

Narrative Report year ended 31 March 2022



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 2021/22 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 2022.
- A look ahead to 2022/23 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 2021/22 including the North East LEP (North East LEP) and Invest North East England (INEE).
- Non-Financial Performance of the Combined Authority 2021/22.
- Key Priorities and upcoming Milestones
- Significant Issues for 2022/23 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 2021/22 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 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.

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 839,500, a local economy of £18.933m, over 361,000 jobs and it is home to 25,185 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 2021/22, consisted of, the Managing Director (Designated Head of Paid Service), Director of Policy and Performance, the Chief Finance Officer, and the Monitoring Officer. The Chief Finance Officer and Monitoring Officer are employees from one of the three local authorities within the North of Tyne.

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

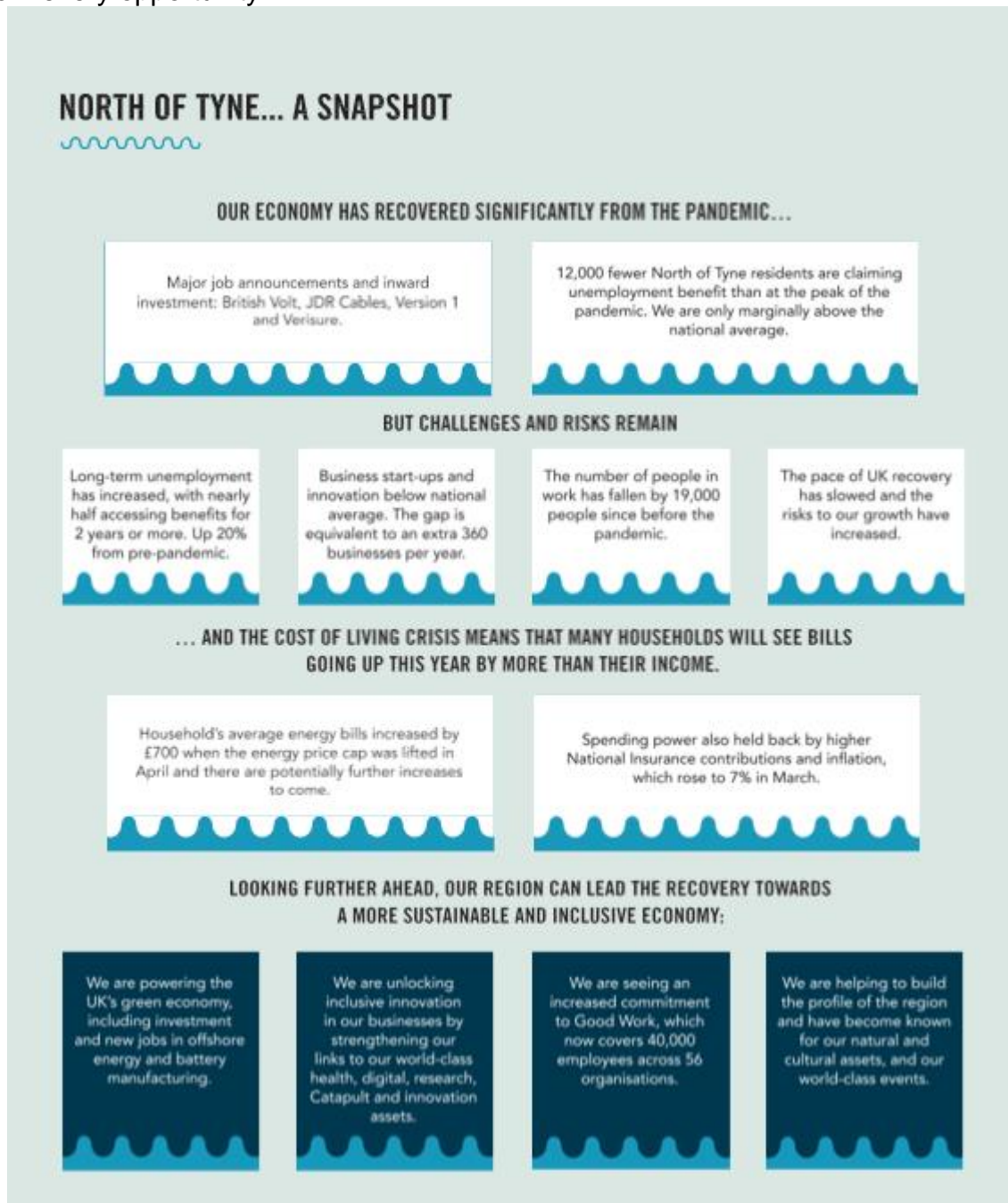
The Combined Authority has grown to 62 employees during 2021/22 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

