

Audit and Standards Committee

Tuesday, 23 April 2024 at 10.00 am

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

www.northoftyne-ca.gov.uk

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Audit Completion Report

North of Tyne Combined Authority
Year ended 31 March 2023

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April 2024



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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to North of Tyne Combined Authority are prepared for the sole use of North of Tyne Combined Authority and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



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

18 April 2024

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

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. 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 Audit Strategy Memorandum dated 8 September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

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

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 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 4 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)

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements along with any unadjusted misstatements. Section 7 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 2023. At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant 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

Whilst we are yet to complete our work in this area, 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 7 of this report.



Whole of Government Accounts (WGA)

We anticipate completing our work on WGA submission, in line with the group instructions issued by the NAO, once we have issued our opinion on the financial statements.



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 objections have been received.

02



Section 02:


Status of the audit


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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
Investments		Work is ongoing in this area. We are awaiting several external confirmations.
Financial Statements		Review and closure processes, including checking the amended version of the financial statements and consideration of any post balance sheet events.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

Materiality

Our provisional materiality at the planning stage of the audit was set at £14.180m for the Group and £8.718m for NTCA using a benchmark of 2% of total assets. Our final assessment of materiality, based on the final financial statements is £17.112m for the Group and £9.826m for NTCA, using the same benchmark.

Group audit approach

The group consists of NTCA, Nexus and Tyneside Transport Services Limited. We are responsible for the direction, supervision and performance of the group audit.

04

Section 04: **Significant findings**

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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 14 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; and
- any further significant matters discussed with management.

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Significant risks

Management override of controls (single entity and group accounts)

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

Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

4. Significant findings

Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and the 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; 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 has in place to ensure income is recognised in the correct period;
- Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year;
- the judgements made by management in determining when grant income is recognised;
- for Tyne Tunnel toll income, perform a substantive analytical review; and
- for major grant income, obtaining counterparty confirmation.

Audit conclusion

There are no issues arising from our work that we are required to report to you.

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4. Significant findings

**Net defined benefit liability /
asset valuation
(single entity and group
accounts)**

Description of the risk

The financial statements contain material pension entries in respect of 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.

In 2022/23 there is a net pension asset for the first time, and the appropriate method of accounting for this is uncertain and complex.

How we addressed this risk

We:

- evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and
- considered the reasonableness of the actuary’s outputs, referring to an expert’s report on all actuaries nationally which is commissioned annually by the National Audit Office.

We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available. As the net pension asset was only £626k we did not require a calculation of the pension asset ceiling from the actuary as any adjustment that might be required from this exercise would be well below materiality levels.

Audit conclusion

There are no issues arising from our work that we are required to report to you.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to NTCA's circumstances.

Draft accounts were received from NTCA on 31 May 2023 and were of a good quality.

Significant matters discussed with management

During our audit we discussed the following significant matters with management:

- An adjustment was identified by officers to correct errors in accounting for capital loans on the balance sheet. This led to a material movement from usable reserves to unusable reserves. It also required the disclosure of a prior period adjustment in relation to the 2021/22 accounts. The error was just in relation to the balance sheet position and there was no impact on the outturn for the year.
- Whether an asset ceiling should be applied to the net defined benefit asset recognised within the draft accounts; we concluded that as the net pension asset was only £626k we did not require a calculation of the pension asset ceiling from the actuary as any adjustment that might be required from this exercise would be well below materiality levels;
- We made enquiries of officers in respect of Reinforced Autoclaved Aerated Concrete (RAAC) being present in any NECA buildings and infrastructure and obtained assurance that there was no indication of any material issues affecting NECA's assets.

We raised with officers the need to include a note to the accounts under the Narrative Statement, and in Accounting Policies and Events after the Balance Sheet Date (non-adjusting) explaining the impact of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024.

The additional disclosures referenced the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, that NECA will cease to exist on 7 May 2024 but that its functions will be transferred to the North East Mayoral Combined Authority from that date, and that because services will continue to be provided by another public sector entity, the financial statements have been prepared on a going concern basis.

We will include an Emphasis of Matter paragraph in our audit report (included in Appendix B). An Emphasis of Matter is not a qualification, but will draw attention to these important disclosures in the financial statements.

The wording for our audit report will need to be approved through an internal Consultant Partner Review and technical clearance process.

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 2022/23 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 such objections have been raised

05

Section 05:

Internal control recommendations

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5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

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 control 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 control 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.

We did not identify any internal recommendations in respect of 2022/23.

We did identify one internal control recommendations as part of our 2021/22 audit work and these are revisited in this section.

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 control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency – Related party declarations

Related party declarations should be updated and obtained annually for all members and available on the website. Our work identified that, whilst the declaration forms were available to view on the website, they were not dated making it difficult to identify when the declarations had been made.

Potential effects

Related party declarations may be incomplete and/or out of date.

Recommendation

Ensure that related party declarations are completed annually, dated and made available on the website.

2022/23 update

The purpose of the Authority’s register of interests is to meet the requirements in the Localism Act 2011 and secondary legislation as to the registration of interests. NTCA’s requirements as to what interests should be recorded already go beyond what is set out in the legislation. The legal requirement is for the register to be up to date, not for the date of each registration to be logged. However, we appreciate that this is the approach taken at some other authorities and will consider this in the arrangements for the new MCA.

06

Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £295k (NTCA) and £513k (Group).

Unadjusted misstatements - NTCA

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Revenue	552			
	CR Debtors				552
Page 19	Short term debtors were overstated by £37k in the residual sample where the income had been received in 22/23 but the amount was still treated as a debtor. This error has been extrapolated and the total known and projected misstatement is £552k. This is an immaterial error in total and has been treated as an unadjusted misstatement.				
	DR Creditors			468	
	CR Expenditure		468		
	Short term creditors were overstated by £21k in the residual sample where the payment was made during 22/23 but the amount was still treated as a creditor. This error has been extrapolated and the total known and projected misstatement is £468k. This is an immaterial error in total and has been treated as an unadjusted misstatement.				
	Total unadjusted misstatements	552	468	468	552

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £295k (NTCA) and £513k (Group).

Adjusted misstatements – NTCA

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Usable reserves (Earmarked reserves)			15,436	
	Dr: Long term debtors			543	
	CR: Unusable reserves (Capital adjustment account)				15,979
	An adjustment was identified by officers to correct errors in accounting for capital loans on the balance sheet. This led to a material movement from usable reserves to unusable reserves. There was also a non-material adjustment to long term debtors. It also required the disclosure of a prior period adjustment in relation to the 2021/22 accounts.				
	Total adjusted misstatements – current year	0	0	15,979	15,979

Adjusted misstatements – NTCA, Prior Year

An adjustment was also made to the position at 31 March 2022 to correct the prior year period.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Usable reserves (Earmarked reserves)			7,205	
	CR: Unusable reserves (Capital adjustment account)				7,205
An adjustment was identified by officers to correct errors in accounting for capital loans on the balance sheet. This led to a material movement from usable reserves to unusable reserves as a prior period adjustment in relation to the 2021/22 accounts.					
	Total adjusted misstatements – prior year	0	0	7,205	7,205

6. Summary of misstatements

Disclosure amendments - NTCA

Disclosure amendments made include the following:

- Various minor presentational points;
- Note 3 I&E analysed by Nature - Depreciation, impairment and Revenue Expenditure Funded from Capital under Statute (REFCUS) has been corrected from £33 013k to £50,986k
- Note 13a: Property, Plant and Equipment (Highways Infrastructure Assets)
 - Opening NBV for Infrastructure assets is corrected to £150,123k from £151,022k
 - Other movements in cost for Infrastructure assets is corrected to (£789k) from (£109)
- Note 14 Financial liabilities held at amortised cost carrying amount for 31/03/22 of £97,971 is different from the figure in Note 15 of £96,791. The Note 14 amount has been corrected accordingly
- Note 21 – Pensions has undergone following changes per the IAS 19 report
 - - Past service costs under amounts recognised in P/L and other comprehensive income. Per Note 21 the figure is nil, but per the IAS 19 report the figure is £16k.
 - - % change in present value of total obligation under discount rate assumptions (+0.1%). Per Note 21 the figure is 2.5% but per the IAS 19 report the figure is -2.5%.
 - - % change in present value of total obligation under discount rate assumptions (-0.1%). Per Note 21 the figure is -2.6% but per the IAS 19 report the figure is 2.6%.
 - - Projected service cost under discount rate assumptions (+0.1%). Per Note 21 the figure is £986k but per the IAS 19 report the figure is £940k.
- Note 26 - Adjustments on the provision of services for non-cash movements has undergone following changes:
 - - Increase in creditors have been updated to £14,969k, instead of £12,725k
 - - Increase in debtors should be -£16,242k, instead of -£13,997k
 - - Interest received should be £4,084k, instead of -£4,844k
 - - Interest paid should be -1,371k, instead of 146k

An adjustment was identified by officers to correct errors in accounting for capital loans on the balance sheet. This led to a material movement from usable reserves to unusable reserves. There was also a non-material adjustment to long term debtors. It also required the disclosure of a prior period adjustment in relation to the 2021/22 accounts. This led to changes in the disclosures in the relevant notes.

Additional disclosures were added to the accounts under the Narrative Statement, and in Accounting Policies and Events after the Balance Sheet Date (non-adjusting) explaining the impact of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024. The additional disclosures referenced the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, that NTCA will cease to exist on 7 May 2024 but that its functions will be transferred to the North East Mayoral Combined Authority from that date, and that because services will continue to be provided by another public sector entity, the financial statements are prepared on a going concern basis.

There are no unadjusted disclosure points to report.

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £295k (NTCA) and £513k (Group).

Unadjusted misstatements - Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Page 22 1	DR Net pension assets			578	
	CR Remeasurement of net defined pension liability		578		
	<p>Our review of this report identified that the value of pension fund assets was higher than those originally reported, which is entirely due to timing issues compared to when the actuary prepares their report and the final valuations received during EY's audit. Application of this issue to the pension assets held by NTCA & Nexus as a proportion of total pension errors resulted in an understatement of pension assets of £578.156k Pension errors identified during overall procedures for NTCA: £52.848k NTCA share in Nexus understatement of pension assets is £1,168k*44.975% = £525.308k</p>				
	Total adjusted misstatements	0	578	578	0

6. Summary of misstatements

The adjustments to the NTCA single entity accounts on page 20 are also reflected in the Group accounts. The relevant notes were also updated to reflect these changes in the group accounts.

Adjusted misstatements – Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Usable reserves (Earmarked reserves)			15,436	
	Dr: Long term debtors			543	
	CR: Unusable reserves (Capital adjustment account)				15,979
An adjustment was identified by officers to correct errors in accounting for capital loans on the balance sheet. This led to a material movement from usable reserves to unusable reserves. There was also a non-material adjustment to long term debtors. It also required the disclosure of a prior period adjustment in relation to the 2021/22 accounts.					
Total adjusted misstatements – current year		0	0	15,979	15,979

Adjusted misstatements – Group, Prior Year

An adjustment was also made to the position at 31 March 2022 to correct the prior year period.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Usable reserves (Earmarked reserves)			7,205	
	CR: Unusable reserves (Capital adjustment account)				7,205
An adjustment was identified by officers to correct errors in accounting for capital loans on the balance sheet. This led to a material movement from usable reserves to unusable reserves as a prior period adjustment in relation to the 2021/22 accounts.					
Total adjusted misstatements – prior year		0	0	7,205	7,205

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £295k (NTCA) and £513k (Group).

Adjusted misstatements - Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Page 24 ₁	Current year adjustment from page 23			15,979	15,979
	DR Taxation	1,773			
	CR Usable Reserves				1,773
	Taxation amounts were not available from Nexus at the time of preparation of the accounts, thus CIES will be adjusted for taxation. The total comprehensive I&E should have been (£211,006) now. This has also led to changes in the Group Note 13 Deferred Taxation, CIES, Balance Sheet and MIRS				
	Total adjusted misstatements	1,773	0	15,979	17,752

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £295k (NTCA) and £513k (Group).

