held within the infrastructure balance, their useful lives and whether or not any capitalised expenditure was incurred to replace existing components. Members should note that this issue was entirely technical in nature and it did not impact on the resources available to NTCA or the level of usable reserves held by NTCA. A statutory override was put in place by Government to address the information deficits and CIPFA guidance was issued to allow authorities to disclose net infrastructure and not disclose gross infrastructure and gross depreciation in the financial statements. The statutory override made it clear that adjustments were not required to previous infrastructure balances even where errors may have existed. NTCA has adopted the statutory override in full. NTCA also made amendments to the disclosures about infrastructure in the financial statements, as required by the guidance, but the figures relating to infrastructure have not been amended (See Appendix 1). As part of our review of NTCA's application of CIPFA's "Update to the Code and Specifications for Future Codes for Infrastructure Assets (Code update)", we considered NTCA's asset lives per its accounting policies for infrastructure assets. We considered CIPFA Bulletin 12, which includes a commentary on the useful lives of the components of the highways network by the "UK Roads Leadership Group Asset Management Board". The guidance includes a range of "reasonable useful lives" for different types of assets which we compared to those applied by NTCA. NTCA's assets are its tunnels, and the reasonable useful lives applied were within the range in the CIPFA guidance. We also reviewed the work of management's expert in determining the useful economic lives of NTCA's assets and there were no issues arising from this. Following completion of our work, we are satisfied that NTCA has followed the relevant guidance when reviewing its infrastructure	Complete

Matter	Update/conclusion reached	Status
	assets and has made the required disclosures in the financial statements. Nexus, as a significant component within the Group accounts, was also impacted by the infrastructure issue. Nexus also applied the statutory override and there are no matters arising to report in terms of the audit of the Group accounts.	
Value for money arrangements	At the time of our previous reporting, we had not completed our VFM work. We have now completed this work and we did not identify any significant weaknesses or recommendations as part of our review.	Complete
Whole of Government Accounts	We have been unable to carry out the work necessary to report on WGA, as we were unable to complete this work until our audit opinion is issued. When we issue our audit opinion we will be able to report on WGA for 2020/21.	Ongoing
Audit quality control and completion procedures	We are awaiting the final version of the financial statements. Once received we will undertake our final closure procedures including a review of the management representation letter and post balance sheet events.	This will be completed at the point we are ready to issue our audit opinion

Our draft Audit Report is shown in Appendix 2. This highlights in red any changes from the previous version included in our Audit Completion Report. The main change is that we can now report in our audit opinion that we have completed our value for money work for the year ended 31 March 2021.

We will inform the Audit and Standards Committee of any further matters when we have completed the WGA work formally closing the audit of the North of Tyne Combined Authority.

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

Yours faithfully

Gavin Barker

Gavin Barker
Director

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APPENDIX 1 SUMMARY OF MISSTATEMENTS

This Appendix only highlights the amendments made in relation to the infrastructure issue.

All previous misstatements were as reported in Appendix A of the Follow Up Letter dated 11 April 2022.

Infrastructure amendments:

In accordance with CIPFA guidance, NTCA updated its Accounting Policies and Infrastructure Assets notes to include:

- Clarification that the statutory override was claimed;
- To ensure that only net infrastructure assets are disclosed rather than the gross value and gross depreciation; and
- More information on the nature of the infrastructure assets and NTCA's accounting treatment of them.

The values of infrastructure disclosed in the financial statements were unchanged.

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APPENDIX 2 – DRAFT AUDIT REPORT

Independent auditor's report to the Members of the North of Tyne Combined Authority and the Group

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of the North of Tyne Combined Authority and Group for the year ended 31 March 2021, which comprise the North of Tyne Combined Authority and Group Comprehensive Income and Expenditure Statements, the North of Tyne Combined Authority and Group Balance Sheets, the North of Tyne Combined Authority and Group Movement in Reserves Statement, the North of Tyne Combined Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the North of Tyne Combined Authority and Group as at 31st March 2021 and of the North of Tyne Combined Authority and Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the North of Tyne Combined Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the North of Tyne Combined Authority and Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative Statement and the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the North of Tyne Combined Authority and Group will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the North of Tyne Combined Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the North of Tyne Combined Authority and Group, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Finance Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and Those Charged with Governance the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the North of Tyne Combined Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and Those Charged with Governance on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and Those Charged with Governance. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the North of Tyne Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

~~We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.~~

~~We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.~~

We have nothing to report in this respect.

Responsibilities of the North of Tyne Combined Authority

The North of Tyne Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the North of Tyne Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of the North of Tyne Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the North of Tyne Combined Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the North of Tyne Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the North of Tyne Combined Authority's Whole of Government Accounts consolidation pack.~~; and~~
- ~~the work necessary to satisfy ourselves that the North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.~~

Gavin Barker
Director
For and on behalf of Mazars LLP

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Date: To be confirmed

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 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

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

B. Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

Section 5 – The Governance Framework

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
The Authority's Commitment of Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Behaving with Integrity	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. 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. A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis. The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical. 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.	2021-2025 Budget Proposals (Agenda item 7a) Gifts and Hospitality Policy
Demonstrating Strong Commitment to Ethical Values	Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and	The Constitution is available on the NTCA website.

	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.	Cabinet Rules of Procedure ("Standing Orders") can be found at part 3.1 of the Constitution
	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.	Codes of Conduct can be found at Part 5.2 of the Constitution
	Our Freedom of Information Scheme is published on our website	Freedom of Information Scheme
	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	Whistleblowing Policy
	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.	Cabinet report – agenda item 9
	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.	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, Director of Economic Growth 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***
Ensuring Openness Engaging Comprehensively with Institutional Stakeholders	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	Corporate Plan 2021/22
	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.	Working Together For You – Annual Report
	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.	Cabinet Scrutiny Protocol (Agenda item 6)
	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.	North East Joint Transport Committee
	The NTCA updated Adult Education Strategic Skills Plan sets out our ambitious programme for skills development. It	

	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.	Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023
Engaging stakeholders effectively, including individual citizens and service users	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. 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. Our Freedom of Information Scheme is published on our website. 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. We have set up a dedicated Coronavirus webpage which provides support for our businesses and communities, providing the latest government advice and available support.	NTCA website Forward Plan Freedom of Information Scheme VCSE Accord Agenda item 4 Coronavirus webpage Brexit Support webpage

	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		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
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	Corporate Plan 2021/22

	– to drive jobs, inclusion, new homes and positive economic change in our region. 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. We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.	Strategic Economic Plan UK’s Industrial Strategy. Significant Partnership Register
Sustainable, Economic, Social and Environmental Benefits	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. Our Social Value Policy sets out how the Authority will deliver social value through their commissioning and procurement activities and to set the Authority’s priorities in relation to social value. NTCA has developed a programme to understand what ‘Good Work’ should look like in the North of Tyne and how NTCA can promote and reward employers that are offering the elements of ‘Good Work’. This has included the development of a Good Work Pledge, which 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.	North of Tyne Citizens’ Assembly on Climate Change Social Value Policy Good Work Pledge

	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

	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. Crown Fund 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.	Poverty Truth Commission Crown Fund North of Tyne

D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Determining Interventions	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. 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. 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.	Cabinet Report (Agenda item 7) Constitution (Part 1.2) Cabinet Scrutiny Protocol (Agenda item 6)

	A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting in June 2021.	Scrutiny Annual Report (Agenda item 12)
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.	Recover, Redesign, Reimagine

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

The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
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.	

	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. During the Coronavirus pandemic national updates and latest Government guidance has been regularly communicated to all our staff working remotely. 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 & Safety Executive to ensure all our staff work safely at home.	

F. Managing risks and performance through robust internal control and strong public financial management		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
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.	

	Cabinet and Overview and Scrutiny Committees receive six monthly reports monitoring the financial position of the North East LEP and Invest North East England.	
Effective Overview and Scrutiny	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.	
Robust Internal Control	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. The Authority regularly reviews policies relating to records management, data quality, data protection and information security. 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. 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.	Data Protection and Confidentiality Strategy

	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. Audit and Standards Committee endorsed the Authority's Strategic Audit Plan for 2021/22 at its January 2021 meeting.	Internal Audit report January 2021 – Agenda item 4a & 4b)
Managing Data	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. 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.	Freedom of Information Scheme
Strong Public Financial Management	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.	

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Implementing Good Practice in Transparency	Mayor's Question Time – Mayor Driscoll hosts regular themed online Mayor's question time, welcoming questions and comments on key issues. 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. We publish details of delegated decisions on our website.	Mayor's Facebook Page - Mayor's question time YouTube - My week in a minute delegated decisions on our website.
Implementing Good Practices in Reporting	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. Internal Audit compliance with Public Sector Internal Audit Standards Production of the Authority's Annual Report and Accounts	
Assurance and Effective Accountability	The Assurance Framework explains the arrangements for NTCA to: • Demonstrate that arrangements are in place to ensure accountable and transparent decision-making • Appraise projects and allocate funding; and	

	• 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 6: 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 20 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 7: 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 8: Investment Fund Programme & Brownfield Housing

Investment Fund Programme
Delivery of the Investment Fund Programme is well underway; £59.13m is committed against a wide range of projects and programmes, with project delivery well underway. Forecast expenditure for 2020/21 currently stands at c£10m. 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 is in development and aiming for consideration by Cabinet in June 2021. 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 9: 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 10: 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 11: Covid-19 Response and Recovery

The region, via its Local Resilience Forum and a range of additional partners, continues to collaborate strongly in response (overseen by a Strategic Coordination Group) and recovery functions (through a Recovery Coordination Group) 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 2675 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 12: Improvements Needed to Governance and Internal Control

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 13: 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	**Head of Paid Service**

Full Name: Jamie Driscoll	**Full Name: Henry Kippin**
Signature:	**Signature:**
Date:	**Date:**

Chair of Audit and Standards Committee	**Chief Finance Officer**
Full Name: Doug Ross	**Full Name: Janice Gillespie**
Signature:	**Signature:**
Date:	**Date:**

Section 14: Improvements needed to governance and internal control   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, to manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances. Non-compliance with the Code could lead to ill-informed decision making which could adversely impact on the Combined Authority's financial sustainability.

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 was 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. *This requirement relates to whether the Combined Authority has undertaken an independent, credible, and*	2022/2023

transparent financial resilience assessment. Such a review has not been carried out, and consequently assessed this as Amber.	
Standards Principle – Standard (H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities. *A Capital Investment Strategy needs to be developed and borrowing powers obtained to enable the Combined Authority's longer-term ambitions.*	2022/2023
Sustainability Principle - 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? *Whilst a peer review is not a requirement for compliance with the FM Code, the benefit of doing so will enable:* • *The creation of an action plan for any areas of improvement.* • *Review adequacy of financial management support.*	2022/23
Transparency Principle - Standard (M) Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in the International Federation of Accountants/Professional Accountants in Business Publication – Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal? *Although 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.*	2021/22

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NORTH OF TYNE COMBINED AUTHORITY

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, repaired 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.