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

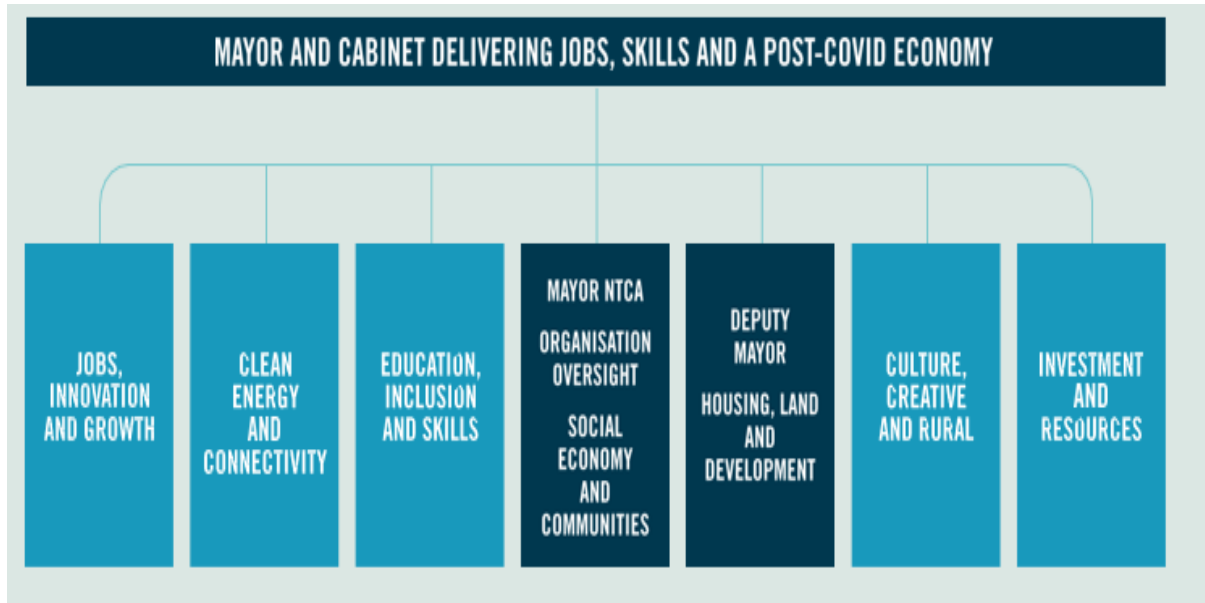
The North of Tyne vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

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.



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.