Adjusted misstatements - Group Cash flow Statement

* These will be updated in their respective notes as well

Description of the disclosure error	Amounts per the draft group accounts (£'000)	Amounts corrected after audit testing (£'000)
Net surplus on provision of services	115,041	116,487
Adjustments to net surplus or deficit on the provision of services for non-cash movements	29,685	25,680
Net cash flows from Operating Activities *	1,756	-803
Investing Activities*	32,464	35,023

6. Summary of misstatements

Disclosure amendments - Group Notes

Item of account / disclosure note	Description of the disclosure error	Amounts per the Draft Group Accounts (£000)	Correct amounts to be updated (£000)
Note G17: Operating activities	- (Increase)/decrease in creditors and provisions	237	29,204
Note G17: Operating activities	- Increase/(decrease) in debtors	-13,980	-28,802
Note G17: Operating activities	- (Increase)/decrease in inventories	15,419	17
Note G17: Operating activities	- Movement on pension liability	2,015	9,148
Note G17: Operating activities	' - Other non cash movements	6,225	-3,657
Note G17: Operating activities	Interest received	5,491	3,045
Note G17: Operating activities	Interest paid	-5,565	-1,553
Note G18: Cash Flow Statement - Investing Activities	- Capital grants received	113,549	117,647
Note G18: Cash Flow Statement - Investing Activities	- Proceeds sale LT ST investment	288,351	286,810
G15: Usable Reserves	General fund balance	-33,226	-34,675
G15: Usable Reserves	Total Useable Reserves	-259,904	-261,352
Note G3: Income and Expenditure Analysed by Nature	Employee benefit expenses	27,979	26,287
Note G3: Income and Expenditure Analysed by Nature	Other service expenses	148,625	150,011
Note G07a: Property, Plant and Equipment (Highways Infrastructure Assets)	At 1 April	151,022	358,089
Note G07a: Property, Plant and Equipment (Highways Infrastructure Assets)	Additions	61,036	10
Note G07a: Property, Plant and Equipment (Highways Infrastructure Assets)	Reclassification from Assets under construction	-	60,586

07

Section 07: **Value for Money**

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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.

We did not identify any risks of significant weaknesses in arrangements at the planning stage or during our audit.

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 soon after the auditor's report on the financial statements is signed.

Status of our work

We are yet to complete our work in respect of NTCA's arrangements for the year ended 31 March 2023. 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 which we intend to issue soon 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:

NTCA and Group - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of NTCA and Group for the year ended 31 March 2023 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 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022 and applicable law.

I confirm that the following representations 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update 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 Director of Finance 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 the 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 the company 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, as amended by the Code Update 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 Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

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.

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

Ukraine

We confirm we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on NTCA and Group and there is no significant impact on NTCA and Group’s operations from restrictions or sanctions in place.

Global Banking Challenges

We confirm that we have assessed the impact on NTCA and Group of the on-going Global Banking challenges, in particular whether there is any impact on NTCA and Group’s ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Reinforced Autoclaved Aerated Concrete (RAAC)

I confirm I have disclosed to you the extent of RAAC in Authority-owned buildings and to date, there is no indication of any significant issues.

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

NTCA will cease to exist on 7 May 2024 but its functions will be transferred to the North East Mayoral Combined Authority from that date, and that because services will continue to be provided by another public sector entity, the financial statements are prepared on a going concern basis. 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 the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

[Please ensure an appendix is attached to the letter setting out all unadjusted misstatements]

Yours faithfully

Director of Finance:

Date:

Appendix B: 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 the Group for the year ended 31 March 2023, 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the North of Tyne Combined Authority and the Group as at 31st March 2023 and of the North of Tyne Combined Authority's and the 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 2022/23 as amended by the Code Update.

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 the 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.

Emphasis of Matter – transfer of the North of Tyne Combined Authority's functions to the North East Mayoral Combined Authority

We draw attention to note 33.1 (accounting policies, general principles) and note 34 (events after the balance sheet date) of the financial statements, which highlight that as a result of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, the North of Tyne Combined Authority's functions transfer to the new North East Mayoral Combined Authority from 7 May 2024. These notes further disclose that as services continue to be provided by another public sector entity, the financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the functions of the North East Combined Authority continuing in operational existence 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 Report, Annual Governance Statement and the 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 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 2022/23 as amended by the Code Update, 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 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the North of Tyne Combined Authority and the 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 the 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 the 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.

Appendix B: Draft audit report

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to :

- inquiring with management and those charged with governance, as to whether the North of Tyne Combined Authority and the Group is in compliance with laws and regulations, and discussing their 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.

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 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 the Audit and Standards Committee. 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 February 2023.

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.

Appendix B: Draft audit 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 2023.

We have not completed our work on the 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 January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

We will report the outcome of our work on the 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 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 January 2023.

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.

Appendix B: Draft audit report

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 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.

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Gavin Barker
Key Audit Partner
For and on behalf of Mazars LLP

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

Date: To be confirmed

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
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>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.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> 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.
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the Director of Finance that NTCA 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.</p> <p>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.</p>

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Appendix D: Other communications

Other communication	Response
 <p>Subsequent events</p>	<p>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.</p> <p>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.</p>
 <p>Matters related to fraud</p>	<p>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</p> <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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.

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Gavin Barker, Director

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Auditor's Annual Report - **DRAFT**

North of Tyne Combined Authority – year
ended 31 March 2023

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[Appendix A: Further information on our audit of the financial statements](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the North of Tyne Combined Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North of Tyne Combined Authority (NTCA) for the year ended 31 March 2023. Although this report is addressed to NTCA, it is designed to be read by a wider audience including members of the public and other external stakeholders. **This is a DRAFT report, as we have not yet issued our audit opinion. The report will be finalised when we issue our audit opinion, anticipated in late April / May 2024.**

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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Opinion on the financial statements

We issued our audit report on **XX April / May 2024**. Our opinion on the financial statements was unqualified, and included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements that the functions of NTCA will transfer to the North East Mayoral Combined Authority on 7 May 2024, and that it is still appropriate that the financial statements have been prepared on a going concern basis.

[At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]



Value for Money arrangements

In our audit report issued **[not yet issued]** we reported that we had not yet completed our work on NTCA's arrangements to secure economy, efficiency and effectiveness in its use of resources. We have now completed this work and we can confirm that we have not identified any significant weaknesses or recommendations that require reporting. Section 3 provides our commentary on NTCA's arrangements. **[We anticipate this as the final position in relation to our VFM work.]**



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on **XXX April/May 2024** we completed our work on NTCA's Whole of Government Accounts return and reported to the group auditor in line with their instructions. **We are unable to respond to NAO until we have issued our audit opinion [not yet issued].**

02

Section 02:

Audit of the financial statements

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2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to NTCA and whether they give a true and fair view of NTCA and Group's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on **XX April / May 2024** gave an unqualified opinion on the financial statements for the year ended 31 March 2023, and included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements that the functions of NTCA will transfer to the North East Mayoral Combined Authority on 7 May 2024, and that it is still appropriate that the financial statements have been prepared on a going concern basis. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]**

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the undetected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of NTCA's accounting practices

We reviewed NTCA's accounting policies and disclosures and concluded they comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to NTCA's circumstances.

Significant difficulties during the audit

We had positive co-operation from management throughout the audit and we would like to thank management for their assistance, courtesy and patience during our work.

During our audit we discussed the following significant matters with management:

- An adjustment was identified by officers to correct errors in accounting for capital loans on the balance sheet. This led to a material movement from usable reserves to unusable reserves. It also required the disclosure of a prior period adjustment in relation to the 2021/22 accounts. The error was just in relation to the balance sheet position and there was no impact on the outturn for the year.

- Whether an asset ceiling should be applied to the net defined benefit asset recognised within the draft accounts; we concluded that as the net pension asset was only £626k we did not require a calculation of the pension asset ceiling from the actuary as any adjustment that might be required from this exercise would be well below materiality levels;
- We made enquiries of officers in respect of Reinforced Autoclaved Aerated Concrete (RAAC) being present in any NECA buildings and infrastructure and obtained assurance that there was no indication of any material issues affecting NECA's assets.

We raised with officers the need to include a note to the accounts under the Narrative Statement, and in Accounting Policies and Events after the Balance Sheet Date (non-adjusting) explaining the impact of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024.

The additional disclosures referenced the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, that NECA will cease to exist on 7 May 2024 but that its functions will be transferred to the North East Mayoral Combined Authority from that date, and that because services will continue to be provided by another public sector entity, the financial statements have been prepared on a going concern basis.

[At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]

Reporting responsibility	Outcome
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022.

03

Section 03:

Commentary on VFM arrangements

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3. Commentary on VFM arrangements

Overall summary

Page 50



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the 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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that NTCA has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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 there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 12.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from NTCA. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in NTCA's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

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3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Overall commentary on the Financial Sustainability reporting criteria

How NTCA identifies significant financial pressures that are relevant to its short and medium-term plans

NTCA covers the local authorities of Newcastle, North Tyneside and Northumberland.

The 2022/23 Revenue Budget and Medium-Term Financial Strategy (MTFS), covering the period up to and including 2025/26 was approved by the Cabinet on 25 January 2022 and is available on the Authority's website.

Due to Transport being of such a strategic importance to the North East, collaborative working of both Combined Authorities allows effective decision making across the region, which helps to ensure that the local needs and priorities are delivered. This resulted in the introduction of the North East Joint Transport Committee (JTC) which brings together all seven of the constituent authorities of the region, being the three Members from NTCA and the four Members from the North East Combined Authority (NECA) in accordance with the Order that was created on the 2nd November 2018.

Regular budget monitoring/forecast of outturn reports are presented to the Cabinet, including updates on the North East Local Enterprise Partnership (LEP) and Invest North East budgets. The LEP Budget and Outturn is reported first to the LEP Board prior to appending the NTCA Cabinet Budget and Outturn report.

Budget monitoring is reported quarterly to Cabinet to monitor any financial pressures to help ensure that NTCA remains within budget. Cabinet membership includes the Lead Member and their Deputy of each of the three constituent authorities as well as the Mayor and the Head of Paid Service of NTCA. All budget monitoring, budget and outturn reports are approved by Cabinet and are then subsequently scrutinised by the Overview and Scrutiny Committee.

As at 31 March 2023, NTCA reported useable reserves of £233.2 million.

A timetable for the production and consultation of the 2022/23 Budget / Medium Term Financial Strategy (MTFS) was agreed by Cabinet on 29 September 2021. The budget and MTFS has a clear link to the Corporate

Plan which is taken to the NTCA Annual Meeting annually, in June.

How NTCA plans to bridge its funding gaps and identifies achievable savings

The annual Budget/MTFS sets out NTCA's spending plans over the period and how any funding gaps will be met. This is developed through and consulted with the constituent local authorities of NTCA.

Regular budget monitoring/forecast of outturn reports highlight any financial pressures developing, allowing action to be taken at an early stage.

How NTCA plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget development process enables resources to be identified to support the delivery of services in accordance with the strategic priorities of NTCA through its clear links with the Corporate Plan. This developed through working with key delivery partners and the constituent local authorities of NTCA.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

How NTCA ensures that its financial plan is consistent with other plans

Consultation on budget proposals is built into Part 3.2 (Budget and Policy Framework) of the Authority's Constitution and aims to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

In line with the Prudential Code, revenue implications of capital investment decisions are fully considered and form part of the budget setting process ensuring that investments are fully funded –e.g. agreement of Minimum Revenue Provision (MRP) strategy.

The annual budget/MTFS report considers relevant implications including resources, equality, legal, human rights and risks as part of the approval process.

How NTCA identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

There is an established risk management framework for the Authority and the JTC with regular reviews and reporting to the Authority's Audit & Standards Committee and JTC Audit Committee. This includes risks to financial resilience. Support is provided to NTCA by Newcastle City Council through a service level agreement (SLA).

Designated Officers are responsible for ensuring that risk management is an integral part of their management processes and activities within their respective areas of responsibility.