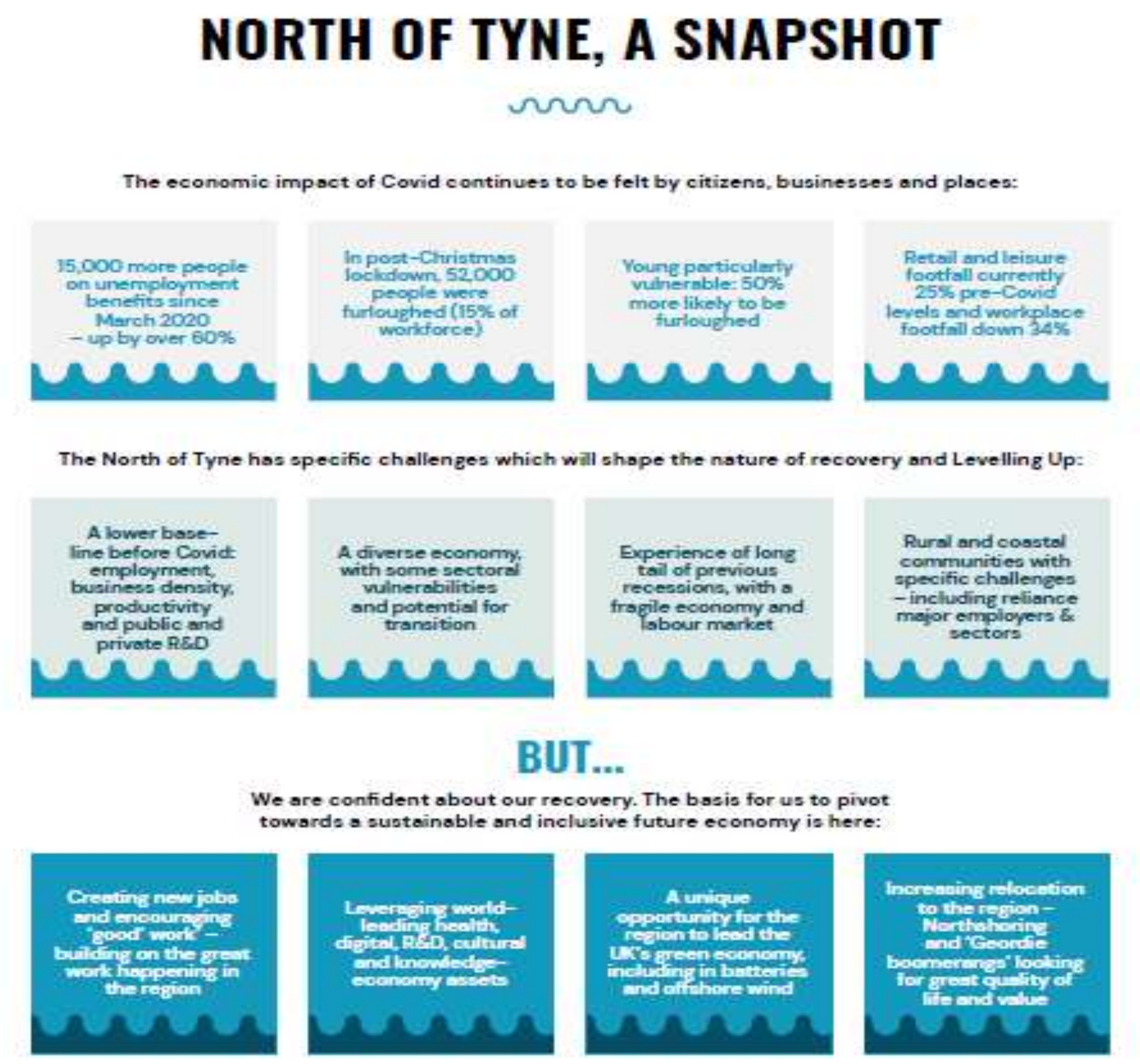
The Combined Authority has grown to 48 employees during 2020/21 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

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

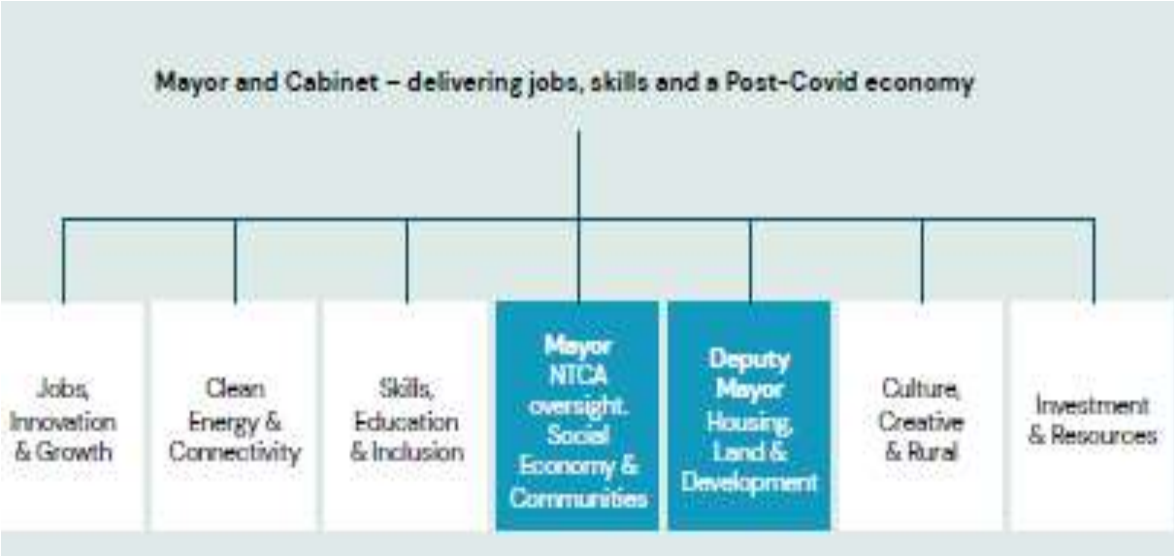
The North of Tyne vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

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.



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.

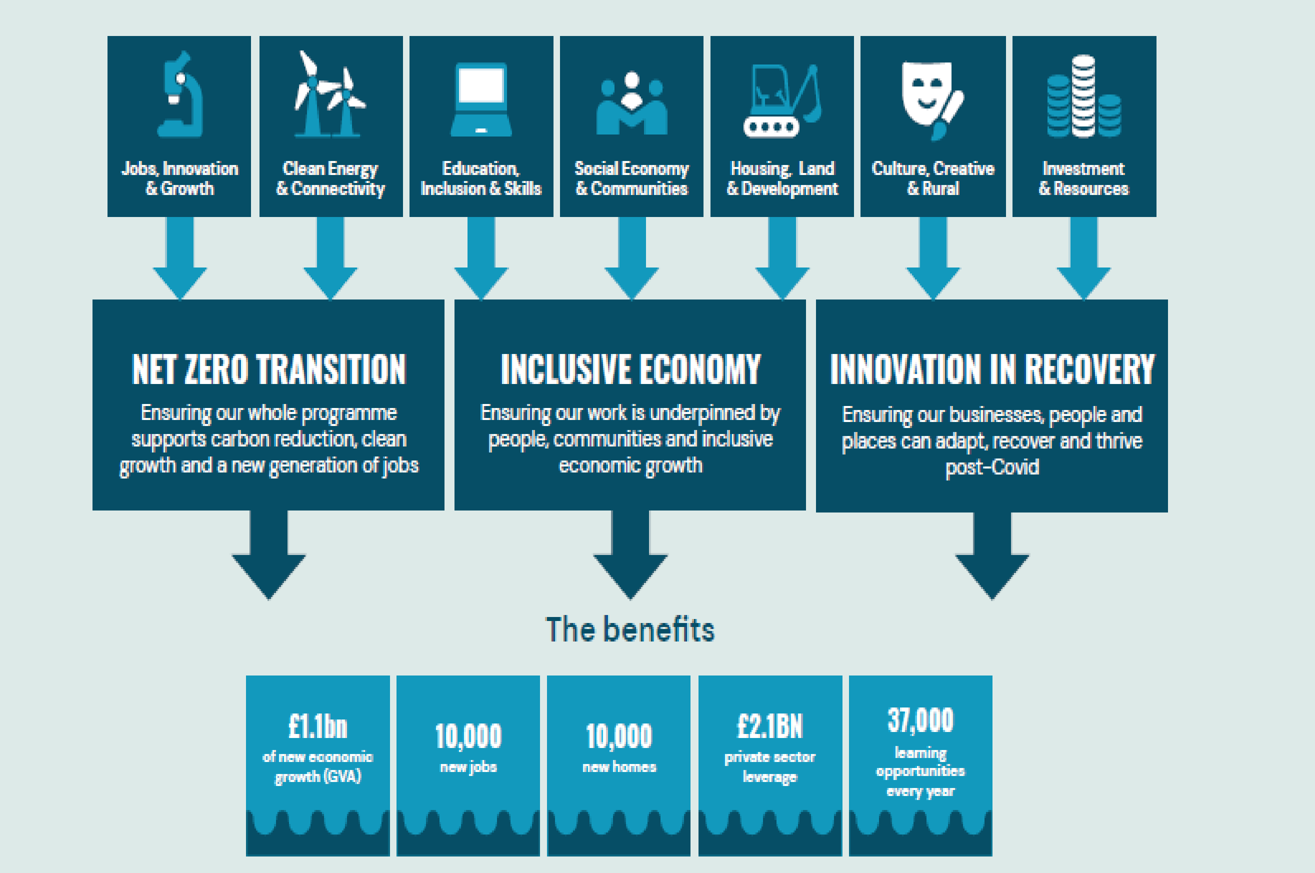


Cabinet Members lead specific portfolios and give collective strategic direction and oversight of NTCA work. This also ensures that local priorities are reflected, and that the connection is maximised between our urban, rural, and coastal geographies and our unique local assets and strengths.