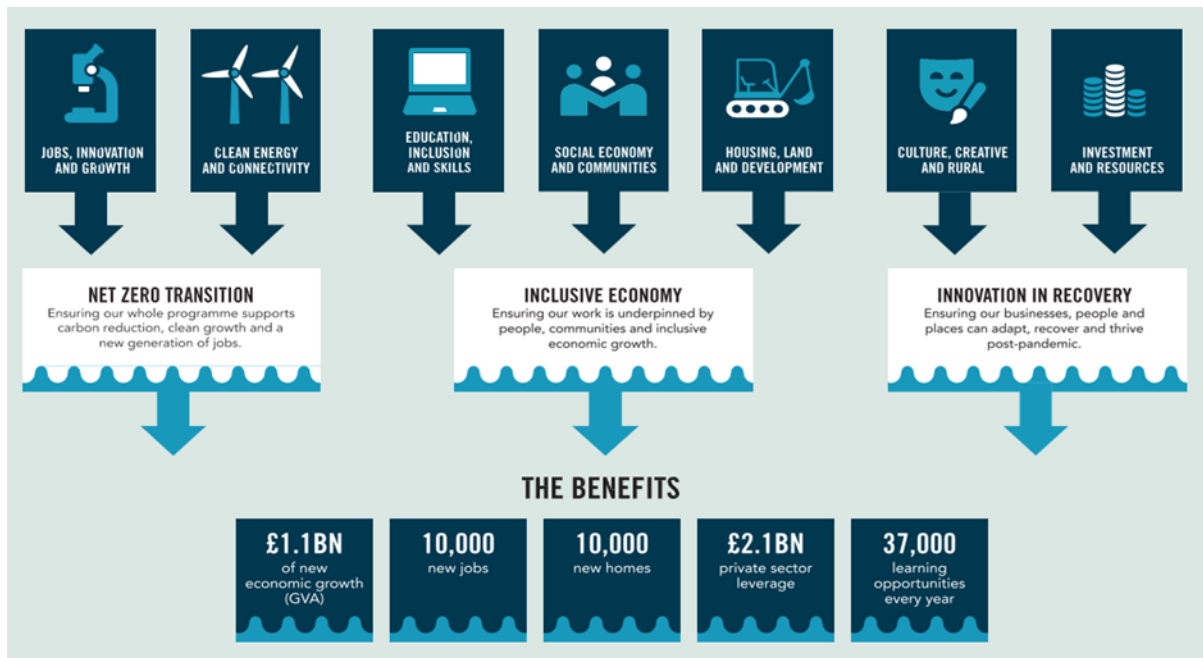


Cabinet Members lead specific portfolios and give collective strategic direction and oversight of NTCA work. This also ensures that local priorities are reflected, and that the connection is maximised between our urban, rural, and coastal geographies and our unique local assets and strengths.

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 ERDF Growth Funds.

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

Over £90m 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 committed to adding an additional £1.1bn Gross Valued Added (GVA) to the economy, delivering 10,000 new jobs and leveraging over £2.1bn in private sector investment. This is a 'job a day' through the lifetime of the deal with

every £1 invested generating a further minimum of £3.50 of private sector investment.

NTCA are on track to meet and exceed these targets, with over 4,500 projected new jobs already in the pipeline which will turn into real, sustainable careers for our citizens.

Financial Performance of the Combined Authority 2021/22

The financial position of the NTCA as at 31 March 2022 is shown in Table 1 below:

Table 1: 2021/22 Budget Outturn

Summary Outturn 2021/22	Budget 2021/22	Outturn 2021/22	Variance
	£m	£m	£m
Investment Fund Expenditure Budget	30.238	16.379	13.859
Corporate Budget	0	(0.477)	0.477
Total	30.238	15.902	14.336

Corporate Budget Outturn

A more detailed outturn for 2021/22 Corporate Budget is set out below in Table 2 overleaf:

Table 2: Corporate Budget Outturn

Corporate Budget 2021/22	2021/22 Budget	2021/22 Outturn	Variance
Expenditure	£m	£m	£m
Staffing/Secondments	2.564	2.672	0.108
Advisors External	0.080	0.074	(0.006)
Use of Reserves (EU Exit Grant)	0.000	0.132	0.132
Other Expenditure	1.619	1.439	(0.180)
SLA with Constituent Authorities	0.276	0.288	0.012
JTC Levy	26.801	26.801	0.000
Gross Expenditure	31.340	31.406	0.066
Income			
Investment Fund Contribution	(2.231)	(2.231)	0.000
Mayoral Capacity Fund	(1.000)	(1.000)	0.000
Adult Education Budget Contribution	(0.678)	(0.723)	(0.045)
Contributions from Constituent Authorities	(0.111)	(0.111)	0.000
Programme support costs recovered from IF	(0.241)	(0.386)	(0.145)
Brownfield Housing Programme Costs	(0.103)	(0.137)	(0.034)
Other Grants and Contributions	0.000	(0.161)	(0.161)
Use of Reserves	0.000	(0.132)	(0.132)
Investment Interest Receivable	(0.175)	(0.201)	(0.026)
JTC Levy	(26.801)	(26.801)	0.000
Gross Income	(31.340)	(31.883)	(0.543)
Net (Income)/Expenditure	0.000	(0.477)	(0.477)
2021/22 Outturn/Transfer to General Reserve	0.000	(0.477)	(0.477)

Investment Fund Outturn

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

Table 3: 2021/22 Investment Fund Budget Outturn

	2021/22 Budget	2021/22 Outturn	2021/22 Variance
Expenditure	£m	£m	£m
Business Case Development Fund	1.000	0.260	(0.740)
Workstreams	26.757	13.237	(13.520)
Technical Support	0.250	0.275	0.025
Corporate Contribution	2.231	2.231	0.000
Total Expenditure	30.238	16.003	(14.235)
Income	(20.000)	(20.000)	0.000
Total Income	(20.000)	(20.000)	0.000
Net (Income)/Expenditure Position	10.238	(3.997)	(14.235)

Table 4: Commitment against Investment Fund Thematic Area

	Committed	Allocation	%Allocated
	£m	£m	%
Business	40.96	45.30	49.41
People	13.15	17.30	15.87
Place	19.33	13.25	23.32
Major Strategic Economic Opportunities	7.34	9.65	8.85
Business Case Development Fund	2.12	4.50	2.55
	82.90	90.00	

The financial performance reported in Table 3 is actual spend against the plan during 2021/22, but clearly Table 4 illustrates the significant progress made in decision and actions to deliver the overall programme.

Delivery against the Investment Fund Programme has been delayed due to the impact of Covid-19 Pandemic across the programme, impacting on pace of delivery as projects have had to revise delivery mechanisms to enable activity to continue. This has led to a number of projects having to re-profile expenditure into future years. This remains the highest programme risk, along with pressure on resources as activity both on developing pipeline and contract management increases.

Brownfield Housing Fund (BHF)

In July 2020, NTCA was awarded £23.854m to deliver the Brownfield Housing Fund (BHF) to unlock between 1,500 and 2,500 new homes by remediating and revitalising brownfield sites across the North of Tyne area.

So far, NTCA has approved and entered into Grant Funding Agreements with 6 schemes, expected to deliver 1,339 homes drawing on £12.511m of the total BHF allocation, equivalent to 90% of outputs and 50.4% of Funds awarded in 2020. In addition to ongoing land remediation and infrastructure investment, the construction of 104 units has already commenced in these 6 schemes with the completion of 62 units recorded so far. These new homes are net additional homes for our region and represent a significant economic and social benefit to our communities.

An extension to BHF was announced in February 2022 by the Department for Levelling-Up, Housing and Communities (DLUHC) in the Levelling Up White Paper. Mayoral Combined Authorities (MCAs) were awarded £120m nationally, to be allocated to each MCA based on population. NTCA has been allocated £7.965m bringing the total amount of NTCA BHF funding to £31.819m. The additional funding is linked to the unlocking of an additional 600 housing units. This required the BHF pipeline to be increased.