Budget managers have direct access to the financial management system for up-to-date financial information but also get the support of the Authority's finance officers. The Authority uses North Tyneside Council's financial systems. Financial systems are being developed to meet the need of service users and to enable the Authority to meet internal deadlines and statutory reporting. Systems have been developed to enable more up-to-date budget information to be obtained from Service budget managers and finance staff.

Revenue Budget Monitoring/Forecast of Outturn reports are brought to the Cabinet and JTC on a regular basis for challenge and comment before subsequently being reported to the relevant Overview & Scrutiny Committee.

Financial Management Standards support the NTCA Financial Regulations set out in the Constitution. The Financial Regulations provide the overall high-level framework for managing the authority's financial affairs, and Financial Procedure Notes set out in more detail how these procedures are implemented to embed sound financial management across the authority.

The 2021/22 Revenue Budget and Medium-Term Financial Strategy (MTFS), covering the period up to and including 2024/25 was approved by the Cabinet on 26 January 2021 and is available on the Authority's website.

The Authority has a history of achieving financial targets as evidenced by financial and performance reports.

Relevant HR policies and procedures are in place.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils have agreed to a devolution deal which the Government has confirmed.

This new combined authority will be led by a Mayor elected by residents across the area, and together with one representative from each of the seven constituent councils will form a Cabinet which will make decisions for the new combined authority.

The North East mayoral election is due to be held on 2 May 2024 to elect the mayor of the North East and the North East Mayoral Combined Authority is due to come into existence 4 days after the completion of this election. The authority will replace the North of Tyne and the North East Combined Authorities.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

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3. VFM arrangements – Governance

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Overall commentary on the Governance reporting criteria

How NTCA monitors and assesses risk and how NTCA gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

NTCA has an Anti-Fraud and Corruption Policy (Constitution Part 5.4) and seeks in the first instance to prevent fraud and corruption through staffing policies, making members aware of their responsibilities, internal control systems and liaison with outside agencies.

NTCA is a participant in the National Fraud Initiative, a data matching exercise that helps prevent and detect fraud across the public sector.

NTCA endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions.

NTCA seeks to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis.

Through the use of a risk-based Internal Audit plan, NTCA determines the priorities of the internal audit activity, consistent with the authority's goals.

Internal audit reviews highlight weaknesses and recommend action when required to strengthen process/procedures. These are regularly reported to Audit and Standards Committee.

The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control which was reported to the Audit and Standards Committee in April 2023. This stated that:

The opinion of the Chief Internal Auditor is that the Authority's framework of governance, risk management and control is satisfactory overall based upon the audit work undertaken in 2022/23. This is a positive assessment of the control environment of the organisation.

How NTCA approaches and carries out its annual budget setting process

The Constitution outlines NTCA's budget setting process, including in its role as accountable body for the North East LEP. This must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the budget and that it is agreed in accordance with the requirements of the Constitution and the JTC Standing Orders.

Outline proposals are developed in discussion with member and officer groups, including North of Tyne Chief Executives, Economic Development Directors, Voluntary and Community Sector and Business Community in addition to the Public consultation notice on the website. Finance Directors across the NTCA area and wider region, in relation to the North East LEP will be involved throughout the process.

After consideration and comment by the Overview and Scrutiny Committees (NTCA and JTC) and the results of consultation, the final proposals (including consideration of the final proposals and decision of the JTC) are then considered by the Cabinet, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committees. The Cabinet must agree the final proposals in relation to NTCA's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How NTCA ensures effective processes and systems are in place to ensure budgetary control

We noted that regular reporting of the financial position took place throughout the 2022/23 financial year. Quarterly forecasts of outturn reports were presented to the Cabinet and Scrutiny Committees. The reports included details of movements in the budget between quarters and remedial measures taken. The positions reported did not indicate a weakness in the Council's monitoring and reporting arrangements.

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How NTCA ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

NTCA has a Constitution in place which is readily available on the website.

Principles of decision making are set out in the Authority's constitution and all decisions are made in accordance with these. Report templates are set out to prompt consideration of each of the principles/implications of the decision under consideration.

The Authority has an Overview and Scrutiny Committee established to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority. The Overview and Scrutiny Committee also investigates matters of significant importance to residents within the areas covered by the four councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

From a JTC perspective, there is also an established JTC Overview and Scrutiny Committee, which enables local councillors to scrutinise and challenge the JTC, its committees and Nexus, and to investigate matters of strategic importance to residents within the LA7 Area with a view to influencing and adding value to the decisions.

The Cabinet is made up of the Leaders of the three constituent bodies and is supplemented by elected members who serve on a number of committees along with non-executives.

The Authority publishes a Forward Plan which lists all decisions that committees or officers of the Authority intend to take in the coming months. Details of each are usually included 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 the Combined Authority is planning to take, to review any related reports and background papers, and to submit comments to the decision maker in advance of the decision being made.

Briefings for members are held between key public meetings to discuss particular topics in depth and allow for challenge and informed decision making by members of committees such as the Joint Transport Committee and the Tyne and Wear Sub Committee.

The Authority's Leadership Board receive appropriate and regular reports on the financial position of the Authority.

The Head of Paid Service and Chief Executive leads a very experienced senior officer team at the Authority.

Risk management arrangements along with an up to date risk register are in place. A risk update is reported regularly to the Audit and Standards Committee, who provide challenge in this area.

An annual governance statement is prepared, reviewed and approved before being included in the financial statements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How NTCA monitors and ensures appropriate standards are maintained

The NTCA Constitution sets out the how the authority operates, how its decisions are made and the procedures that are followed to ensure that NTCA operates efficiently, effectively and is both transparent and accountable.

NTCA has an agreed Code of Conduct for Members which sets out the conduct that is expected of elected members appointed to NTCA when they are acting in that capacity, and which is consistent with Nolan's Seven Principles of Public Life.

NTCA has a Code of Conduct for Officers which is intended to support officers in maintaining standards and to help protect officers from misunderstanding or criticism. The Code applies to all officers of NTCA.

NTCA has a Member/Officer Relations Protocol to provide general guidance for Members and Officers in their relations with one another. It reflects the basic principles underlying the respective rules of conduct that apply to Members and Officers and is intended to offer guidance on some of the issues that commonly arise.

With the exception of co-opted Independent Members on the Audit & Standards and Overview & Scrutiny Committees, Members are elected councillors of constituent local authorities and also subject to their own Council's Codes of Conduct.

There is a NTCA Register of Members Interests which contains declarations of any Disclosable Pecuniary Interest and any other interest. These are published on the NTCA website Interests for Senior Officers are also recorded.

NTCA has an Audit and Standards Committee, which seeks to promote and maintain high standards of conduct by NTCA members and co-opted members, and ensure NTCA members and co-opted members observe the Members' Code of Conduct.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement

The Narrative Report accompanying the Statement of Accounts includes key financial performance information to help inform users of the accounts.

Final Outturn reports build on the regular reporting during the year to set out financial performance against budget for the NTCA revenue budgets and Capital element of the NTCA Investment Programme. The outturn is used to update the forecasts for the year as part of the regular forecast of outturn reports.

Treasury Management Prudential Indicators are set and updated through the Treasury Management Policy and Strategy, mid-year update and outturn update.

How NTCA evaluates the services it provides to assess performance and identify areas for improvement

The new Transport Plan for the whole JTC area sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan with respect to the 5 key objectives (Carbon neutral North East, Overcome inequality and grow our economy, Healthier North East, Sustainable transport choices and Safe, secure network).

NTCA deliver against the Investment Plan, Adult Education Devolved Budget and the Brownfield Housing Fund. Regular updates are taken to Investment Panel which is attended by Senior Officers of the NTCA constituent authorities and to Cabinet to inform on performance against delivery.

There is a 5-year Gateway Review led by Central Government to determine delivery at 5 year intervals against the Investment Fund and ensure economic growth has been achieved, the first one of these for NTCA is end of 2022-23. The North East LEP report regularly to their LEP Board on delivery against their Economic Plan.

How NTCA ensures it delivers its role within significant partnerships, engages with stakeholders it has

identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority's Constitution sets out that the Procurement Procedure Rules for the Constituent Authority designated as lead authority for the following exercises shall apply and be followed wherever the Combined Authority wishes to arrange for:

- The purchases of goods, materials and related services;
- The execution of works; or
- The provision of other services (including consultancy).

The Authority receives procurement services from North Tyneside Council via a Service Level Agreement. The service specification includes the undertaking of legally compliant procurement and production of procurement documentation and correspondence via competitive quote/tender process.

Newcastle City Council Legal Officers provide a Legal SLA, part of which is to sign off all contracts and provide legal advice on contracts NTCA and the North East LEP enter into.

A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 Ltd which was introduced in 2008. The partnership with TT2 Ltd is governed by the Project Agreement which specifies levels of performance which must be met and roles and responsibilities of both partners, and is managed by the Tyne Tunnels Contract Manager.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

How NTCA ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve - continued

There is a register which sets out associated partners to NTCA, the purpose of the partnerships, link officer and review dates for each one.

The Authority works very closely with the North East Local Enterprise Partnership (NELEP). This is a business-led, strategic partnership responsible for promoting and developing economic growth in the area. The Authority supports the work of the enterprise partnership and they work together to ensure co-ordination across their range of activities.

The NELEP Chief Executive attends Cabinet and Overview and Scrutiny to provide an update on the LEP. The Chair of NELEP Board sits on the NTCA Cabinet.

NTCA provides the formal accountability arrangements for the enterprise partnership.

Organisational change took place on 1 April 2020 with the transfer of Accountable Body responsibility for North East LEP to North of Tyne Combined Authority and resulting TUPE of staff from NECA to NTCA

NTCA meets regularly and engages with the Voluntary and Community Sector and Business Community Sector.

There is a register which sets out associated partners to NTCA, the purpose of the partnerships, link officer and review dates for each one.

Nexus is not included in the significant partner register due to its status as an officer of the Combined Authority. NTCA reports regularly to the Joint Transport Committee and the Tyne and Wear Sub Committee on its financial performance, and performance against its Corporate Business Plan and Risk Register. The relationship between NTCA and Nexus is set out in the Constitution.

04

Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We reported to NAO on WGA on [insert date]. **We are unable to respond to NAO until we have issued our audit opinion [not yet issued].**

As in previous years, we anticipate a significant delay before we will be able to issue our 2022/23 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

The NAO timetable for 2022/23 WGA is for completion by the end of November 2024, so we anticipate receiving the clearance which will enable us to issue our audit certificate by this date.

4. Other reporting responsibilities and our fees

Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Standards Committee in April 2024. Now we have completed the 2022/23 audit, we can confirm our final fees, which include additional fees relating to issues arising this year. All additional fees are subject to Public Sector Audit Appointments (PSAA approval). All fees are exclusive of VAT.

Area of work	2022/23 fees *	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice (scale fee)	£28,195	£27,500
Additional fees in respect of the new VFM approach (recurring)	£7,500	£7,500
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring)	£2,500	£2,500
Additional fees in respect of resolving the national infrastructure issue 2021/22 only	£nil	£5,000
Additional fees in respect of the delays in Pension Fund auditor assurance and the need for revised pensions figures for the triennial revaluation 2021/22 only	£nil	£5,000
ISA 315 revised – additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT general controls (new standard applied from 2022/23 for the first time) – not recurring	£3,500	£nil
Consideration of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, emphasis of matter, including Consultant Partner Review.	£1,500	£nil
Additional fee in respect of numerous adjustments to the Group accounts, and review of late adjustment identified by officers in relation to capital loans.	£3,500	£nil
Total fees	£46,695	£47,500

* The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA will fund the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies" (p8 of the consultation).

4. Other reporting responsibilities and our fees

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in 2022/23.

Services provided to other entities within the Group

The Group consists of the NTCA, Nexus and TTS. We are responsible for the direction, supervision and performance of the Group audit.