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

Summary Outturn 2020/21	Budget 2020/21	Outturn 2020/21	Variance
	£m	£m	£m
Investment Fund Budget	(15.423)	7.488	(7.935)
Corporate Budget	0	(0.599)	(0.599)
Total	**(15.423)**	**6.889**	**(8.534)**

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

Corporate Budget 2020/21	2020/21 Budget	2020/21 Outturn	Variance
Expenditure	**£m**	**£m**	**£m**
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
Gross Expenditure	**30.487**	**35.316**	**4.829**
Income			
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
Gross Income	**(30.487)**	**(36.065)**	**(5.578)**
Net Income/Expenditure	**0**	**(0.749)**	**(0.749)**
C/F Sector Commissioning underspend	0	0.150	0.150
Transfer to Investment Fund Reserve	**0**	0.599	0.599
2020/21 Outturn	**0**	**0**	**0**

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 Budget	2020/21 Outturn	2020/21 Variance
Expenditure	**£m**	**£m**	**£m**
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
Total Expenditure	**15.423**	**7.488**	**(7.935)**
Income			
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
Net Outturn Position	**0**	**0**	**0**

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%
	62.38	**90.00**	**69.31%**

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

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
Funding Profile	24.000	5.000	8.100	6.700	3.100	1.100
Funding Profile with underspend carried forward to year 2	23.854	0.585	12.368	6.700	3.100	1.100
Projected Programme Spend	**26.184**	**0.585**	**11.693**	**6.925**	**6.687**	**0.293**

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		
AEB Outturn 2020/21	**Budget 2020/21**	**Actual 2020/21**	**Variance 2020/21**
Expenditure	**£m**	**£m**	**£m**
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
Total Expenditure	**13.245**	**13.586**	**0.341**
Income			
Funding Sources	(13.245)	(13.586)	(0.341)
Net position (Income)/Expenditure	**0**	**0**	**0**

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
Total General (Usable) Reserves	**42.311**	**8.021**	**50.332**

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 Invesment Contribution	140	140	0
EZ NEIF Costs		126	126
LGF Project Management	78	173	95
Getting Building Fund Project Management	205	177	(29)
GROSS EXPENDITURE	**7,097**	**6,345**	**(752)**
LEP Core & Strategy Grant from DCLG	(500)	(500)	0
GBF Capacity Funding	(100)	(100)	0
Local Authority Match Contributions	(250)	(250)	0
CORE FUNDING	**(850)**	**(850)**	0
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 Vison		(130)	(130)
Contribution Pension - NTCA	(147)	(129)	18
Other Income	(23)	(44)	(21)
EXTERNAL FUNDING	**(6,257)**	**(5,505)**	**752**
GROSS INCOME	**(7,107)**	**(6,355)**	**752**
NET BUDGET	**(11)**	**(10)**	**(0)**
BROUGHT FORWARD BALANCE	**(603)**	**(603)**	
Use or (Contribution) LEP Reserves	**(11)**	**(10)**	
CARRY FORWARD BALANCE	**(614)**	**(613)**	

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 2017/18 £000	Actual 2018/19 £000	Actual 2019/20 £000	Budget 2020/21 £000	Actual 2020/21 £000	Variance £000
Business Rates Income						
Round 1						
Newcastle – North Bank	437	501	508	483	537	54
North Tyneside – Swans	160	194	160	138	180*	42
Northumberland- Blyth sites	321	334	308	309	334	25
Sunderland – A19 Corridor	708	750	752	754	628	(126)
Round 2						
Durham - Jade				46	51	5
Gateshead - Follingsby			242	217	255	38
Northumberland- Ramparts		40	40	38	34	(4)
Sunderland & South Tyneside - IAMP				667	581	(86)
Total Rates Income	**1,626**	**1,819**	**2010**	**2,704**	**2,600**	**(104)**
Interest	11	25	20	15	14	(1)
Grant income	30					
Total Income	**1,667**	**1,844**	**2030**	**2,719**	**2,614**	**(105)**
Expenditure						
NEIF/LGF Loan repayments	1,302	1,238	1,438	651	651	-
Other Financing Costs (including interest)	0	235	258	1,450	1,154	(296)
Invest North East Contribution	148	71	66	170	65	(105)
Operating Costs	112	100	128	150	99	(51)
Total Costs	**1,562**	**1,644**	**1,890**	**2,421**	**1,969**	**(452)**
Annual Surplus	**105**	**200**	**140**	**298**	**645**	**347**
Cumulative Surplus	**2,707**	**2,907**	**3,047**	**3,345**	**3,692**	**347**

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 Original Budget £	2020-21 Actual £	2020-21 Variance £	2021-22 Original Budget £
Expenditure				
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
Total Expenditure	**460,000**	**347,450**	**(112,550)**	**460,000**
Income				
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)
Total Income	**(460,000)**	**0**	**112,550**	**(460,000)**

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

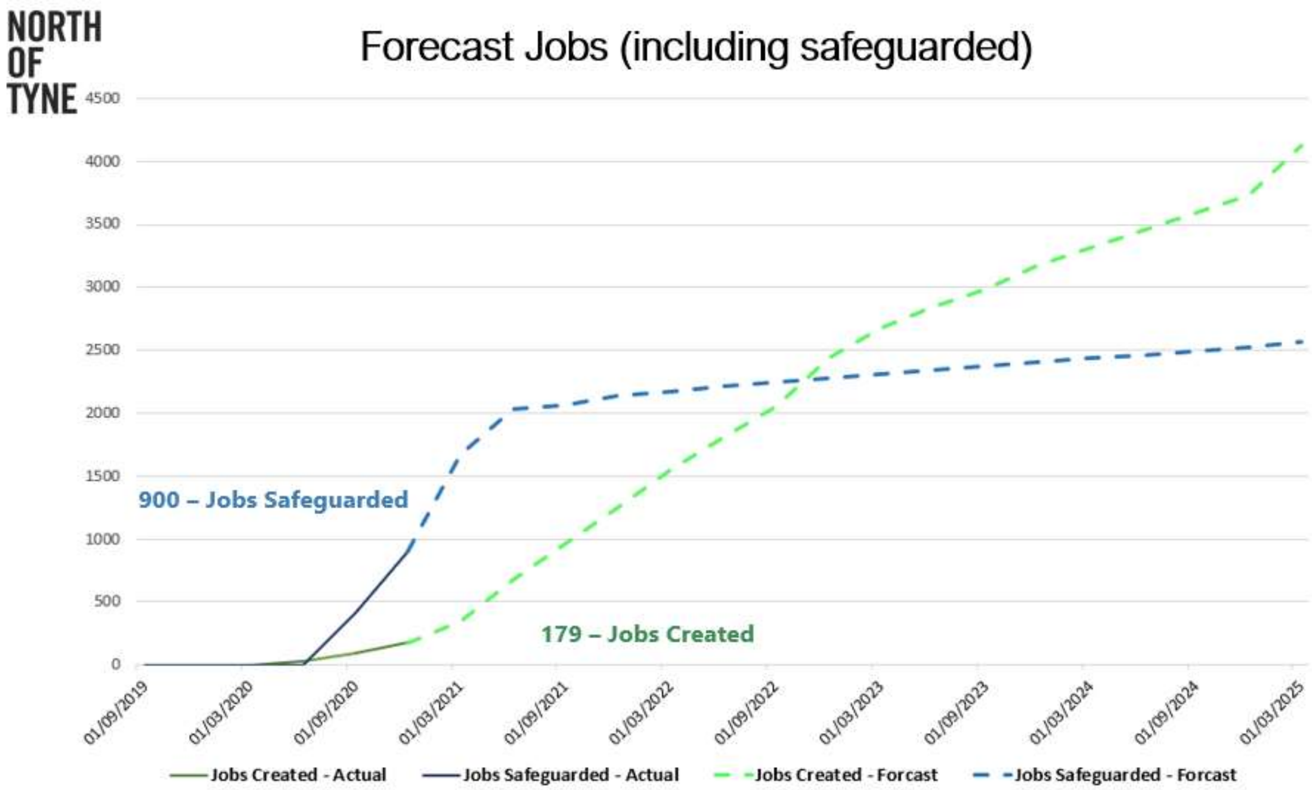
Investment Fund non-financial performance

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.



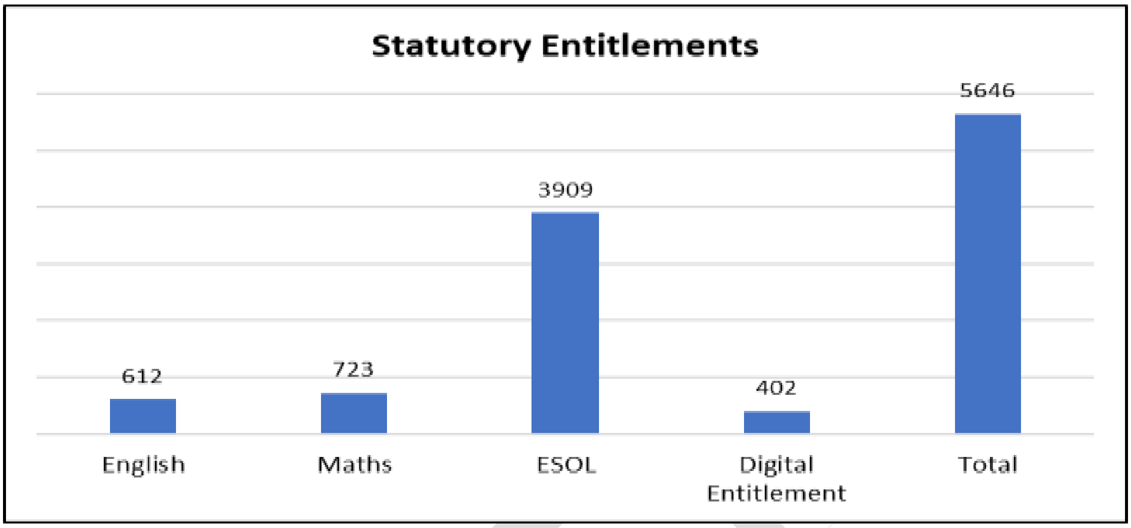
Brownfield Housing
Non-financial Performance

- 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.