Table 5: Reprofiled Projected Programme Spend at end of 2021/22

	Total	Year 1	Year 2	Year 3	Year 4	Year 5
	£m	£m	£m	£m	£m	£m
Original Funding Profile	23.854	4.854	8.100	6.700	3.100	1.100
Reprofiled Projected Programme Spend	31.819	0.568	3.386	10.564	12.908	4.393

Adult Education Budget (AEB)

In August 2020, the NTCA took control of the Adult Education Budget (AEB) amounting to £22.706m, secured as part of the devolution deal. With Cabinet approval the devolved AEB was allocated to 29 education providers across 10 Grant Agreements and 21 Contracts for Services (via the establishment of a procurement framework).

NTCA devolved AEB for academic year 1 August 2021 to 31 July 2022 was £25.449m, including additional funding for £1.642m for the delegated Lifetime Skills Guarantee. This has helped to deliver over 20,000 enrolment opportunities across a range of subject areas.

Table 6 overleaf presents the Adult Education Budget 2021/22 Outturn position.

Table 6: Adult Education Budget 2021/22 Outturn

	Budget £m	Actual £m	Variance £m
Grant Awards	15.369	16.109	0.740
Procured Services	6.659	2.973	(3.686)
High Value Courses	0.000	3.520	3.520
Swaps (Carry In)	0.000	0.142	0.142
Corporate Overheads	0.678	0.723	0.045
Total Expenditure	22.706	23.467	0.761
Devolved AEB	(22.706)	(25.449)	(2.743)
Drawdown in year of 2020/21 unallocated AEB	0.000	(1.477)	(1.477)
Total Income	(22.706)	(26.926)	(4.220)
Net Income carried forward to Reserves	0.000	(3.459)	(3.459)

Reserves Statement

Reserves held on 31 March 2022 are set out in Table 7 below:

Table 7: Reserves as at 31 March 2022

Reserves Statement	2020/21 £m	Movement (from)/to Reserves £m	2021/22 £m
Preparing to Exit EU	0.182	(0.132)	0.050
Strategic Reserve	0.200	0.000	0.200
Investment Fund Reserve	50.116	4.474	54.590
Adult Education Budget	1.476	1.983	3.459
Other grant reserves: Kickstart, Bootcamps, Defra Rural, CRF	0	1.095	1.095
Total General (Useable) Reserves	51.974	7.420	59.394

Useable Reserves have increased by £7.420m to £59.394m, reflecting a small increase to the Investment Fund Reserve (£4.474m), and a reduction of £0.132m to the Preparing to Exit EU Grant Reserve which has been issued to contribute towards delivery on Infrastructure plans.

Useable Reserves also includes a reserve of £3.459m, this reflects £1.476m unallocated AEB from 2020/21 to be distributed to training providers during 2021/22 and subsequent unallocated funding in relation to 2021/22.

Other grant reserves include Kickstart (£0.066m), Bootcamp Skills (£0.072m), Defra grants received late in the financial year in advance of delivery (£0.026m) and Community Renewal Fund (£0.931m) these grants are carried forward to meet

delivery in 2022/23.

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 regulations allow NTCA to be included in the regulations which were to be laid by Central Government in January 2022.

Confirmation of NTCA borrowing powers were received late March, securing borrowing powers for future years. The Combined Authority is required to produce a Capital Investment Strategy and a Minimum Revenue Provision Strategy to be compliant with the Prudential Code, these will be considered by Cabinet in 2022/23. The debt cap for each year will be agreed with HM Treasury on an annual basis.

North East Local Enterprise Partnership (North East LEP)

NTCA became the accountable body for the North East LEP on the 1 April 2020 and therefore going forward the NTCA Statement of Accounts include details of North East LEP income and expenditure.

The North East LEP brings together business leaders, universities, and the Leaders and of the seven local authorities in the North East LEP area, as well as the elected Mayor. It is the fourth largest LEP in the country and 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 2021/22 covers core operational activity of the North East LEP and also, management of the Local Growth Fund (LGF), Getting Building Fund (GBF), North East Investment Fund (NEIF) and Enterprise Zone (EZ) programmes.

Table 8 overleaf provides a summary of 2021/22 Projected Outturn against the 2021/22 Revised budget as reported to the May 2022 LEP Board.