We are also the external auditor for Nexus. We do not carry out the external audit of Tyneside Transport Services (TTS) as it is within the limits for audit exemptions under Section 479A of the Companies Act 2006 relating to subsidiary companies and its transactions are immaterial to the group accounts.



Appendix

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A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls (single entity and group accounts)</p> <p>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.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> 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. <p>Audit conclusion</p> <p>Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.</p>
<p>Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and the Group accounts)</p> <p>Revenue recognition has been identified as a significant risk due to:</p> <ul style="list-style-type: none"> cut off considerations for Tyne Tunnel toll income; 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. 	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> the design and implementation of controls management has in place to ensure income is recognised in the correct period; Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year; the judgements made by management in determining when grant income is recognised; for Tyne Tunnel toll income, performing a substantive analytical review; and for major grant income, obtaining counterparty confirmation. <p>Audit conclusion</p> <p>There are no issues arising from our work that we are required to report to you.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings - continued

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p data-bbox="63 406 955 435">Net defined benefit liability / asset valuation (single entity and group accounts)</p> <p data-bbox="63 456 1223 571">The financial statements contain material pension entries in respect of 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.</p> <p data-bbox="63 606 1223 664">In 2022/23 there is a net pension asset, and the appropriate method of accounting for this is uncertain and complex.</p>	<p data-bbox="1223 406 1312 435">We:</p> <ul data-bbox="1223 456 2402 592" style="list-style-type: none"> • evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and • considered the reasonableness of the actuary's outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. <p data-bbox="1223 614 2402 749">We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available. As the net pension asset was only £626k we did not require a calculation of the pension asset ceiling from the actuary as any adjustment that might be required from this exercise would be well below materiality levels.</p> <p data-bbox="1223 778 1465 806">Audit conclusion</p> <p data-bbox="1223 828 2102 856">There are no issues arising from our work that we are required to report to you.</p>

A. Further information on our audit of the financial statements

Summary of unadjusted misstatements - NTCA

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Page 70	1	Dr: Revenue	552		
		CR Debtors			552
	Short term debtors were overstated by £37k in the residual sample where the income had been received in 22/23 but the amount was still treated as a debtor. This error has been extrapolated and the total known and projected misstatement is £552k. This is an immaterial error in total and has been treated as an unadjusted misstatement.				
		DR Creditors			468
		CR Expenditure		468	
Short term creditors were overstated by £21k in the residual sample where the payment was made during 22/23 but the amount was still treated as a creditor. This error has been extrapolated and the total known and projected misstatement is £468k. This is an immaterial error in total and has been treated as an unadjusted misstatement.					
Total unadjusted misstatements		552	468	468	552

A. Further information on our audit of the financial statements

Summary of Unadjusted misstatements – Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Net pension assets			578	
	CR Remeasurement of net defined pension liability		578		
	<p>Our review of this report identified that the value of pension fund assets was higher than those originally reported, which is entirely due to timing issues compared to when the actuary prepares their report and the final valuations received during EY's audit.</p> <p>Application of this issue to the pension assets held by NTCA & Nexus as a proportion of total pension errors resulted in an understatement of pension assets of £578.156k Pension errors identified during overall procedures for NTCA: £52.848k</p> <p>NTCA share in Nexus understatement of pension assets is $£1,168k \times 44.975\% = £525.308k$</p>				
	Total adjusted misstatements	0	578	578	0

A. Further information on our audit of the financial statements

Internal control observations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

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 control 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 control 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.

We did not identify any internal recommendations in respect of 2022/23.

We did identify one internal control recommendations as part of our 2021/22 audit work and this is revisited in this section.

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 control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

A. Further information on our audit of the financial statements

Follow-up on previous years recommendations

Description of deficiency – related party declarations

Related party declarations should be updated and obtained annually for all members and available on the website.

Our work identified that, whilst the declaration forms were available to view on the website, they were not dated making it difficult to identify when the declarations had been made.

Potential effects

Related party declarations may be incomplete and/or out of date.

Recommendation

Ensure that related party declarations are completed annually, dated and made available on the website.

2022/23 update

The purpose of the Authority's register of interests is to meet the requirements in the Localism Act 2011 and secondary legislation as to the registration of interests. NTCA's requirements as to what interests should be recorded already go beyond what is set out in the legislation. The legal requirement is for the register to be up to date, not for the date of each registration to be logged. However, we appreciate that this is the approach taken at some other authorities and will consider this in the arrangements for the new MCA.

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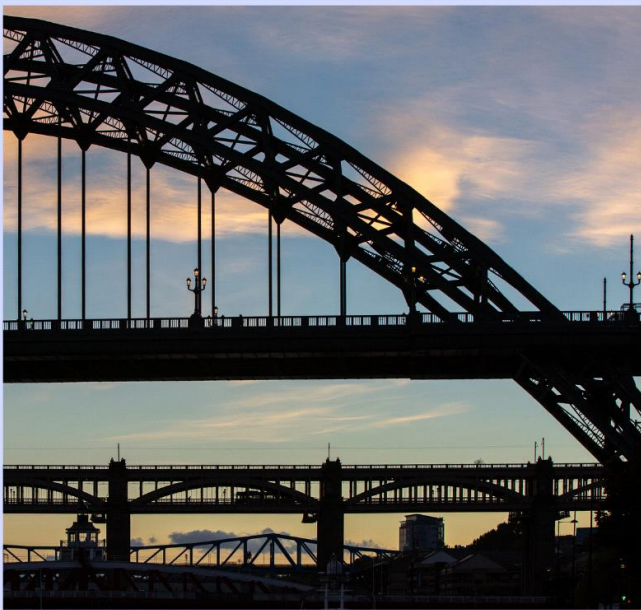
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ANNUAL GOVERNANCE STATEMENT 2022/23



**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 2022/23, including how they are reviewed annually to ensure they remain effective.

## Section 2: Scope Of Responsibility

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

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

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

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

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

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

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

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

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

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

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

### Section 3: Purpose Of The Governance Framework

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

The Governance Framework has been in place for the year ended 31 March 2023 and up to the date of approval of the Authority’s Annual Report and Accounts.

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

### Section 4: The Governance Framework

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

#### Principles of Good Governance

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

## The Governance Framework

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

| The Authority's Commitment of Good Governance | How the Authority meets these principles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Where you can see Governance in action                                                                                                                                                                |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Behaving with Integrity</b></p>         | <p>The 2023 budget and our medium-term financial plan for the period 2024-25 to 2026-27 has been developed within the context of the Authority's strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Combined Authority's strategic plans are delivered within the financial resources available.</p> <p>The Corporate Plan provides a clear blueprint for the work of the Authority and shows how it will deliver on the outcomes shaped by the Mayor and Cabinet. The Plan builds on well-established portfolios, clear strategic priorities and a culture of collaboration that is knitted into everything it does.</p> <p>A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area which outlines a framework for collaborative working across the region.</p> <p>A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> | <p><a href="#">2023-2027 Budget Proposals (Agenda item 6a– page 15)</a></p> <p><a href="#">Working Together: Our Corporate Plan 2023-2024</a></p> <p><a href="#">Gifts and Hospitality Policy</a></p> |



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|                                                          | <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the NTCA Chief Finance Officer.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>Demonstrating Strong Commitment to Ethical Values</p> | <p>Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and controls required to manage risks. We will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> <p>Codes of conduct are set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deal with issues of conduct and generally promote high standards among officers and members.</p> <p>Our Freedom of Information Scheme is published on our website</p> <p>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</p> <p>The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.</p> | <p>The <a href="#">Constitution</a> is available on the NTCA website.</p> <p>Cabinet Rules of Procedure (“Standing Orders”) can be found at <a href="#">part 3.1</a> of the Constitution</p> <p>Codes of Conduct can be found at <a href="#">Part 5.2</a> of the Constitution</p> <p><a href="#">Freedom of Information Scheme</a></p> <p><a href="#">Whistleblowing Policy</a></p> |

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|                                                                                                                | <p>Data Protection and Confidentiality; Environmental; Equalities and Diversity; Inclusive Economy, Modern Slavery; and Social Value policies are in place and available on the Transparency page of our website.</p> <p>We work with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work which are outlined in our Corporate Plan.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p><a href="#">Transparency Policies</a></p> <p><a href="#">Working Together: Our Corporate Plan 2023-2024</a></p> |
| <p>Respecting the Rule of Law</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 80</p> | <p>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.</p> <p>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.</p> <p>Scheme of Delegations - The proposed scheme identifies a number of officers as “designated officers” who can exercise the delegated functions allocated to them in the scheme. These designated officers are the Head of Paid Service, Chief Finance Officer, and Monitoring Officer, Chief Executive 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).</p> <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer.</p> <p>The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.</p> | <p><a href="#">Constitution</a> 2.9 – Scheme of Delegations</p>                                                    |

**B. Ensuring openness and comprehensive stakeholder engagement**

| <b><i>The Authority's Commitment to Good Governance</i></b>                                                 | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b><i>Where you can see Governance in action</i></b>                                                                                                                                                              |
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| <p><b>Ensuring Openness</b><br/>Engaging Comprehensively with Institutional Stakeholders</p> <p>Page 81</p> | <p>We are clear on delivering the objectives of the Combined Authority and intended outcomes of our vision. Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region</p> <p>The Authority's significant partners (Nexus and the North East LEP) provide signed assurance statements which contains an assessment of their governance and internal control systems. The statement provides additional evidence for this AGS.</p> <p>The Authority produces an Annual Report to set out the Authority's achievements and the work of the Mayor and Cabinet over the last year. The report 'Devolution Delivers' includes information on how NTCA is delivering its Vision through the three cross-cutting themes of Net Zero Transition, Inclusive Economy and Innovation in Recovery and across all the Delivery Themes. In addition, there are also annual updates from the Inclusive Economy Board, the</p> | <p><a href="#">Working Together: Our Corporate Plan 2023-2024</a></p> <p><a href="#">Devolution Delivers - Annual Report</a> (Agenda Item 5)<br/><a href="#">Devolution Delivers – Annual Report Document</a></p> |

Housing and Land Board and the Voluntary, Community and Social Enterprise Group

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.

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.

The NTCA 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.

To make the Strategic Skills Plan a reality we launched a Flexible Procurement Framework for Post-16 Skills providers in November 2022. This new framework is an opportunity for providers to get involved and join up the region's skills and training offer, reduce duplication and make sure it will reach those communities most disadvantaged.

[Overview and Scrutiny Committee – Annual Report](#) – Agenda item 6

[North East Joint Transport Committee](#)

[Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023](#)

[Market engagement event – Post 16 Flexible Procurement Framework for skills provision](#)

|                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                        |
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| <p>Engaging stakeholders effectively, including individual citizens and service users</p> | <p>Meetings, agendas and minutes are accessible via the website. All meetings are held in public (other than where consideration of confidential or exempt information).</p> <p>We publish a register of key decisions to notify the public of the most significant decisions the Combined Authority is due to take. Details of each decision are included on the Forward Plan 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that NTCA is planning to take.</p> <p>Our Freedom of Information Scheme is published on our website.</p> <p>The appointment of a Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) and supporting Accord, which sets out a framework to deliver our shared vision of an inclusive economy.</p> <p>We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.</p> <p>Our website includes a transparency page where you will find the non-financial information the North of Tyne Combined Authority is required to publish under the Local Government Transparency Code 2015.</p> <p>We continue to work closely with our adult education providers providing stability and flexibility to ensure delivery is maintained beyond the Covid-19 pandemic. The hyperlink to the mid-year update provides an update on provision for the period 1 August 2022 to 4 February 2023.</p> | <p>NTCA <a href="#">website</a></p> <p><a href="#">Forward Plan</a></p> <p><a href="#">Freedom of Information Scheme</a></p> <p><a href="#">VCSE Stakeholder Engagement Group Annual Report 2022/23</a> – Appendix 1c - page 17</p> <p><a href="#">Transparency Information</a></p> <p><a href="#">Devolved Adult Education Budget – mid year update</a> (Agenda item 8 – page 27)</p> |
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**C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

| <b><i>The Authority's Commitment to Good Governance</i></b>     | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b><i>Where you can see Governance in action</i></b>                                                                                                                                                                          |
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| <p>Defining Outcomes</p>                                        | <p>The Corporate Plan sets out the ambitions of Cabinet for the authority for the year ahead with a roadmap for action. It captures the breadth of work undertaken and ensures activities are aligned allowing for clear collaborative working.</p> <p>The North East LEP works with its partners, which includes NTCA and NECA, to deliver the regions Strategic Economic Plan (SEP). The Plan reflects on recent changes to the global and national economy as well as the UK's departure from the European Union. It also looks at how the North East can maximise opportunities around the UK's Industrial Strategy.</p> <p>We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.</p> | <p><a href="#">Working Together: Our Corporate Plan 2023-2024</a></p> <p><a href="#">Strategic Economic Plan</a></p> <p><a href="#">UK's Industrial Strategy.</a></p> <p><a href="#">Significant Partnership Register</a></p> |
| <p>Sustainable, Economic, Social and Environmental Benefits</p> | <p>To build on the engagement that is already happening across the North of Tyne region regarding climate change, Cabinet has approved the creation of a Citizens' Assembly to look at a specific set of issues relating to climate change.</p> <p>NTCA have embedded our 'zero-carbon – zero poverty' approach; the Energy, Green Growth and Climate Change programme, improving the north bank of the Tyne, green crowdfunding and our Green New Deal which will create jobs, reduce emissions, and save money – it's the kind of</p>                                                                                                                                                                                                                       |                                                                                                                                                                                                                               |

innovation that's needed for local areas to become net-zero. Creating jobs need not cost the Earth.