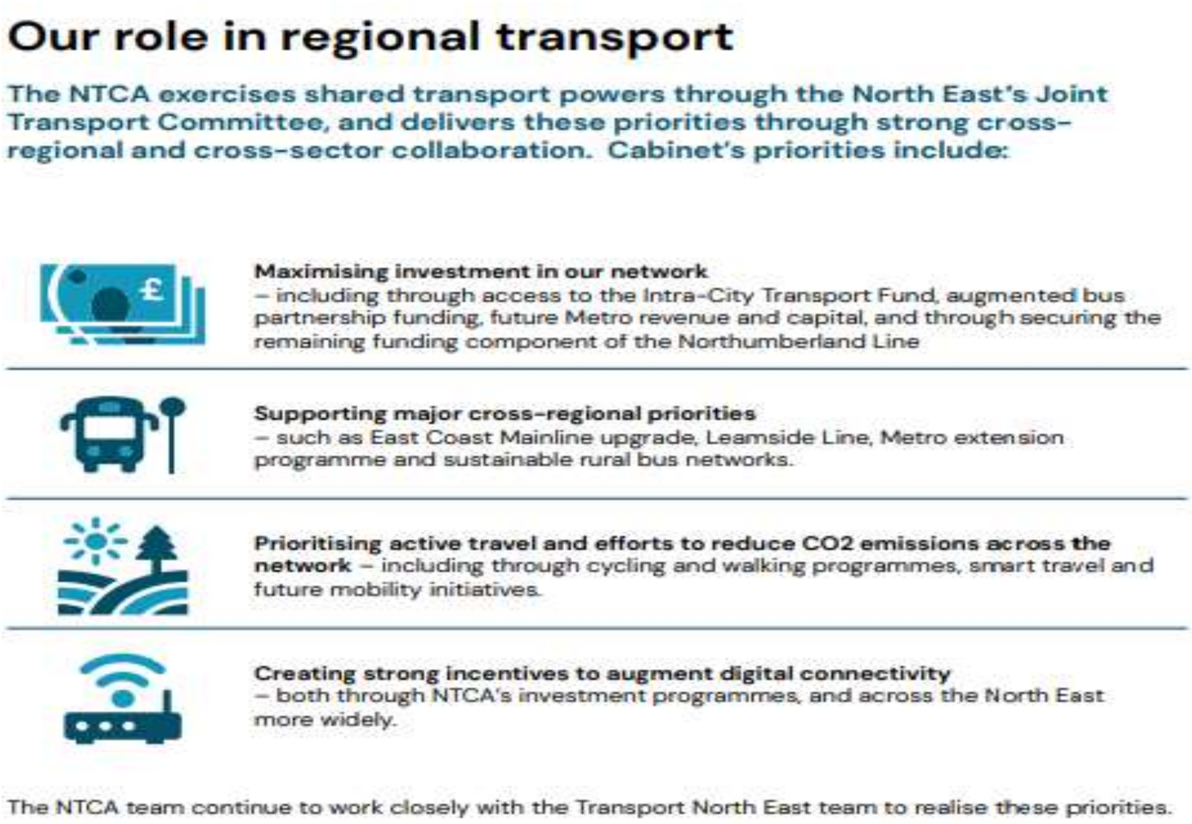
City, Towns, High Streets and Rural Recovery – expansion of recovery and innovation support augmenting Govt schemes and supporting our places, sectors and specific housing sites. This may include a future high streets and city centre funding component.

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.

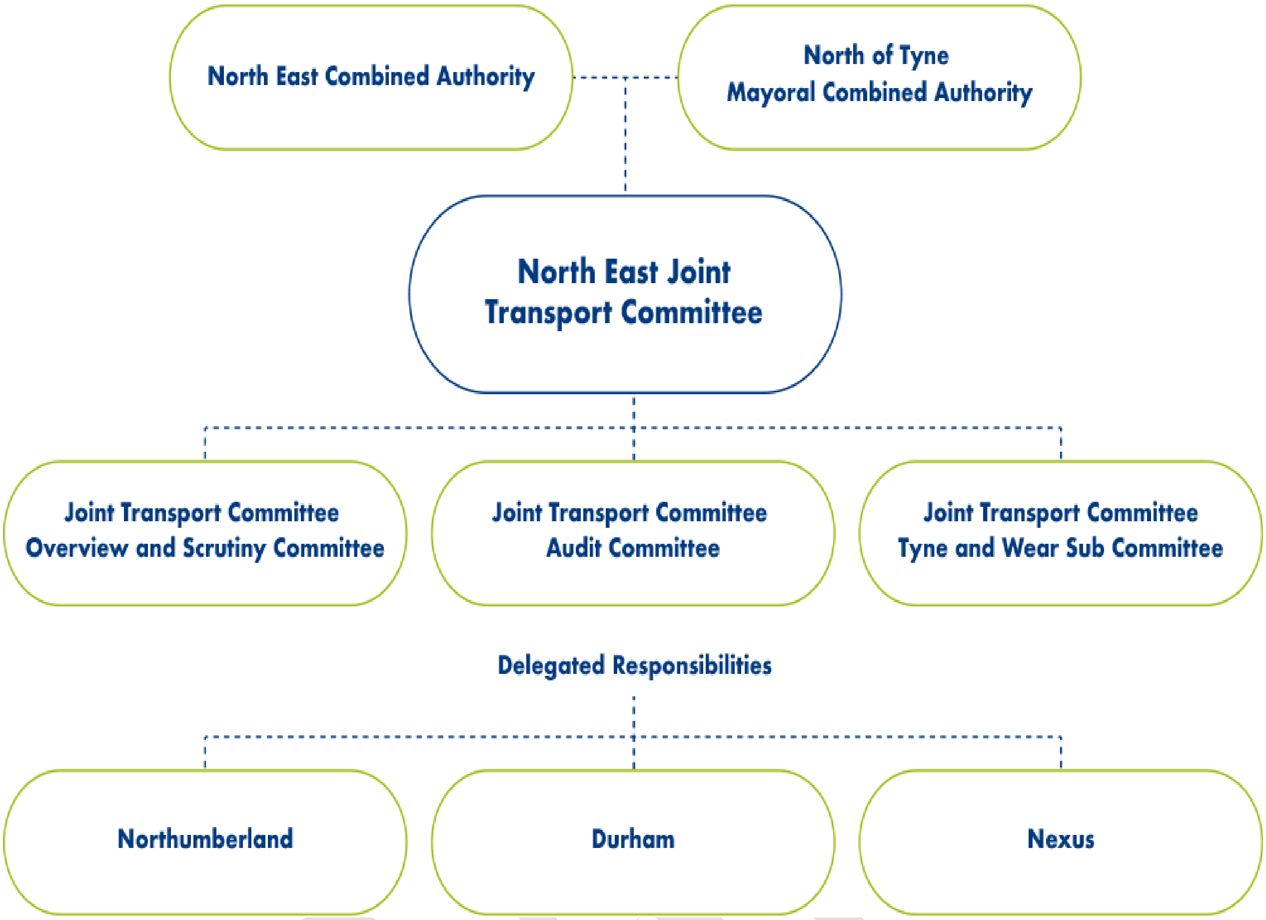
Table 11 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	Mid-Year 2018 Population	Proportion
	People	Proportion
NECA		
- Gateshead	202,508	
- South Tyneside	150,265	
- Sunderland	277,417	
	630,190	0.55456
NTCA		
- Newcastle	300,196	
- North Tyneside	205,985	
	506,181	0.44544
Tyne and Wear Total	**1,136,371**	

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

	NTCA Employees at the year end	North East LEP Employees at year end	Invest North East Employees at year end
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

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.

Signed: **Date:25/01/2022**
Jamie Driscoll
Mayor of the North of Tyne Combined Authority

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority and Group 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 Group and its income and expenditure for the period ended 31 March 2021.

J Gillespie

Signed:
Janice Gillespie
Chief Finance Officer (Section 73 Officer)
Date: 21/01/2022

2.0 Core Financial Statements and Explanatory Notes

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
Balance at 31 March 2019		**(9,643)**	**(26,972)**	**-**	**(4,167)**	**(40,782)**	**(39,338)**	**(80,120)**
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)	-		(1,683)	(26,635)	(1,732)	(28,367)
Transfers (to)/from Earmarked Reserves	24	23,904	(23,904)		-	-	-	-
Balance at 31 March 2020 carried forward		**(10,691)**	**(50,876)**	**0**	**(5,850)**	**(67,417)**	**(41,070)**	**(108,487)**
Transfer of balances from NECA at 1 April 2020	2	**(649)**	**(17,841)**	**(8,889)**	**(249)**	**(27,628)**	**(13,724)**	**(41,352)**
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	24	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)**

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 £000	**Gross Inc £000**	**Net Exp £000**		**Note**	**Gross Exp £000**	**Gross Inc £000**	**Net Exp £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
			Services transferred from NECA				
			Invest North East		534	(438)	96
-	-	-	Local Enterprise Partnership	2	47,896	(15,278)	32,618
56,080	**(32,134)**	**23,946**	**Cost of Services**		**136,606**	**(71,847)**	**64,759**
3,289	(1,080)	2,209	Financing and Investment Income and Expenditure	7	3,295	(2,060)	1,235
-	(54,718)	(54,718)	Taxation and Non-Specific Grant Income	8	-	(96,701)	(96,701)
59,369	**(87,932)**	**(28,563)**	**Surplus on Provision of Service**		**139,901**	**(170,608)**	**(30,707)**
		196	Other Comprehensive Income and Expenditure				1,832
		(28,367)	**Total Comprehensive Income & Expenditure**				**(28,875)**

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 2020 £000		Note	31 March 2021 £000
153,621	Property, Plant & Equipment	14	153,133
15,595	Long Term Debtors	18	28,184
169,216	**Long Term Assets**		**181,317**
35,581	Short Term Investments	15	142,617
6,532	Short Term Debtors	17	11,487
42,704	Cash & Cash Equivalents	19	39,055
84,817	**Current Assets**		**193,159**
(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)
(31,321)	**Current Liabilities**		**(77,611)**
(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)
(114,225)	**Long Term Liabilities**		**(118,151)**
108,487	**Net Assets**		**178,714**
	Financed By:		
(67,417)	Usable Reserves	23	(124,373)
(41,070)	Unusable Reserves	25	(54,341)
(108,487)	**Total Reserves**		**(178,714)**

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: 21/01/2022**

J Gillespie

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 £000		Note	2020/21 £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)
9,914	**Net Cash Flows from Operating Activities**		**(26,228)**
1,651	Net Cash flow from Investing Activities	28	(38,879)
1,963	Net Cash flow from Financing Activities	29	20,106
13,555	**Net Increase in cash and cash equivalents**		**(45,001)**
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
42,704	**Cash and cash equivalents at the end of the reporting period**		**39,055**

2.5 Index to the Notes to the Financial Statements

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.