As part of the business planning process the Authority sets out how it will work towards its agreed equality objectives, with Equality Impact Assessments undertaken to ensure we consider the likely impact of our policies and plans on different groups of people to ensure they do not inadvertently disadvantage anyone.

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

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

NTCA has developed a programme to understand what 'Good Work' should look like in the North of Tyne and how NTCA can promote and reward employers that are offering the elements of 'Good Work'. This has included the development of a Good Work Pledge, which enables employers to understand the key elements of 'Good Work', what they can do to achieve this for their employees and what support is available to help them get there. The pledge covers over 40,000 employees who now have secure employment, a decent wage and proper representation and a ladder to boost skills to turn a job into a career.

[Annual update on NTCA's performance against its Equality Objectives 2021-25](#)  
(Agenda item 9 – page 35)

[Social Value Policy](#)

[Good Work Pledge Article](#)

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

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

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

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

A North of Tyne Poverty Truth Commission will bring together community, civic and business representatives with people with experience of living in poverty. It will aim to better understand the specific effects of the Covid -19 pandemic for people living in Newcastle, North Tyneside, and Northumberland and come up with practical solutions. The project began in August 2021 and will run for two years.

Crowdfund North of Tyne will fund projects to help communities - its aim is to bring people together, create or improve green spaces, improve mental health, inspire

[Adult Education Budget Annual Update – Agenda Item 8](#)

[Digital Inclusion Scheme](#)

[Inclusive Economy Board Annual Report 2022/23 – 1a page 11](#)

[Housing and Land Board Annual Report 2022/23– 1b page 13](#)

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

[Education Improvement and Child Poverty Prevention Report – Agenda item 7 – Page 19](#)

[Crowdfund North of Tyne](#)



|  |                                                                                                |  |
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|  | creativity and opportunity for all, or support social enterprise and co-operative development. |  |
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| D. Determining the interventions necessary to optimise the achievement of the intended outcomes |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                   |
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| <i>The Authority's Commitment to Good Governance</i>                                            | <i>How the Authority meets these principles</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <i>Where you can see Governance in action</i>                                                                                                                                                                                                                                     |
| Determining Interventions<br><br>Page 87                                                        | <p>Cabinet approved its draft budget for 2023/24, and the medium-term financial plan for the period 2024/25 to 2026/27 at its January 2023 meeting.</p> <p>Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p> <p>A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting</p> | <p><a href="#">Cabinet Report</a> (Agenda item 6a – Page 16)</p> <p><a href="#">Constitution (Part 1.2)</a></p> <p><a href="#">Cabinet Scrutiny Protocol (Agenda item 6)</a></p> <p><a href="#">Overview and Scrutiny Committee – Annual Report</a> – Agenda item 6 – Page 17</p> |

|                                             |                                                                                                                                                                                                                                                                                                                                                                  |                                                                                              |
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|                                             | Strategic risks are owned by our Senior Leadership Team and reported to Audit and Standards Committee on a regular basis                                                                                                                                                                                                                                         | <a href="#">Strategic risks and opportunities register report April 2023</a> - Agenda item 8 |
| 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 was put forward to Government demonstrating our commitment to post-covid recovery and renewal. | <a href="#">Recover, Redesign, Reimagine</a>                                                 |

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

| <b>The Authority's Commitment to Good Governance</b>                             | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                                                                                                  | <b>Where you can see Governance in action</b>                                                     |
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| 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. | <a href="#">Part 2 Constitution – Responsibility for Functions - NTCA (northoftyne-ca.gov.uk)</a> |
| 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.                                                                                                                                                                                                                     |                                                                                                   |

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|  | <p>Values and behavior's workshops have been delivered to all staff, with staff appraisals undertaken with agreed targets and objectives linked to NTCA's work programme.</p> <p>Staff are also reminded of our information governance/data security requirements whilst working remotely, to ensure they continue to work safely and securely. Additional health and safety modules have been made available on our Learning Management System alongside advice from the Health &amp; Safety Executive to ensure all our staff work safely at home.</p> |  |
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| <b>F. Managing risks and performance through robust internal control and strong public financial management</b> |                                                                                                                                                                                                                                                                                                                                                            |                                                                                                     |
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| <b>The Authority's<br/>Commitment to Good<br/>Governance</b>                                                    | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                            | <b>Where you can see Governance in action</b>                                                       |
| 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.                                                                                                                                                                                            | <a href="#">Overview and Scrutiny Committee March 2023 Budget Monitoring Report</a> - Agenda item 8 |

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|                                                                                                                     | <p>Cabinet and Overview and Scrutiny Committees receive six monthly reports monitoring the financial position of the North East LEP and Invest North East England.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p><a href="#">Funding Decisions</a> – Agenda item 13</p>                                                                                           |
| <p>Effective Overview and Scrutiny</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 90</p> | <p>Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 1.2) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p> <p>A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting</p> <p>There are regular meetings between the Mayor and the Chair and Vice Chair of Overview and Scrutiny Committee.</p> | <p><a href="#">Adoption of Cabinet-Scrutiny Protocol</a></p> <p><a href="#">Overview and Scrutiny Committee – Annual Report</a> – Agenda item 6</p> |
| <p>Robust Internal Control</p>                                                                                      | <p>An Officer holds the position of Data Protection Officer and is responsible for overseeing the Authority’s Data Protection and Confidentiality Strategy and its implementation to ensure compliance with the General Data Protection Regulations.</p> <p>The Authority regularly reviews policies relating to records management, data quality, data protection and information security.</p> <p>The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent</p>                                                                                                                                                                                                                                                                                                  | <p><a href="#">Data Protection and Confidentiality Strategy</a></p>                                                                                 |

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|                                           | <p>assurance on the adequacy of the risk management framework and internal control environment.</p> <p>An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The Chief Internal Auditor will provide an annual opinion for 2022/23 to support this Annual Governance Statement.</p> <p>A 2023/24 Strategic Audit Plan which was approved by Audit and Standards Committee April 2023, 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 2022/23 Audit Plan was reported to Audit and Standards Committee at its January 2023 meeting.</p> | <p><a href="#">Internal Audit report April 2023</a> – Agenda item 12)</p> |
| <p>Managing Data</p>                      | <p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2023/24.</p> <p>The Authority makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.</p>                                                                                                                                                                                                                                                                                                                                                                                   | <p><a href="#">Freedom of Information Scheme</a></p>                      |
| <p>Strong Public Financial Management</p> | <p>The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2022/23 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                           |

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

| <b><i>The Authority's Commitment to Good Governance</i></b>                                                                  | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b><i>Where you can see Governance in action</i></b>                                                                                                                        |
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| Implementing Good Practice in Transparency                                                                                   | <p>Mayor's Question Time – Mayor Driscoll hosts regular themed online Mayor's question time, welcoming questions and comments on key issues.</p> <p>We publish details of delegated decisions on our website.</p> <p>We publish NTCA's £500+ spend monthly</p>                                                                                                                                                                                                                                                    | <p>Mayor's Facebook Page - Mayor's question time</p> <p><a href="#">delegated decisions on our website.</a></p> <p><a href="#">2022/23 Transparency Spend Documents</a></p> |
| <p>Implementing Good Practices in Reporting</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 92</p> | <p>We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018.</p> <p>Internal Audit compliance with Public Sector Internal Audit Standards</p> <p>Production of the Authority's Annual Report and Accounts</p>                                                                                                                                                                             | <p><a href="#">Review of Audit and Standards Committee Arrangements</a> – April 2023 – Agenda item 10</p>                                                                   |
| Assurance and Effective Accountability                                                                                       | <p>The Assurance Framework explains the arrangements for NTCA to:</p> <ul style="list-style-type: none"> <li>• Demonstrate that arrangements are in place to ensure accountable and transparent decision-making</li> <li>• Appraise projects and allocate funding; and</li> <li>• Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes</li> </ul> <p>The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks,</p> |                                                                                                                                                                             |

issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals.

Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy of the effectiveness of our governance, risk and control framework.

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

Information on expenditure, performance and decision making is sited together on the Transparency page of the Authority's website and can be accessed quickly and easily.

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

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

- (a) An assessment of the Authority's Constitution, including its committee structure.
- (b) The views of Internal Audit. The Chief Internal Auditor's report to the July 2023 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 2022/23: The opinion of the Interim Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall. 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.
- (e) The results of the Authority's self-assessment of compliance with the new CIPFA Financial Management Code
- (f) Activity of the Audit and Standards Committee, including ethical governance
- (g) Partnerships, including the North East Joint Transport Committee
- (h) The Risk Management process, particularly the Strategic Risk Register
- (i) Performance information which is reported to Cabinet and other meetings on a regular basis.

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

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

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

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



## Section 7: North East Devolution Deal

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, create 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 difference to people who live and work in the North East and could have a hugely positive impact on the big issues that matter.

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 will have a major impact on the North East.

This devolution deal is subject to adopting the model of a directly elected mayor over the whole of the Combined Area and replacing the North of Tyne Mayoral Combined Authority and the North East Combined Authority, with a single new North East Mayoral Combined Authority.

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.

A public consultation was launched in January 2023 inviting residents, businesses and anyone else in the region to submit their views on this historic deal. The consultation period ended on 23 March, with all 7 Local Authority Cabinets agreeing to proceed to the next stage of the statutory process which will involve submitting a consultation report to the Secretary of State (SoS). The SoS will decide whether the statutory criteria have been met to make the necessary order to establish the new mayoral combined authority.

It is anticipated that this request will be made in the autumn ahead of the parliamentary process for the laying and making of the order. It is envisaged that the new mayoral combined authority would come into existence in May 2024 at the point at which the mayoral election would take place.

## Section 8: 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 2022/23.

## Section 9: Conclusion

We consider the governance and internal control environment operating during 2022/23, 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 2022/23 are in place and operating as planned.

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

**Full Name: Jamie Driscoll**

**Signature:**

**Date:**

**Chair of Audit and Standards Committee**

**Full Name: David Willis**

**Signature:**

**Date:**

**Chief Executive**

**Full Name: Henry Kippin**

**Signature:**

**Date:**

**Chief Finance Officer**

**Full Name: Janice Gillespie**

**Signature:**

**Date:**



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# Draft Narrative Report year ended 31 March 2023



# Narrative Statement

## Introduction

This 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 provides a summary of the Combined Authority's financial performance for 2022/2023 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 2023.
- A look ahead to 2023/2024 and beyond.
- Confidence in the Combined Authority's stewardship of public money and that it has been accounted for in an appropriate manner.

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

The accounts feature four main financial statements:

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

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

The purpose of this Narrative Report is to collectively provide a comprehensive view of the Combined Authority's financial position, including that of the North East Local

Enterprise Partnership (North East LEP) and Invest North East England (INEE) for which the North of Tyne Combined Authority became the accountable body on the 1 April 2020.

The format of the accounts reflects 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 2022/2023 including the North East LEP (North East LEP) and Invest North East England (INEE).
- Non-Financial Performance of the Combined Authority 2022/2023.
- Key Priorities and upcoming Milestones
- Significant Issues for 2023/24 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 will be presented to the Audit and Standards Committee in conjunction with the Statement of Accounts. The Statement explains how the Combined Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015. The Statement can be found on the Combined Authority's website: [NTCA 2022/23 Annual Governance Statement](#)

## 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

## Narrative Statement

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.

NTCA is a Mayoral Combined Authority. The first mayoral election was held on 2 May 2019. Jamie Driscoll was elected as the Mayor for the North of Tyne Combined Authority for a term of 5 years.

On 28 December 2022, HM Government announced a “minded to” devolution deal with the seven local councils across the North East (i.e. Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland). 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 £1.4 billion investment fund alongside significant funding for transport, education and skills, housing and regeneration.

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, i.e. NECA and NTCA; 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 will also entail the abolition of the Joint Transport Committee as NEMCA will be responsible for the exercise of transport functions across the regions in the future.

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.

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.

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 constitution. In addition, their comments have expressed strong support for the overall aims and objectives of the “minded to” devolution deal. There was particularly strong support for devolution around transport, skills, employment and adult education.

On 12 March 2024, the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provides for the establishment on 7 May of the North East Mayoral Combined Authority, and simultaneously abolishes the existing NECA and NTCA and the office of the Mayor of North of Tyne. The Order provides 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 also provides for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to the mayoral combined authority.

### **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 829,000, a local economy of £19.726m, over 426,000 jobs and it is home to 25,490 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 are subject to scrutiny by the Overview and Scrutiny Committee.

## **Management Structure**

Senior Officers of NTCA during 2022/2023, consisted of, the Chief Executive (Designated Head of Paid Service), Director of Policy and Performance, the Director of Finance (Section 73 Officer), and the Monitoring Officer. The Monitoring Officer is a seconded post from one of the three Constituent Councils, Newcastle City Council.

At the NTCA Annual Meeting on 7 June 2022, the Managing Director title was changed to Chief Executive of North of Tyne Combined Authority.

The Combined Authority has grown to 71 employees during 2022/23 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 legal body led by an Elected Mayor. The North of Tyne Combined Authority manages a range of powers on housing, transport, infrastructure, skills, and employment. Decisions are 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 target 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 every opportunity.

## NORTH OF TYNE... A SNAPSHOT

### UK ECONOMY CURRENTLY BUFFETED BY ONGOING IMPACT OF HIGH INFLATION AND THE COST OF LIVING CRISIS

The official measure of inflation rose to 11% last year, with the price of energy and the weekly shop increasing even faster than this.

With pay growth lagging inflation, most households have seen a reduction in their spending power.

### THE LATEST ECONOMIC FORECASTS PUBLISHED ALONGSIDE THE GOVERNMENT'S BUDGET POINT TO:

A weak economy this year, before recovery in 2024.

Inflation falling sharply, to around 3% by the end of the year.

A reduction in the level of household saving, as household income continues to be squeezed.

### ACROSS THE NORTH OF TYNE:

Rising costs squeezing household income, and this has a knock-on impact on businesses.

Good news is that the number of people receiving out-of-work benefits is down by 15,000 since the peak of the pandemic...

The headline rate of unemployment has fallen back to below pre-covid levels, but employment remains well below its previous peak...

8,000 more people who are not working due to long-term sickness, in many cases due to the effects of covid.

### LOOKING FURTHER AHEAD, OUR REGION CAN LEAD THE RECOVERY TOWARDS A MORE SUSTAINABLE AND INCLUSIVE ECONOMY:

We are powering the UK's green economy, including investment and new jobs in offshore energy and battery manufacturing.

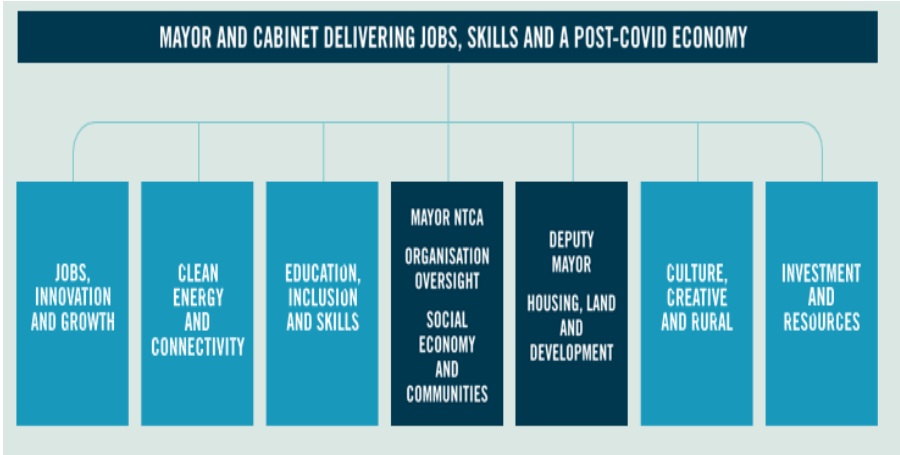
We are unlocking inclusive innovation in our businesses by strengthening our links to our world-class health, digital, research, Catapult and innovation assets.

We are seeing an increased commitment to Good Work, which now covers 50,000 employees across more than 100 organisations.

The North East will see the positive benefits from the largest devolution deal in the UK, with £4.2bn of investment.

## 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 since its establishment, and works together to deliver the biggest social, economic and climate return possible.

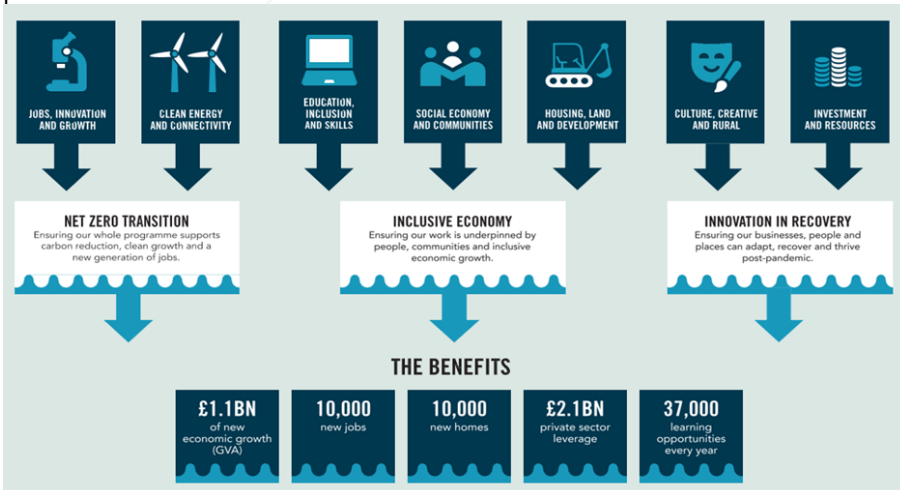


Cabinet Members lead specific portfolios and give collective strategic direction and oversight of NTCA work. This also ensures that local priorities are reflected, and that the connection is maximised between our urban, rural, and coastal geographies and our unique local assets and strengths.

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 does. 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 UK Social Prosperity Fund.

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 covered '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 £118m of this initial tranche has been committed and is in the process of being invested into tangible projects. This has helped attract a further £282m of private sector investment.

## **Headline Targets**

The devolution deal is 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 5,049 projected new jobs already in the pipeline which will turn into real, sustainable careers for our citizens.

## **Financial Performance of the Combined Authority 2022/23**

The financial position of the NTCA as at 31 March 2023 is shown in Table 1 overleaf:

Table 1: 2022/23 Budget Outturn

| Summary Outturn<br>2022/23         | Budget<br>2022/23 | Outturn<br>2022/23 | Variance      |
|------------------------------------|-------------------|--------------------|---------------|
|                                    | £m                | £m                 | £m            |
| Investment Fund Expenditure Budget | 45.000            | 33.776             | 11.224        |
| Corporate Budget                   | 0                 | 0                  | 0             |
| UK SPF and Multiply                | 6.963             | 3.018              | 3.945         |
| Brownfield Housing                 | 5.552             | 1.046              | 4.506         |
| Adult Education Budget             | 25.192            | 25.192             | 0             |
| Bootcamps Wave 3                   | 5.531             | 3.017              | 2.514         |
| <b>Total</b>                       | <b>88.238</b>     | <b>66.049</b>      | <b>22.189</b> |

### Corporate Budget Outturn

A more detailed outturn for 2022/23 Corporate Budget is set out below in Table 2.

Table 2: 2022/23 Corporate Budget Outturn

| Corporate Budget 2022/2023                 | 2022/2023<br>Budget | 2022/2023<br>Outturn | Variance       |
|--------------------------------------------|---------------------|----------------------|----------------|
|                                            | £m                  | £m                   | £m             |
| <b>Expenditure</b>                         |                     |                      |                |
| 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          |
| <b>Gross Expenditure</b>                   | <b>35.016</b>       | <b>35.937</b>        | <b>0.921</b>   |
| <b>Income</b>                              |                     |                      |                |
| 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          |
| <b>Gross Income</b>                        | <b>(35.016)</b>     | <b>(35.937)</b>      | <b>(0.921)</b> |
| <b>Net (Income)/Expenditure</b>            | <b>0.000</b>        | <b>0.000</b>         | <b>0.000</b>   |

## Investment Fund Outturn

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

**Table 3: 2022/23 Investment Fund Budget Outturn**

|                                          | 2022/2023<br>Budget | 2022/2023<br>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)         |
| <b>Total Expenditure</b>                 | <b>45.000</b>       | <b>33.776</b>        | <b>(11.224)</b> |
| Income                                   | (20.000)            | (20.000)             | -               |
| <b>Total Income</b>                      | <b>(20.000)</b>     | <b>(20.000)</b>      | <b>0.000</b>    |
| <b>Net (Income)/Expenditure Position</b> | <b>25.000</b>       | <b>13.776</b>        | <b>11.224</b>   |

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

|                                        | 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          |
|                                        | <b>118.79</b> | <b>100.00</b> |

The financial performance reported in Table 3 is actual spend against the Investment Fund Plan during 2022/2023, but clearly Table 4 illustrates the significant progress made in decisions 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.

Narrative Statement

Within the Investment Fund outturn figures the following expenditure on projects relate to capital:

|                                            | 2020/21<br>£m | 2021/22<br>£m | 2022/23<br>£m | 2023/24<br>£m | 2024/25<br>£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         |               |
| <b>Total</b>                               | <b>0.335</b>  | <b>2.854</b>  | <b>8.713</b>  | <b>10.349</b> | <b>3.444</b>  |

In addition to the above capital schemes funded from the NTCA Investment Fund, £15.350m of capital funding was provided by Department of Levelling up Housing and Communities (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 overleaf shows the three schemes identified for this additional capital spend:



**Table 5: £15.350m Capital Funding**

| Capital Project                                         | Outturn on 31 March 2023<br>£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                          |
|                                                         | <b>3.172</b>                   |

### Brownfield Housing Fund (BHF)

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.

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.

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.

Table 6 shows the projected programme with current allocation of funds.