	£000
Usable Reserves	
General Balances	(649)
Earmarked Reserves	(17,841)
Capital Receipts Reserve	(8,889)
Capital Grants Unapplied	(249)
Total Usable Reserves	(27,628)
Unusable Reserves	
Capital Adjustment Account	(16,282)
Financial Instrument Adjustment Account	2,558
Total Unusable Reserves	(13,724)
Total Reserves	**(41,352)**

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 £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £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
Services transferred from NECA					
Invest North East	66	-	30	-	96
Local Enterprise Partnership	31,394	249	510	465	32,618
Net Cost of Services	**78,089**	**(16,707)**	**2,821**	**556**	**64,759**
Other Income & Expenditure	(90,224)	(4,862)	49	(429)	(95,466)
Surplus on Provision of Service	**(12,135)**	**(21,569)**	**2,870**	**127**	**(30,707)**

Opening General Fund Balances	**(10,691)**
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
General Fund Balances at 31 March 2021	**(6,186)**

2019/20	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £000
Investment Fund	735	-	-	-	735
Corporate Costs	(2,461)	-	91	-	(2,370)
Adult Education Budget	(246)	-	-	-	(246)
Joint Transport Commiteee	28,855	(3,028)	-	-	25,827
Net Cost of Services	**26,883**	**(3,028)**	**91**	**-**	**23,946**
Other Income & Expenditure	(51,835)	(309)	(2)	(363)	(52,509)
Surplus on Provision of Service	**(24,952)**	**(3,337)**	**89**	**(363)**	**(28,563)**

Opening General Fund Balances	**(9,643)**
Surplus on General Fund Balances in Year	(24,952)
Transfer to Earmarked Reserves	23,904
General Fund Balances at 31 March 2020	**(10,691)**

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 statue 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 £000		2020/21 Cost of Service £000	2020/21 Other Income & Expenditure £000	2020/21 Total £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
59,369	**Total Expenditure**	**136,606**	**3,295**	**139,901**
(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)
(87,932)	**Total Income**	**(71,847)**	**(98,761)**	**(170,608)**
(28,563)	**Surplus on the provision of services**	**64,759**	**(95,466)**	**(30,707)**

*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 £000	**Gross Inc £000**	**Net Exp £000**		**Gross Exp £000**	**Gross Inc £000**	**Net Exp £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)			
3,677	**(6,047)**	**(2,370)**	**Total**	**3,677**	**(6,047)**	**(2,370)**
			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			
51,532	**(25,705)**	**25,827**	**Total**	**51,532**	**(25,705)**	**25,827**

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 General Fund £000	2019/20 Capital Receipts Reserve £000	2019/20 Capital Grants Unapplied £000	2019/20 Unusable Reserves £000		2020/21 General Fund £000	2020/21 Capital Receipts Reserve £000	2020/21 Capital Grants Unapplied £000	2020/21 Unusable Reserves £000
				Adjustments primarily involving the Capital Adjustment Account				
				Reversal of items debited or credited to the CIES				
(1,842)	-	-	1,842	Charges for depreciation and impairment of non-current assets	(1,930)	-	-	1,930
2,256	-	-	(2,256)	Other income that cannot be credited to the General Fund	2,268	-	-	(2,268)
6,435	-	-	(6,435)	Capital Grants and contributions applied	48,614	-	-	(48,614)
(8,881)	-	-	8,881	Revenue expenditure funded from capital under statute	(47,230)	-	-	47,230
				Insertion of items not debited or credited to the CIES				
766	-	-	(766)	Statutory provision for the financing of capital investment	1,117	-	-	(1,117)
4	-	-	(4)	Capital expenditure charged against the General Fund	15	-	-	(15)
				Adjustments primarily involving the Capital Grants Unapplied Account				
4,599	-	(4,599)	-	Grants and contributions unapplied credited to CIES	18,715	-	(18,715)	-
-	-	2,916	(2,916)	Application of grants to capital financing transferred to Capital Adjustment Account	-	-	1,522	(1,522)

2019/20 General Fund £000	2019/20 Capital Receipts Reserve £000	2019/20 Capital Grants Unapplied £000	2019/20 Unusable Reserves £000		2020/21 General Fund £000	2020/21 Capital Receipts Reserve £000	2020/21 Capital Grants Unapplied £000	2020/21 Unusable Reserves £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
3,611	**0**	**(1,683)**	**(1,928)**	**Total Adjustments**	**18,572**	**-**	**(17,193)**	**(1,379)**

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 £000	2020/21 £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)
Total		**2,209**	**1,235**

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 £000	2020/21 £000
Transport Levy	(33,168)	(33,450)
Non-ringfenced Government Grants	(20,182)	(20,000)
Non Specific Capital Grants	(1,368)	(43,251)
Total	**(54,718)**	**(96,701)**

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 2020 £000	31 March 2021 £000
Capital Receipts in Advance		
Covid 19 Grants	-	(2,583)
NECA North East Smart Ticketing Initiative	(91)	-
NECA Office for Low Emission Vehicles	(112)	(56)
Other Grants	(224)	(57)
Total	**(427)**	**(2,696)**
Shown as Short-Term Liability on the Balance Sheet	(427)	(2,696)
Total	**(427)**	**(2,696)**

The following grants were credited to the net cost of service within the Comprehensive Income and Expenditure Statement during the year:

	*Restated 2019/20 £000	2020/21 £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)
Total	**(13,864)**	**(48,432)**

10. Members' Allowances

	31 March 2020 £000	31 March 2021 £000
Allowances	68	67
Total	**68**	**67**

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 £000	**Pension Contributions £000**	**Total £000**		**Salary, Fees & Allowances £000**	**Pension Contributions £000**	**Total £000**
-	-	-	Helen Golightly Chief Executive (LEP)*	135	7	142
46	10	56	Director of Economic Growth	130	7	137
35	9	44	Director of Performance and Policy	109	6	115
-	-	-	Innovation Director (LEP)*	94	5	99
-	-	-	Director Invest North East *	68	4	72
-	-	-	Skills Director (LEP)*	68	4	72
-	-	-	Strategy & Policy Director (LEP)*	69	4	72
-	-	-	Business Growth Director (LEP)*	68	4	72
127	-	127	Managing Director of Transport Arrangements**	131	-	131
208	**19**	**227**	**Total**	**872**	**41**	**913**

*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 £000	**Expenses £000**	**Total £000**		**Payment for agreed days £000**	**Expenses £000**	**Total £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)	-	-	-
284	**1**	**285**	**Total**	**94**	**-**	**94**

*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 £000	2020/21 £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 £000	Income £000	Expenditure £000	Payables £000		Receivables £000	Income £000	Expenditure £000	Payables £000
				NTCA Constituent Authorities				
(783)	(7,871)	1,519	1,189	Newcastle	(539)	(27,322)	6,404	2,818
(1,918)	(6,863)	1,237	286	North Tyneside	(374)	(27,396)	2,867	995
(2,359)	(8,468)	7,507	88	Northumberland	(437)	(6,349)	10,016	2,544
				NECA Constituent Authorities				
-	-	1,383	69	Durham	(329)	(68)	5,388	1,588
-	(4,850)	853	21	Gateshead	(256)	(68)	7,494	1,018
-	(3,583)	535	610	South Tyneside	0	(68)	1,030	1,902
-	(6,643)	1,000	105	Sunderland	(1,372)	(68)	9,943	548
				Other Public Bodies				
-	-	8	8	North East Combined Authority	(355)	(77)	34,367	2,044
(672)	-	27,226	22,609	Nexus	(559)	(611)	29,907	27,048
(5,732)	(38,278)	41,268	24,985	**Total**	(4,220)	(62,028)	107,417	40,506

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 excluding Highways Infrastructure

2020/21	**Vehicles, Plant, Furniture & Equipment £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment excluding Highways Infrasturcture Assets £000**	**Service Concession Assets included in PPE £000**
Cost or Valuation				
At 1 April 2020	1,754	934	2,688	-
Additions	-	152	152	-
Reclassification	544	(544)	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Other adjustments	-	-	-	-
At 31 March 2021	**2,298**	**542**	**2,840**	**-**
Accumulated Depreciation & Impairments				
At 1 April 2020	(599)	-	(599)	-
Depreciation charge	(129)	-	(129)	-
At 31 March 2021	**(728)**	**-**	**(728)**	**-**
Net Book Value				
At 1 April 2020	1,155	934	2,089	-
At 31 March 2021	**1,570**	**542**	**2,112**	**-**

2019/20	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation				
At 1 April 2019	1,420	7,999	9,419	-
Additions	-	1,373	1,373	-
Reclassification	334	(8,438)	(8,104)	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Other Adjustments	-	-	-	-
At 31 March 2020	**1,754**	**934**	**2,688**	**-**
Accumulated Depreciation & Impairments				
At 1 April 2019	(525)	-	(525)	-
Depreciation charge	(74)	-	(74)	-
At 31 March 2020	**(599)**	**-**	**(599)**	**-**
Net Book Value				
At 1 April 2019	895	7,999	8,894	-
At 31 March 2020	**1,155**	**934**	**2,089**	**-**

14a. Highways Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2020/21
	£000
Net book value (modified historical cost)	
At 1 April	**151,533**
Additions	424
Derecognition	
Depreciation	(1,785)
Impairment	(16)
Other movements in cost	866
Net book value	
At 31 March	**151,022**

	2020/21
	£000
Infrastructure assets	151,022
Other PPE assets	2,112
Total PPE assets	**153,134**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Structures – net book value

North of Tyne Combined Authority has estimated a net book value at 31 March 2021 for its structures at £151.022m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

Northbound vehicle tunnel	62 years
Southbound vehicle tunnel	110 years
Pedestrian and cyclist tunnels	62 years

Depreciation for the tunnels (and total annual depreciation for 2020/21 on structures) is £1.785m.

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 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Amortised cost	-	-	15,595	28,184	35,581	142,617	1,376	10,757
Total Financial Assets	-	**-**	**15,595**	**28,184**	**35,581**	**142,617**	**1,376**	**10,757**
Non-financial Assets	-	-	-	-	-	-	5,156	730
Total	-	**-**	**15,595**	**28,184**	**35,581**	**142,617**	**6,532**	**11,487**

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 therefor 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.

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Amortised cost	(75,595)	(75,724)	-	-	(1,032)	(21,023)	(25,416)	(31,085)
Total financial liabilities	**(75,595)**	**(75,724)**	-	**-**	**(1,032)**	**(21,023)**	**(25,416)**	**(31,085)**
Non-financial liabilities	-	-	-	-	-	-	(2,190)	(20,539)
Total	**(75,595)**	**(75,724)**	-	**-**	**(1,032)**	**(21,023)**	**(27,606)**	**(51,624)**

The contractual terms for these 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 Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

31 March 2020				31 March 2021		
Financial Liabilities at Amortised Cost £000	Financial Assets at Amortised Cost £000	Total £000		Financial Liabilities at Amortised Cost £000	Financial Assets at Amortised Cost £000	Total £000
3,289	-	3,289	Interest Expense	3,295	-	3,295
3,289	**-**	**3,289**	**Total expense in Surplus on the Provision of Services**	**3,295**	**-**	**3,295**
-	(1,080)	(1,080)	Investment Income	-	(1,808)	(1,808)
			Movement on Soft Loan Adjustment	-	(252)	(252)
-	**(1,080)**	**(1,080)**	**Total Income on Surplus on Provision of Services**	**-**	**(2,060)**	**(2,060)**
3,289	**(1,080)**	**2,209**	**Net gain/(loss) for the year**	**3,295**	**(2,060)**	**1,235**

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 methods and assumptions:

- 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 p 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 £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities held at amortised cost	2	(76,627)	(132,125)	(96,747)	(142,065)
Total		**(76,627)**	**(132,125)**	**(96,747)**	**(142,065)**
Financial Assets at amortised cost					
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
Total Financial Assets		**51,176**	**62,733**	**170,801**	**179,906**

Soft Loans

Soft loans are loans made to third parties at a preferential rate of interest, i.e. below the market rate. In previous years, the LEP issued a small number of loans as part of its North East Investment Fund activity to encourage economic development in the region. Details of soft loans are set out in the table below.