**Table 6: Brownfield Housing Fund Profile**

|                                         | 2020/2021<br>Actual | 2021/2022<br>Actual | 2022/2023<br>Actual | 2023/2024<br>Forecast | 2024/2025<br>Forecast | Total         |
|-----------------------------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|---------------|
|                                         | £m                  | £m                  | £m                  | £m                    | £m                    | £m            |
| <b>Initial Funding Profile</b>          | 4.854               | 8.100               | 6.700               | 3.100                 | 1.100                 | 23.854        |
| <b>Extended Funding Profile</b>         | 0.000               | 0.000               | 4.753               | 2.674                 | 0.524                 | 7.951         |
| <b>Combined Funding Profile</b>         | <b>4.854</b>        | <b>8.100</b>        | <b>11.453</b>       | <b>5.774</b>          | <b>1.624</b>          | <b>31.805</b> |
| <b>Projected spend as of 31/03/2023</b> | 0.916               | 3.877               | 5.552               | 9.388                 | 11.543                | 31.276        |
| <b>Actual spend as of 31/03/2023</b>    | <b>0.636</b>        | <b>3.228</b>        | <b>1.046</b>        |                       |                       | <b>4.910</b>  |

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.

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.

### UKSPF and Multiply

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.

Table 7 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.

**Table 7: UKSPF and Multiply 2022/23 Outturn**

|                                | 2022/2023<br>Budget | 2022/2023<br>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          |
| <b>Total Core UKSPF</b>        | <b>5.715</b>        | <b>1.804</b>         | <b>(3.911)</b> |
| Multiply Programme             | 1.123               | 1.089                | (0.034)        |
| Administration top slice (10%) | 0.125               | 0.125                | -              |
| <b>Total UKSPF Multiply</b>    | <b>1.248</b>        | <b>1.214</b>         | <b>(0.034)</b> |

### Adult Education Budget (AEB)

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.

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.

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. 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 8: Adult Education Budget 2022/23**

|                                           | Budget<br>£m    | Actual<br>£m    | Variance<br>£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          |
| <b>Total Expenditure</b>                  | <b>25.192</b>   | <b>25.192</b>   | <b>0.000</b>   |
| Devolved AEB                              | (23.578)        | (23.578)        | 0.000          |
| Delegated Level 3 (Free Courses for Jobs) | (1.614)         | (1.614)         | 0.000          |
| <b>Total Income</b>                       | <b>(25.192)</b> | <b>(25.192)</b> | <b>0.000</b>   |

### Bootcamps

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.

Table 9 below shows the 2022/2023 outturn position on Wave 3 Bootcamps.

**Table 9: Bootcamps Wave 3 2022/2023 Outturn**

|                                   | 2022/2023<br>Budget<br>£m | 2022/2023<br>Outturn<br>£m | Variance<br>£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          |
| <b>Total Expenditure</b>          | <b>5.531</b>              | <b>3.017</b>               | <b>(2.514)</b> |
| Bootcamp Wave 3 Funding           | (5.531)                   | (3.017)                    | 2.514          |
| <b>Total Income</b>               | <b>(5.531)</b>            | <b>(3.017)</b>             | <b>0.000</b>   |

## Reserves

Reserves held at 31 March 2023 are shown in Table 10 below:

**Table 10: Reserves held at 31 March 2023**

| Reserves Statement                                                                                           | 2021/2022     | Movement<br>(from)/to<br>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,<br>Bootcamps Wave 2, Defra Rural,<br>Redmond Review, Net Zero North<br>East | -             | 0.264                             | 0.264         |
| <b>Total General (Useable) Reserves</b>                                                                      | <b>67.388</b> | <b>13.698</b>                     | <b>81.086</b> |

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Useable Reserves increased in 2022/23 by £13.698m 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.

## Borrowing Facilities

During 2021/22 discussions were held with HM Treasury in relation to securing wider Borrowing powers for the Combined Authority alongside a number of other Mayoral Combined Authorities who were not included in previous regulations. A report taken to 30 November 2021 Cabinet gave consent to the HM Treasury to make the

necessary arrangements to include NTCA in the regulations to be laid before Government in January 2022. Confirmation of borrowing powers for NTCA going forward were received in March 2022. The debt cap for each year will be agreed with HM Treasury on an annual basis.

### North East Local Enterprise Partnership (NE LEP)

NTCA became the accountable body for the NE LEP on the 1 April 2020, the Statement of Accounts therefore include the income and expenditure and assets and liabilities of the NE LEP.

**Table 11: 2022/23 North East LEP Outturn**

|                              | Revised Budget 2022/23 | Outturn Position 2022/23 | (Under)/Over Variance to Revised Budget |
|------------------------------|------------------------|--------------------------|-----------------------------------------|
| Expenditure                  | £m                     | £m                       | £m                                      |
| Employee Costs               | 3.294                  | 3.072                    | (0.222)                                 |
| Other Core Costs             | 0.440                  | 0.446                    | 0.006                                   |
| Programme Operational Costs  | 4.586                  | 4.399                    | (0.187)                                 |
| Contribution to Reserves     | -                      | -                        | -                                       |
| <b>Total</b>                 | <b>8.320</b>           | <b>7.917</b>             | <b>(0.403)</b>                          |
| Income                       |                        |                          |                                         |
| Core Funding                 | (0.375)                | (0.375)                  | 0.000                                   |
| Grants and Programme Funding | (7.478)                | (6.970)                  | 0.508                                   |
| Other Income                 | (0.490)                | (0.572)                  | (0.082)                                 |
| Contribution from EZ Reserve | (0.500)                | (0.500)                  | -                                       |
| <b>Total</b>                 | <b>(8.843)</b>         | <b>(8.417)</b>           | <b>0.426</b>                            |
| <b>Net Outturn (surplus)</b> | <b>(0.523)</b>         | <b>(0.500)</b>           | <b>0.023</b>                            |
| Reserves Brought Forward     | (0.701)                | (0.701)                  | 0.000                                   |
| Reserves Carry Forward       | (1.224)                | (1.201)                  | 0.022                                   |

The North East LEP brings together business leaders, universities and the Leaders and the Elected Mayor of the seven local authorities in the North East LEP area. It is the fourth largest LEP in the country. 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 LEP core budget for 2022/23 covers core operational activity of the LEP and also management of the Local Growth Fund (legacy programme funding), Getting Building Fund (legacy programme funding), NEIF and Enterprise Zone (EZ) programmes.

The Local Growth Fund (LGF) programme has achieved good outputs during the 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.

Of the 20 projects in the Getting Building Fund (GBF) 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.

### **North East Investment Fund (NEIF)**

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. The NEIF initial allocation was made up of £25m Growing Places Fund (GPF) and £30m Regional Growth Fund (RGF). The Regional Growth Fund had originally tighter restrictions on the use of funding, however, the North East LEP has worked with central government on closing the original RGF Programme and releasing the funding to be used to support the Commercial Property Development Fund (CPIF).

### **Enterprise Zones**

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.

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 1<sup>st</sup> 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.

The 2022/23 EZ Account provisional Outturn figures are summarised in Table 12 overleaf, 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 12: Enterprise Zone Outturn Position 2022/23**

|                                        | 2021/22<br>Actual<br>£000 | 2022/23<br>Estimate<br>£000 | 2022/23<br>Outturn<br>£000 | 2022/23<br>Variation<br>£000 |
|----------------------------------------|---------------------------|-----------------------------|----------------------------|------------------------------|
| <b><u>ROUND 1 EZ SCHEMES</u></b>       |                           |                             |                            |                              |
| 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                         |
| <b><u>ROUND 2 EZ SCHEMES</u></b>       |                           |                             |                            |                              |
| Durham - Jade                          | 185.1                     | 248.9                       | 276.6                      | 27.7                         |
| Gateshead - Follingsby                 | 258.6                     | 3,475.0                     | 4,123.9                    | 648.9                        |
| 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)                       |
| <b>TOTAL BRGI</b>                      | <b>3,321.8</b>            | <b>6,367.3</b>              | <b>7,136.9</b>             | <b>769.7</b>                 |
| Interest                               | 15.0                      | 150.0                       | 53.3                       | (96.7)                       |
| <b>Total Income</b>                    | <b>3,336.8</b>            | <b>6,517.3</b>              | <b>7,190.3</b>             | <b>673.0</b>                 |
| <b><u>Expenditure</u></b>              |                           |                             |                            |                              |
| 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                      | (32.7)                       |
| <b>Total Costs</b>                     | <b>2,423.2</b>            | <b>3,181.0</b>              | <b>3,148.3</b>             | <b>(32.3)</b>                |
| <b>Annual Surplus</b>                  | <b>913.6</b>              | <b>3,336.3</b>              | <b>4,042.0</b>             | <b>705.7</b>                 |
| <b>Cumulative Surplus</b>              | <b>4,568.6</b>            | <b>7,904.9</b>              | <b>8,610.6</b>             | <b>705.3</b>                 |
| <b><u>Use of the Surplus</u></b>       |                           |                             |                            |                              |
| - Fund LEP Core Costs                  |                           | (500.0)                     | (500.0)                    | -                            |
| - Project Development Fund             |                           | (885.8)                     | (706.0)                    | 179.8                        |
| <b>Residual Surplus balance</b>        | <b>4,568.6</b>            | <b>6,519.1</b>              | <b>7,404.2</b>             | <b>885.1</b>                 |

**Invest North East England (INEE)**

The NTCA became the accountable body for Invest North East England in 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**

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.

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 2021/22.

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.



Narrative Statement

**Table 13: Invest North East England 2022/23 Outturn Position**

|                               | <b>2022/23<br/>Original<br/>Budget</b> | <b>2022/23<br/>Outturn</b> | <b>Variance</b>  | <b>2023/24<br/>Proposed<br/>Budget</b> |
|-------------------------------|----------------------------------------|----------------------------|------------------|----------------------------------------|
| <b>Expenditure</b>            | <b>£</b>                               | <b>£</b>                   | <b>£</b>         | <b>£</b>                               |
| 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                                 |
| <b>Gross Expenditure</b>      | <b>460,000</b>                         | <b>355,822</b>             | <b>(104,178)</b> | <b>460,000</b>                         |
| <b>Income</b>                 |                                        |                            |                  |                                        |
| 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)                                |
| <b>Gross Income</b>           | <b>(460,000)</b>                       | <b>(355,822)</b>           | <b>104,178</b>   | <b>(460,000)</b>                       |
| <b>Net Budget</b>             | <b>0</b>                               | <b>0</b>                   | <b>0</b>         | <b>0</b>                               |

## Main points from Financial Statements

### Comprehensive Income & Expenditure Statement

The Continuing Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the North of Tyne Combined Authority, 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. The Comprehensive Income & Expenditure Statement is showing a surplus of (£62.993m) for the year ended 31 March 2023.

### Balance Sheet

The Balance Sheet is set out within the main Statement of Accounts. The net assets of the Combined Authority are £297.330m for the year ended 31 March 2023 and are financed by Usable Reserves of £246.703m and Unusable Reserves of £50.627m. 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.

During the year Nexus invested £169.9m of capital expenditure in public transport in Tyne and Wear which was funded primarily by central government grants.

The liquidity of Nexus remained strong with net current assets of £840.3m, 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 2023 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population – 55.26% in the NECA accounts and 44.74% in the NTCA accounts.

## Non-Financial Performance of the Authority

### Investment Fund non-financial performance

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) was 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'***

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.
- 2,390 Businesses supported with advice and guidance
- 207 schools involved in tackling child poverty and inequality in attainment

**Brownfield Housing non-financial performance**

Projects

- Total value of commitments £19.749m against 10 approved projects with a further 4 projects going through appraisal valued at £11.220m.
- £4.941m claimed cumulatively to date.
- Total fund Value is £31.82m (Inc. £7.976m additional funding).
- Value of current pipeline which has passed the gateway review is £31.28m

Outputs

- Approved projects are forecasting the creation of 1805 housing units with the extended pipeline accounting for a further 620. Our contracted target with DLUHC is 1500.
- In addition, contracted projects will remediate 44ha of Brownfield land which will be either reclaimed re-developed or resembled.

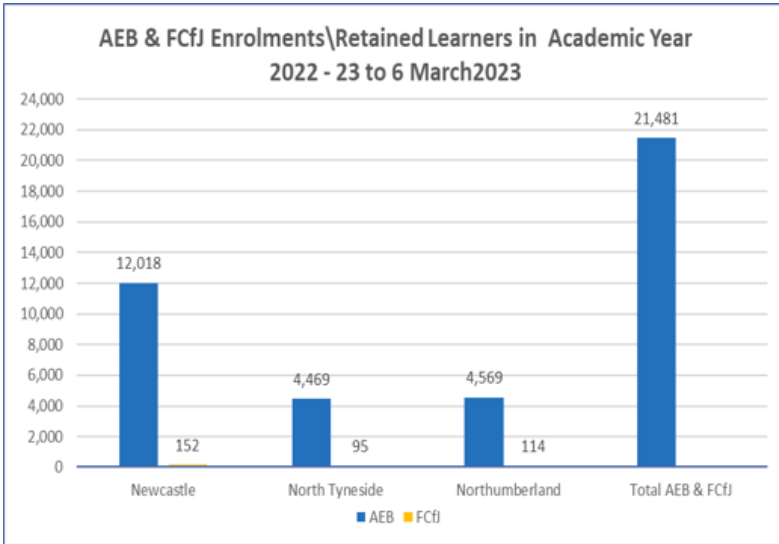
Private Sector Leverage

- Forecast private sector leverage for the 11 approved projects stands at £115m

**Adult Education Budget (AEB) non-financial performance**

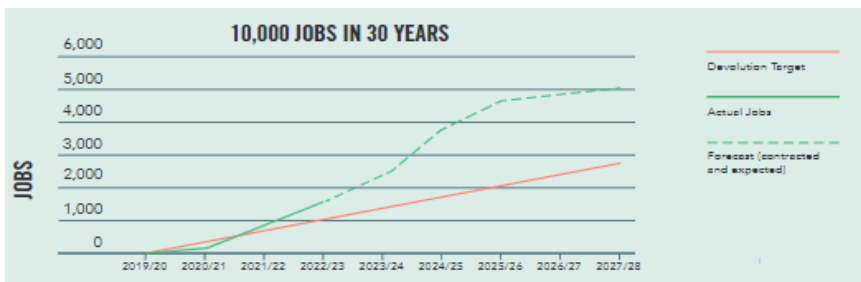
Outputs

- This is the 3rd and final year of the original AEB framework delivery.
- The above devolved AEB Allocation for AY 2022-23 has been allocated and delivery has been underway from 1st August 2022.
- From 1st August 2022 to 6th March 2023 a total of 21,481 learning opportunities were being delivered. This total is made up of a combination of new enrolments (20,459) and some learners retained in learning from the previous academic year. The chart overleaf shows the breakdown of learning opportunities delivered per constituent North of Tyne authority.









**Key Priorities and Up and Coming Milestones**

The Devolution Deal committed North of Tyne Combined Authority to adding an additional £1.1bn to GVA (Gross Value Added) to the economy, delivering 10,000 new jobs and leveraging over £2.1bn private sector investment. This is a 'job-a-day' through the lifetime of the deal, with every £1 invested generating £3.50 of private sector investment.



Delivery activity outlined below is an evolution of our programme, from the original Devolution Deal through to post-covid renewal plans.

|                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>JOBS, INNOVATION AND GROWTH</b></p>     | <ul style="list-style-type: none"> <li>• A Green New Deal Fund which will deliver game-changing investment in green jobs</li> <li>• Bold investment in our digital economy, supporting jobs, growth and inclusion</li> <li>• Investment to secure our recovery from Covid through economic and public service innovation</li> </ul>                  |
|  <p><b>CLEAN ENERGY AND CONNECTIVITY</b></p>   | <ul style="list-style-type: none"> <li>• Multi-million pound investments into offshore wind infrastructure and supply chains</li> <li>• Connecting rural communities to super-fast broadband</li> <li>• Ensuring the Northumberland train line investment creates a corridor of jobs, skills and prosperity</li> </ul>                               |
|  <p><b>EDUCATION, INCLUSION AND SKILLS</b></p> | <ul style="list-style-type: none"> <li>• Delivering great adult education that supports learners back into work and opportunity</li> <li>• Shaping the skills of the future in partnership with our employers, colleges and providers</li> <li>• Delivering targeted, bespoke interventions to help young and vulnerable people into work</li> </ul> |
|  <p><b>SOCIAL ECONOMY AND COMMUNITIES</b></p>  | <ul style="list-style-type: none"> <li>• Creating real opportunities for citizens to influence policy and shape our net zero goals</li> <li>• Helping more employers to create opportunities for 'Good Work'</li> <li>• Becoming the exemplar Combined Authority in support of new zero investment and transition to a green economy</li> </ul>      |
|  <p><b>HOUSING, LAND AND DEVELOPMENT</b></p> | <ul style="list-style-type: none"> <li>• Delivering more new homes through investing in brownfield sites</li> <li>• Delivering a sustainable housing and infrastructure plan to underpin our places</li> <li>• Investing in critical regeneration priorities and our capacity to reduce carbon from housing</li> </ul>                               |
|  <p><b>CULTURE, CREATIVE AND RURAL</b></p>   | <ul style="list-style-type: none"> <li>• Investing in the future of our creative sector through our Culture and Creative Innovation Fund</li> <li>• Delivering a pipeline of major events to bring people together and help our places recover</li> <li>• Investing in innovation and connectivity to support our rural SMEs</li> </ul>              |

### Significant issues relating to 2023/24 and beyond

2023/24 is a unique and important year for the North of Tyne Combined Authority being the year in which it will transition into the new arrangements reflecting the signing a wider North East Devolution Deal.

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.

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.

The new mayoral combined authority will cover an area which is home to around 2 million people and 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

In order to establish the new regional NEMCA, the existing combined authorities – NTCA and NEMCA – will need to be abolished. The Mayor and Cabinet of NTCA and the Leadership Board 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.

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. For this reason, it is considered appropriate, in line with the Code of Practice on Local Authority Accounting, for these accounts to be prepared on a going concern basis. Officers from both combined authorities and the local authorities are liaising on the operational requirements of the transition.

### **Explanation of Accounting Statements included within the 2022/23 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) 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 2018 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.

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 2022/23 accounts the mid-year estimated population published by the Office of National Statistics as at June 2020 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 2023 is shown in Table 14 overpage.



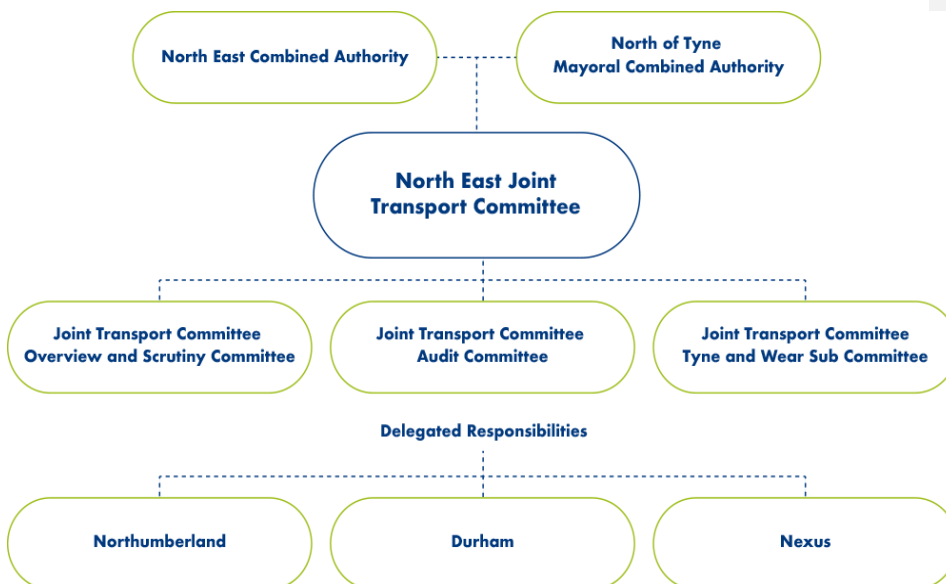
**Table 14: Population used to allocate Transport Assets/Liabilities between NECA and NTCA**

|                            | Mid-Year 2019 Population | Proportion |
|----------------------------|--------------------------|------------|
|                            | People                   | Proportion |
| <b>NECA</b>                |                          |            |
| - Gateshead                | 202,055                  |            |
| - South Tyneside           | 150,976                  |            |
| - Sunderland               | 277,705                  |            |
|                            | <b>630,736</b>           | 0.55257    |
| <b>NTCA</b>                |                          |            |
| - Newcastle                | 302,820                  |            |
| - North Tyneside           | 207,913                  |            |
|                            | <b>510,733</b>           | 0.44743    |
| <b>Tyne and Wear Total</b> | <b>1,141,469</b>         |            |

### The Joint Transport Committee

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

Transport is of strategic importance to the North East, and the collaborative working of both Combined Authorities allows effective decision making across the region, which ensures that the local needs and priorities are delivered. The structure for Transport that was established in November 2018 is shown in the diagram below:



## Transport

Tyne Tunnels 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 Combined 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 Combined Authority.

Table 15 shows Tyne Tunnel Flow data for 2022/23.

**Table 15: Tyne Tunnel Traffic Flow data**

|         | Class 1 | Class 2    | Class 3   | Exempt  | Total      |
|---------|---------|------------|-----------|---------|------------|
| 2022/23 | 80,736  | 16,848,793 | 1,054,301 | 508,011 | 18,491,841 |
| 2021/22 | 102,536 | 14,371,810 | 931,608   | 472,178 | 15,878,132 |
| 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 3.5 tonnes; Class 3 = LGV, Van or Bus more than 3.5 tonnes Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 11 April 2022 from £3.70 to £3.90 for Class 3 vehicles. There was no increase for Class 2 vehicles during the 2022/23 financial year.

### 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 2022/23.

- The number of passenger journeys across all modes within Tyne and Wear in 2022/23 was estimated at 123.4 million, a 15.4% increase when compared to the 106.9 million in the previous year and a 20.1% decline when compared to 154.5 million in 2019/20.
  - Bus patronage was 92.1 million in 2022/23; a 13.1% increase when compared to 81.4 million in the previous year and a 22.9% decline when compared to 119.4 million in 2019/20.
  - Metro patronage was 29.3 million in 2022/23; a 21.1% increase when compared to 24.2 million in the previous year and a 11.5% decline when compared to 33.1 million in 2019/20.

## Narrative Statement

- Ferry patronage was 0.292 million passengers in 2022/23; an 8.6% increase when compared to 0.269 million journeys in the previous year and 8.3% decline when compared to 0.353 million journeys in 2019/20.
- Rail patronage was 1.695 million journeys in 2022/23; a 54.1% increase when compared to 1.1 million journeys in the previous year and a 12.6% decline when compared to 1.94 million journeys in 2019/20.
- Metro reliability (operated mileage) was 94.6% during 2022/23, a decrease of 0.7% versus the figure of 95.3% achieved in the previous year.
- Metro reliability (Charter punctuality) was 81.7% during 2022/23, a decrease of 2.4% on the 81.4% achieved in the previous year.

## Annual Governance Statement

To accompany the Narrative Report and Statement of Accounts, the leadership of the Combined Authority prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Combined 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 124 staff employed by the Combined Authority, including North East LEP and Invest North East England.

**Table 16: Change in Staffing numbers during 2022/23**

|         | <b>Corporate Employees at the year end</b> | <b>North East LEP Employees at year end</b> | <b>Invest North East Employees at year end</b> | <b>Total NTCA Employees at year end</b> |
|---------|--------------------------------------------|---------------------------------------------|------------------------------------------------|-----------------------------------------|
| 2022/23 | 71                                         | 50                                          | 3                                              | 124                                     |
| 2021/22 | 62                                         | 59                                          | 4                                              | 125                                     |
| 2020/21 | 48                                         | 62                                          | 3                                              | 113                                     |
| 2019/20 | 34                                         | -                                           | -                                              | 34                                      |
| 2018/19 | 1                                          | -                                           | -                                              | 1                                       |

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 Combined 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)**