- Durham University - Development of Centre for Innovation and Growth, research and development facility to work with partners and private companies to develop new technologies and processes.
- Neptune Test Centre - Construction of deep water test tank at Neptune Enterprise Zone.
- Boiler Shop - Development including office and conferencing space at South Street/Boiler Shop, Stephenson Quarter.

Description	Term (Years)	Contracted Rate	Fair Value Rate	Opening Balance Fair Value	Loans Repaid	Increase in discounted amount	Closing Balance (fair value)	Closing Balance (Nominal)
				£000	£000	£000	£000	£000
Durham University	12	1.90%	4.95%	8,420	(1,261)	417	7,575	6,354
Neptune Test Centre	9	0.00%	4.99%	3,127	(440)	156	2,843	4,000
Boiler Shop	3	4.50%	5.02%	1,710	131	(403)	1,437	1,734

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:

Rating	**2020/21 £000**
AAA	14,254
Total Cash Equivalents	**14,254**
n/a – investments with UK Local Authorities	142,617
n/a – investments with unrated building societies[1]	-
Total Short-Term Investments	**142,617**

[1] 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:

	31 March 2020 £000	31 March 2021 £000
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)
	(75,595)	**(75,724)**
Less than 1 year	**(1,032)**	**(21,023)**
Total Borrowing	**(76,627)**	**(96,747)**

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:

	31 March 2020 £000	**31 March 2021 £000**
Increase in interest payable on variable rate borrowing	-	(3)
Increase/(decrease) in interest receivable on variable rate investments	149	(95)
Impact on the Surplus on Provision for Services	**149**	**(98)**

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

	31 March 2020 £000	31 March 2021 £000
Central Government Bodies	790	1,752
Other local authorities	5,070	3,572
Other Entities and Individuals	672	6,163
Total	**6,532**	**11,487**

18. Long Term Debtors

	31 March 2020 £000	31 March 2021 £000
Local Enterprise Partnership Loans	-	13,152
Nexus borrowing	15,595	15,032
Total	**15,595**	**28,184**

19. Cash and Cash Equivalents

	31 March 2020 £000	31 March 2021 £000
Cash held by the Combined Authority	7,173	24,801
Cash equivalents	35,531	14,254
Total	**42,704**	**39,055**

20. Short Term Creditors

	31 March 2020 £000	31 March 2021 £000
Central Government Bodies	(78)	(221)
Other Local Authorities	(24,827)	(12,983)
Other Entities and Individuals	(2,701)	(38,420)
Total	**(27,606)**	**(51,624)**

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.

	Deferred Income Release	
	2019/20 £000	**2020/21 £000**
Payable in 2021/22	(2,256)	(2,268)
Payable within 2 to 5 years	(9,022)	(9,073)
Payable within 6 to 10 years	(11,278)	(11,341)
Payable within 11 to 15 years	(11,278)	(11,341)
Payable within 16 to 20 years	(6,766)	(4,537)
Total	**(40,600)**	**(38,560)**

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 £000	**2020/21 £000**
Cost of Services		
Current Service Costs	250	1,093
Past Service Costs	19	-
Settlement Costs	-	2,080
Financing and Investment Income and Expenditure		
Interest on net defined benefit asset	(2)	49
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**267**	**3,222**
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
Total Amount recognised in Other Comprehensive Income & Expenditure	**196**	**1,832**
Total amount recognised in the CIES	**463**	**5,054**

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 £000	2020/21 £000
Opening fair value of scheme assets	**2**	**625**
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
Closing fair value of scheme assets	**625**	**6,214**

Reconciliation of present value of the scheme liabilities

	LGPS	
	2019/20 £000	2020/21 £000
Opening balance at 1 April	**2**	**910**
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
Closing balance at 31 March	**910**	**11,201**

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

	2019/20 £000	2020/21 £000
Fair Value of LGPS Assets	**625**	**6,214**
Present value of LGPS liabilities		
- Funded Defined Benefit Obligation	(910)	(11,201)
Deficit on funded defined benefit scheme	**(285)**	**(4,987)**
Unrecognised Asset	-	-
Total Liability shown on Balance Sheet	**(285)**	**(4,987)**

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 (7.9%) 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**
Mortality assumptions:		
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
Rate for discounting scheme liabilities:	% 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	Local Government	
	2019/20 £000	2020/21 £000
Interest Income on Assets	3	113
Remeasurement gain on assets	386	901
Actual Return on Assets	**389**	**1,014**

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.

Discount rate assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to discount rate			
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

Rate of general increase in salaries	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to salary increase rate			
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

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to pension increase rate			
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)

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
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 2020 £000	31 March 2021 £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)
Total Usable Reserves		**(67,417)**	**(124,373)**

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 1 April 2019	Transfers out 2019/20	Transfers in 2019/20	Balance at 31 March 2020	Transfers from NECA 1 April	Transfer out 2020/21	Transfers in 2020/21	Balance 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund Balances	(9,643)	-	(1,048)	(10,691)	(649)	5,164	(10)	(6,186)
General Fund Reserves 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 Replacement	(2,964)	-	(1,507)	(4,471)	-	-	(40)	(4,511)
Metro Reinvigoration	(4,059)	-	(34)	(4,093)	-	-	(37)	(4,130)
Tyne Tunnel					(3,491)	-	-	(3,491)
North East Investment 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	-	-
Grant Reserves 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 (individual balances under £0.100m)	(198)	17	(182)	(363)	-	181	(496)	(678)
Total General Fund Reserves	**(26,972)**	**17**	**(23,921)**	**(50,876)**	**(17,841)**	**16,132**	**(33,421)**	**(86,006)**
Total Balances & Reserves	**(36,615)**	**17**	**(24,969)**	**(61,567)**	**(18,490)**	**21,296**	**(33,431)**	**(92,192)**

25. Unusable Reserves

	31 March 2020 £000	31 March 2021 £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
Total	**(41,070)**	**(54,341)**

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 £000	2020/21 £000
Opening Balance 1 April	(36,456)	(38,174)
Transfer of balance from North East Combined Authority 1 April		(16,282)
Reversal of items relating to capital expenditure debited or credited to the CIES:		
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)
Capital financing applied in the year:		
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)
Balance at 31 March	**(38,174)**	**(58,876)**

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 £000	2020/21 £000
Opening Balance 1 April	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)
Balance at 31 March	**425**	**2,554**

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 £000	2020/21 £000
Balance at 1 April	(3,670)	(3,606)
Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	64	44
Balance at 31 March	**(3,606)**	**(3,562)**

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 £000
Balance at 1 April	-
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	**556**
Balance at 31 March	**556**

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 £000	2020/21 £000
Balance at 1 April	-	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
Balance at 31 March	**285**	**4,987**

26. Capital Expenditure and Capital Financing

	2019/20 £000	2018/19 £000
Opening Capital Financing Requirement	**86,352**	**85,787**
Capital Investment		
Property, Plant and Equipment	1,373	576
Revenue Expenditure Funded from Capital Under Statute	8,881	47,230
Sources of Finance		
Government Grants and Other Contributions	(9,351)	(50,136)
Capital Receipts – repayment of principal from long-term debtors	(698)	(676)
Sums set aside from revenue		
Direct Revenue Contributions	(4)	(15)
Minimum Revenue Provision	(766)	(783)
Additional Voluntary Provision	-	(334)
Closing Capital Financing Requirement	**85,787**	**81,649**
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(565)	(4,138)
Decrease in Capital Financing Requirement	**(565)**	**(4,138)**

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 £000	2020/21 £000
Surplus on the provision of services	**28,563**	**30,707**
Adjustments to Surplus on Provision of Services for Non-Cash Movements		
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
Adjustments for items included in the net surplus on the Provision of Services that are investing and financing activities		
Capital grants credited to surplus on provision of services	(11,034)	(67,330)
Net Cash Flow from Operating Activities	**9,941**	**(26,228)**

The cash flows for operating activities include the following items

	2019/20 £000	2020/21 £000
Interest Received	1,080	2,060
Interest Paid	(3,289)	(3,295)

28. Cash Flow Statement – Investing Activities

	2019/20 £000	2020/21 £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
Net Cash Flows from Investing Activities	**1,651**	**(38,879)**

29. Cash Flow Statement – Financing Activities

	2019/20 £000	2020/21 £000
Repayment of short and long-term borrowing	1,963	20,106
Net Cash Flows from Financing Activities	**1,963**	**20,106**

30. Reconciliation of liabilities arising from Financing Activities

	1 April 2020 £000	Financing Cash Flows £000	Changes which are not financing cash flows: Acquisition £000	Changes which are not financing cash flows: Other £000	31 March 2021 £000
Long Term Borrowings	(75,595)	(129)	-	-	(75,724)
Short Term Borrowings	(1,032)	(20,000)	-	9	(21,023)
Total Liabilities arising from Financing Activities	**(76,627)**	**(20,129)**	**-**	**9**	**(96,747)**

	1 April 2019 £000	Financing Cash Flows £000	Changes which are not financing cash flows: Acquisition £000	Changes which are not financing cash flows: Other £000	31 March 2020 £000
Long Term Borrowings	(73,648)	(1,947)	-	-	(75,595)
Short Term Borrowings	(1,024)	-	-	(8)	(1,032)
Total Liabilities arising from Financing Activities	**(74,672)**	**(1,947)**	**-**	**(8)**	**(76,627)**

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:

Item	Uncertainties	Effect if actual results differ from assumptions
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	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 these unquoted assets than would normally be the case.

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 irrecoverable:

- 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 and 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 Join 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.

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.

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:

- 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).

Deprecation on all Property, Plant and Equipment assets (except Vehicles) is calculated by taking the asset value at the 31 March 2021 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.

17a Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges and tunnels), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. NTCA holds highways infrastructure assets in the form of the Tyne Tunnels – the two vehicle tunnels and the pedestrian and cyclist tunnels.

<u>Recognition</u>

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.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Impairment

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network have been assessed by the authority using industry standards where applicable as follows:

- Structures (tunnels) – useful life of up to 120 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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).

The written-off amounts of disposals are not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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 exiting at 31 March, the financial statements and notes are adjusted to reflect the impact of this information. No such events have taken place.

3.0 Group Financial Statements and Explanatory Notes

3.1 Group Movement in Reserves Statement

	NTCA\NECA Usable Reserves £000	NTCA\NECA Unusable Reserves £000	Total NTCA\NECA Reserves £000	Authority Share of Nexus £000	Total Group Reserves £000
Balance at 31 March 2019 carried forward	**(40,782)**	**(39,338)**	**(80,120)**	**(195,317)**	**(275,437)**
Total Comprehensive Income & Expenditure	(28,563)	196	(28,367)	(14,379)	(42,746)
Adjustments between accounting basis & funding basis under regulations	1,928	(1,928)	-	-	-
(Increase)/decrease in 2019/20	(26,635)	(1,732)	(28,367)	(14,379)	(42,746)
Balance at 31 March 2020 carried forward	**(67,417)**	**(41,070)**	**(108,487)**	**(209,696)**	**(318,183)**
Transfer from NECA in 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 Income & Expenditure	(30,707)	1,832	(28,875)	(1,493)	(30,368)
Adjustments between accounting basis & funding basis under regulations	1,379	(1,379)	-	-	-
(Increase)/decrease in 2020/21	(29,328)	453	(28,875)	(1,493)	(30,368)
Balance at 31 March 2021 carried forward	**(124,373)**	**(54,341)**	**(178,714)**	**(211,189)**	**(389,903)**

3.2 Group Comprehensive Income and Expenditure Statement

2019/20					2020/21		
Gross Exp £000	Gross Inc £000	Net Exp £000		Note	Gross Exp £000	Gross Inc £000	Net Exp £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
			Services transferred from NECA				
-	-	-	Invest North East		534	(438)	96
-	-	-	Local Enterprise Partnership		47,896	(15,278)	32,618
105,841	**(67,827)**	**38,015**	**Cost of Services**		**185,541**	**(107,703)**	**77,838**
4,225	(757)	3,468	Financing and Investment Income and Expenditure	G4	7,296	(4,656)	2,640
-	(75,607)	(75,607)	Taxation and Non-Specific Grant Income	G5	-	(121,902)	(121,902)
-	93	93	Gain/Loss on disposal of non-current assets		-	-	-
110,066	**(144,098)**	**(34,032)**	**Surplus on Provision of Service**		**192,837**	**(234,261)**	**(41,424)**
		(348)	Taxation credit charge for the year	G14			**-**
		(34,380)	**Group surplus after taxation**				**(41,424)**
		(7,577)	Re-measurement of the defined benefit liability	G13			**11,056**
		(785)	Gains on Revaluation of Property				**-**
		(42,742)	**Total Comprehensive Income & Expenditure**				**(30,368)**

3.3 Group Balance Sheet

31 March 2020 £000		Note	31 March 2021 £000
380,884	Property, Plant & Equipment	G7	395,896
	Long Term Debtors		13,152
1,988	Intangible Assets	G8	2,388
382,872	**Long Term Assets**		**411,436**
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
106,493	**Current Assets**		**212,891**
(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)
(22,394)	**Current Liabilities**		**(66,495)**
(75,595)	Long Term Borrowing	G9	(75,724)
(38,344)	Public Private Partnerships		(36,292)
(30,826)	Pension Liability	G13	(50,506)
(2,304)	Provisions		(3,679)
(1,719)	Deferred Taxation	G14	(1,728)
(148,788)	**Long Term Liabilities**		**(167,929)**
318,183	**Net Assets**		**389,903**
(83,962)	Usable Reserves	G15	(146,886)
(234,221)	Unusable Reserves	G16	(243,017)
(318,183)	**Total Reserves**		**(389,903)**

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:21/01/2022**

J Gillespie

Janice Gillespie, Chief Finance Officer (Section 73 Officer)

3.4 Group Cash Flow Statement

2019/20 £000		Note	2020/21 £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
18,010	**Net Cash Flows from Operating Activities**		**(19,129)**
(299)	Investing Activities	G18	(45,566)
829	Financing Activities	G19	18,062
18,540	**Net Increase in cash and cash equivalents**		**(46,633)**
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
55,830	**Cash and cash equivalents at the end of the reporting period**	G11	**50,549**

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.

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	Estimated Useful Life
Freehold buildings	40 years
Short leasehold buildings	Over the lease term
Infrastructure assets	20 to 50 years
Plant and Equipment	5 to 30 years
Vehicles	5 to 10 years
Marine Vessels	30 years
Intangibles	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

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 ad 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.

G2 Expenditure and Funding Analysis

2020/21	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £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	**66,203**	**(3,572)**	**14,651**	**556**	**77,838**
Other Income & Expenditure	(84,307)	(34,576)	49	(428)	(119,262)
Surplus on Provision of Service	**(18,104)**	**(38,148)**	**14,700**	**128**	**(41,424)**

Opening General Fund Balances	**(33,300)**
Transfer from NECA in respect of LEP Balances	(649**)**
Surplus on General Fund Balances in Year	(18,104)
Transfers to Reserves	22,720
General Fund Balances at 31 March 2021	**(29,333)**

2019/20	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £000
Investment Fund	735	-	-	-	735
Corporate Costs	(2,461)	-	91	-	(2,370)
Adult Education Budget	(246)	-	-	-	(246)
Joint Transport Committee	23,675	7,027	9,193	-	39,895
Net Cost of Services	**21,703**	**7,027**	**9,284**	**-**	**38,014**
Other Income & Expenditure	(54,106)	(22,533)	3,819	773	(72,047)
Surplus on Provision of Service	**(32,403)**	**(15,506)**	**13,103**	**773**	**(34,033)**

Opening General Fund Balances	**(32,973)**
Surplus on General Fund Balances in Year	(32,403)
Transfers to Reserves	32,076
General Fund Balances at 31 March 2020	**(33,300)**

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 statue 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 £000		2020/21 £000
	Expenditure	
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
110,066	**Total Expenditure**	**192,837**
	Income	
(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)
(144,098)	**Total Income**	**(234,261)**
(34,032)	**Surplus on the provision of services**	**41,424**

G4 Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £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)
3,468	**Total**	**2,640**

G5 Taxation and Non-Specific Grant Income

2019/20 £000		2020/21 £000
(33,168)	Transport Levy	(33,450)
(22,257)	Capital Grants, Contributions & Donated Assets	(20,000)
(20,182)	Non-Ringfenced Government Grants	(68,452)
(75,607)	**Total**	**(121,902)**

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 2020 £000		31 March 2021 £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)
(26,749)	**Total**	**(75,168)**

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 2020 £000		31 March 2021 £000
	Grants Receipts in Advance	
(427)	Grants & Contributions (individually under £1m) – Short Term	(2,696)
(427)	**Total**	**(2,696)**

G7 Property, Plant and Equipment

2020/21	**Vehicles, Plant, Furniture & Equipment**	**Land & Buildings**	**Assets Under Construction**	**Total Property, Plant & Equipment excluding Highways Infrastureucture**	**Service Concession Assets included in PPE**
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2020	**16,855**	**1,440**	**20,703**	**38,998**	**-**
Additions	-	-	29,201	29,201	-
Transfers from Assets under Construction	544	-	(22,012)	(21,468)	-
Transfers between Categories	-	-			
Derecognition – disposals	(1,348)	(155)	(20)	(1,523)	-
Impairment recognised in the Provision of Services	-	-	-	-	-
Other Adjustments	-	-	-	-	-
At 31 March 2021	**16,051**	**1,285**	**27,872**	**45,207**	**-**
At 1 April 2020	(11,185)	(330)	-	(11,515)	-
Depreciation charge	(690)	(18)	-	(708)	-
Derecognition – disposals	542	104	-	646	-
At 31 March 2021	**(11,333)**	**(244)**	**-**	**(11,577)**	**-**
Net Book Value					
At 1 April 2020	5,670	1,110	20,703	27,483	-
At 31 March 2021	**4,244**	**1,041**	**27,872**	**33,631**	**-**

2019/20

	Vehicles, Plant, Furniture & Equipment	Land & Buildings	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets included in PPE
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2019	**16,570**	**770**	**18,851**	**36,191**	**-**
Additions	-	-	24,996	24,996	-
Transfers from Assets under Construction	334	-	(22,212)	(21,878)	-
Transfers between categories	-	(115)	-	(115)	-
Intangibles	-	-	(655)	(655)	-
Derecognition – disposals	(49)	-	(277)	(326)	-
Revaluation Recognised in Revaluation Reserve	-	785	-	785	-
At 31 March 2020	**16,855**	**1,440**	**20,703**	**38,998**	**-**
At 1 April 2020	**(10,382)**	**(312)**	**-**	**(10,694)**	**-**
Depreciation charge	(852)	(18)	-	(870)	-
Derecognition – disposals	49	-	-	49	-
At 31 March 2020	**(11,185)**	**(330)**	**-**	**(11,515)**	**-**
Net Book Value					
At 1 April 2019	6,188	458	18,851	370,855	-
At 31 March 2020	**5,670**	**1,110**	**20,703**	**27,483**	**-**

G7a Highways Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2020/21
	£000
Net book value (modified historical cost)	
At 1 April	**151,533**
Additions	424
Derecognition	
Depreciation	(1,785)
Impairment	(16)
Other movements in cost	865
Net book value	
At 31 March	**151,022**

	2020/21
	£000
Infrastructure assets	151,022
Other PPE assets	2,112
Total PPE assets	**153,134**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Structures – net book value

North of Tyne Combined Authority has estimated a net book value at 31 March 2021 for its structures at £151.022m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

Northbound vehicle tunnel	62 years
Southbound vehicle tunnel	110 years
Pedestrian and cyclist tunnels	62 years

Depreciation for the tunnels (and total annual depreciation for 2020/21 on structures) is £1.785m.

G8 Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

2019/20 £000		2020/21 £000
	Cost or Valuation	
3,800	Opening Balance	4,740
316	Additions	636
655	Transfers from assets under construction	-
(31)	Derecognition – Disposals	(19)
4,740	**Total**	**5,357**
	Amortisation	
(2,621)	Opening Balance	(2,752)
(131)	Amortisation provided during the period	(217)
(2,752)	**Total**	**(2,969)**
1,988	**Net Book Value at 31 March**	**2,388**

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 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Amortised cost	-	-	-	13,152	35,581	142,617	6,436	16,756
Total Financial Assets	-	**-**	-	**13,152**	**35,581**	**142,617**	**6,436**	**16,756**
Non-financial Assets	-	-	-	-	-	-	7,050	2,568
Total	-	**-**	-	**13,152**	**35,581**	**142,617**	**13,486**	**19,324**

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 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Amortised cost	(75,595)	(75,724)	-	-	(1,032)	(21,023)	(14,333)	(17,840)
Total Financial Liabilities	**(75,595)**	**(75,724)**	-	**-**	**(1,032)**	**(21,023)**	**(14,333)**	**(17,840)**
Non-financial Liabilities	-	-	-	-	-	-	(4,346)	(22,668)
Total	**(75,595)**	**(75,724)**	-	**-**	**(1,032)**	**(21,023)**	**(18,679)**	**(40,508)**

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 £000	**Financial assets measured at amortised cost £000**	**Total £000**		**Financial Liabilities at amortised cost £000**	**Financial assets measured at amortised cost £000**	**Total £000**
4,225	-	4,225	Interest expense	3,386	-	3,386
4,225	**-**	**4,225**	**Total expense in Surplus on Provision of Services**	**3,386**	-	**3,386**
-	(757)	(757)	Investment Income	-	(1,603)	(1,603)
-	**(757)**	**(757)**	**Total income in Surplus on Provision of Services**	-	**(1,603)**	**(1,603)**
4,225	**(757)**	**3,468**	**Net (gain)/loss for the year**	**3,386**	**(1,603)**	**1,783**

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 £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial liabilities at amortised cost	2	(76,627)	(132,125)	(96,747)	(142,065)
Total		**(76,627)**	**(132,125)**	**(96,747)**	**(142,065)**
Financial Assets at amortised cost					
Held to Maturity investments	2	35,581	35,581	142,617	142,617
Total		**(41,046)**	**(96,544)**	**142,617**	**142,617**

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 2020 £000		31 March 2021 £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
13,486	**Total**	**19,324**

G11 Cash and Cash Equivalents

31 March 2020 £000		31 March 2021 £000
20,299	Cash	36,295
35,531	Short term deposits	14,254
55,830	**Total**	**50,549**

G12 Short Term Creditors

31 March 2020 £000		31 March 2021 £000
(1,192)	Central Government Bodies	(2,814)
(2,888)	Other Local Authorities	(14,754)
(14,599)	Other Entities and Individuals	(22,940)
(18,679)	**Total**	**(40,508)**

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 £000	2020/21 £000	2019/20 £000	2020/21 £000
Cost of Services				
Current Service Costs	6,119	8,495	-	-
Past Service Costs	71	-	-	-
Settlement Costs	-	2,080	-	-
Exceptional loss on transfer of pension liability loss	1,346	(796)	-	-
Financing and Investment Income and Expenditure				
Interest Cost	4,042	3,884	35	27
Expected Return on Scheme Assets	(3,289)	(3,053)	-	-
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**8,289**	**10,610**	**35**	**27**
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)	(33,057)	-	-
Remeasurement of the net Defined Benefit Liability	7,013	38,025	(235)	53
Total Amount recognised in Other Comprehensive Income & Expenditure	**(7,342)**	**4,968**	**(235)**	**53**
Total amount recognised in the CIES	**947**	**15,577**	**(200)**	**80**

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 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening fair value of scheme assets	**136,697**	**153,358**	**-**	**-**
Interest Income	3,294	3,164	-	-
Remeasurement gain on plan assets	14,356	27,932	-	-
Employer contributions	3,243	1,917	155	14
Contributions by scheme participants	1,254	1,613	-	-
Net Benefits paid out	(5,486)	(5,006)	(155)	(14)
Net decrease in assets from Stadler Transfer	-	(6,878)	-	-
Settlements	-	4,025	-	-
Closing fair value of scheme assets	**153,358**	**180,125**	**-**	**-**

Reconciliation of present value of the scheme liabilities

	LGPS		Discretionary Benefits	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening balance at 1 April	**(168,582)**	**(182,952)**	**(1,580)**	**(1,230)**
Current Service Cost	(6,126)	(8,496)	-	-
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 disposals/acquisitions		137		
Net increase in liabilities from NEMOL transfer	(1,346)	7,675	-	-
Settlements	-	(6,105)	-	-
Closing balance at 31 March	**(182,952)**	**(229,455)**	**(1,230)**	**(1,167)**

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	**2019/20 £000**	**2020/21 £000**
Fair Value of LGPS Assets	**153,358**	**186,161**
Present value of LGPS liabilities		
- LGPS liabilities	(182,952)	(229,455)
Deficit on funded defined benefit scheme	**(29,596)**	**(43,290)**
Discretionary benefits	(1,230)	(1,171)
Total Deficit	**(30,826)**	**(44,462)**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

	NTCA	**Nexus**	**NEMOL**
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:

NTCA	Local Government	
	31 March 2020	31 March 2021
Mortality assumptions:		
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
Rate for discounting scheme liabilities:	% 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

Nexus	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
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
Discount rates:	%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
Mortality assumptions:		
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
Discount rates:	%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 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	**Local Government**	
	2019/20 £000	**2020/21 £000**
Interest Income on Assets	3,294	3,164
Remeasurement gain on assets	14,356	27,932
Actual Return on Assets	**17,650**	**31,096**

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.

Discount rate assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to discount rate			
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%

Rate of general increase in salaries	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to salary increase rate			
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%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to pension increase rate			
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
Adjustment to mortality age rating assumption *			
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:

	2019/20 £000	2020/21 £000
Capital Allowances	(248)	123
Tax effect of losses		(433)
Other timing differences	(83)	40
Total	(331)	(270)

The balance at the year-end comprises:

	2019/20 £000	2020/21 £000
Excess of capital allowances over depreciation	(1,256)	(1,386)
Roll over relief on capital gains	(546)	(549)
Tax effect of losses	83	433
Other timing differences	-	44
Total	(1,719)	(1,458)

G15 Usable Reserves

	31 March 2020 £000	31 March 2021 £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	-
Total Usable Reserves	**(83,962)**	**(146,886)**

G16 Unusable Reserves

	31 March 2020 £000	31 March 2021 £000
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
Total Unusable Reserves	**(234,221)**	**(243,017)**

<u>Revaluation Reserve</u>

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.

	£000s
Balance at 1 April 2019	(3,974)
Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account	64
Revaluation gain recognised in Revaluation Reserve	(785)
Balance at 31 March 2020	**(4,695)**
Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account	**44**
Revaluation gain recognised in Revaluation Reserve	**-**
Balance at 31 March 2021	**(4,651)**

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.

	£000
Balance at 1 April 2019	(241,599)
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
Adjusting amounts written out of the Revaluation Reserve	**(64)**
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)
Balance at 31 March 2020	**(254,701)**
Transfer from NECA in respect of LEP Balances	**(16,282)**
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
Adjusting amounts written out of the Revaluation Reserve	**(44)**
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)
Balance at 31 March 2021	**(291,983)**

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 £000
Balance at 1 April	
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	**556**
Balance at 31 March	**556**

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.

	£000
Balance at 1 April 2019	**19,225**
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)
Balance at 31 March 2020	**24,750**

Balance at 1 April 2020	**24,750**
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
Balance at 31 March 2021	**50,506**

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 £000		2020/21 £000
34,032	Surplus on the provision of services	**41,424**
	Adjustments to Surplus on Provision of Services for Non-Cash Movements:	
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
	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities:	
(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
18,010	**Net cash flow from operating activities**	**(19,129)**

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
1,080	Interest Received	4,656
(3,289)	Interest Paid	(7,296)

G18 Cash Flow Statement – Investing Activities

2019/20 £000		2020/21 £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
(299)	**Net cash flows from investing activities**	**(45,566)**

G19 Cash Flow Statement – Financing Activities

2019/20 £000		2020/21 £000
1,265	Repayments of short and long-term borrowing	19,430
(436)	Other payments and receipts for financing activities	(1,368)
829	**Net cash flows from financing activities**	**18,062**

G20 Reconciliation of liabilities arising from Financing Activities

	1 April 2020 £000	Financing Cash Flows £000	Changes which are not financing cash flows £000	31 March 2021 £000
Long-term borrowings	(75,595)	(570)	441	(75,724)
Short-term borrowings	(1,032)	(20,000)	9	(21,023)
Total liabilities from financing activities	**(76,627)**	**(20,570)**	**450**	**(96,747)**

	1 April 2019 £000	Financing Cash Flows £000	Changes which are not financing cash flows £000	31 March 2020 £000
Long-term borrowings	(73,508)	(2,087)	-	(75,595)
Short-term borrowings	(1,023)	-	(9)	(1,032)
Total liabilities from financing activities	**(74,531)**	**(2,087)**	**(9)**	**(76,627)**

G21 Summary of Capital Expenditure and Sources of Finance

2019/20 £000		2020/21 £000
86,352	**Opening Capital Financing Requirement**	**85,789**
	Capital Investment	
24,918	Property, Plant & Equipment	29,625
316	Intangible Assets	636
8,881	Revenue Expenditure Funded from Capital Under Statute	47,230
	Sources of Finance	
(698)	Capital Receipts – repayment of principal from long-term debtors	(676)
(31,574)	Government Grants and other Contributions	(79,850)
	Sums set aside from Revenue	
(1,640)	Direct Revenue Contributions	(1,280)
(766)	Minimum Revenue Provision	(783)
-	Additional Voluntary Provision	(334)
85,789	**Closing Capital Financing Requirement**	**80,357**
(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.

Independent auditor's report to the Members of North of Tyne Combined Authority and the Group

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of North of Tyne Combined Authority and Group for the year ended 31 March 2021, which comprise the North of Tyne Combined Authority and Group Comprehensive Income and Expenditure Statements, the North of Tyne Combined Authority and Group Balance Sheets, the North of Tyne Combined Authority and Group Movement in Reserves Statement, the North of Tyne Combined Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North of Tyne Combined Authority and Group as at 31st March 2021 and of North of Tyne Combined Authority and Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of North of Tyne Combined Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on North of Tyne Combined Authority and Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative Statement and the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of North of Tyne Combined Authority and Group will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for North of Tyne Combined Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of North of Tyne Combined Authority and Group, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Finance Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and Those Charged with Governance the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by North of Tyne Combined Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and Those Charged with Governance on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and Those Charged with Governance. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on North of Tyne Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on North of Tyne Combined Authority's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on North of Tyne Combined Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of North of Tyne Combined Authority

North of Tyne Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of North of Tyne Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

- We are required by the Code of Audit Practice to report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of North of Tyne Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of North of Tyne Combined Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of North of Tyne Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the North of Tyne Combined Authority's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Gavin Barker
Director
For and on behalf of Mazars LLP

The Corner
Bank Chambers
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Newcastle upon Tyne
NE1 1DF
Date: January 2022