Table 8 2021/22 North East Local Enterprise Partnership Outturn Position

	2021/22 TOTALS			
	Original Budget 2021/22 (May 21)	Revised Budget 2021/22 (Jan 2022)	Projected Outturn	Under/ (Over) Spend
	£'000	£'000	£'000	£'000
Employees	3,700	3,353	3,335	18
Employee - Allowances	21	8	0	8
LEP Chair Renumeration	20	20	22	(2)
Premises	225	225	207	18
Communications	250	256	256	0
Other Operational Costs (Core)	670	675	447	227
Growth Hub Operational Costs	250	256	246	10
Growth Hub Cluster Management	85	0	0	0
Peer Networks	160	212	149	63
Made Smarter	217	520	516	4
LGF High Potential Operational	0	158	115	43
Life and Health Sciences	0	135	140	(5)
Energy Commissioning and Studies	85	125	91	34
Future Markets Accelerator Fund	0	0	23	(23)
Challenge North of Tyne	0	0	8	(8)
Innovation Challenge - Covid	313	313	273	41
Brexit Policy Work Programme (Strategy & Policy)	85	123	0	123
Trade and Export Strategy	46	70	70	0
NP11	0	30	60	(30)
North East Ambition Operational Costs 1	144	76	109	(34)
North East Ambition Operational Costs 2	192	0	64	(64)
Skills Operational CEC, EY, CITE, DFE	714	512	625	(113)
INEE Contribution	140	140	0	140
EZ, NEIF Costs	405	405	125	280
Future Markets Accelerator Fund	0	79	0	79
CPIF	0	0	218	(218)
LGF Project Management	51	101	151	(50)
GBF Project Management	133	165	176	(11)
GROSS EXPENDITURE	7,906	7,956	7,427	530
LEP Core & Strategy Grant from DCLG	(500)	(500)	(500)	0
Local Authority Match Contributions	(250)	(250)	(250)	0
CORE FUNDING	(750)	(750)	(750)	0
LGF Project Management	(454)	(604)	(601)	(3)
GBF Project Management	(320)	(370)	(358)	(13)
Interest Generated on Funds	(140)	(140)	(140)	0
Growth Hub	(780)	(780)	(780)	0
Growth Hub Business Support	(85)	(40)	(69)	29
Peer Networks	(410)	(375)	(314)	(61)
Made Smarter	(288)	(600)	(600)	0
LGF High Potential	(41)	(197)	(154)	(43)
ERDF + Digital Catapult	(42)	(42)	0	(42)
Academic Health Science Network (AHSN)(LGF)	(47)	(135)	(140)	4
Energy Accelerator	(143)	(143)	(85)	(58)
Energy Strategy BEIS / TVCA (Strat & Policy)	(277)	(258)	(234)	(24)
Innovation Challenge Covid	(313)	(313)	(273)	(41)
Future Markets Accelerator Fund	0	0	(34)	34
Challenge North of Tyne	0	0	(18)	18
Brexit Policy Work Programme (Strat & Policy)	(144)	(40)	(40)	0
Trade and Export Strategy	(46)	(70)	(70)	0
NP11	0	(30)	(60)	30
European Social Fund North East Ambition 1	(1,378)	(203)	(397)	194
European Social Fund North East Ambition 2	0	(845)	(614)	(231)
Enterprise Adviser grant - CEC	(617)	(397)	(509)	111
Education Challenge	(115)	(115)	(94)	(21)
EY Foundation	(86)	(85)	(108)	23
DFE	(137)	(137)	(172)	36
DFE - One Vison	(351)	(351)	(207)	(144)
Future Markets Accelerator Fund	0	(79)	0	(79)
NEIF Contribution to cover activity costs	(418)	(485)	(330)	(154)
EZ Contribution to cover activity costs	(96)	(236)	(128)	(108)
LA Contributions re ESIF Co-ordinator	(20)	(20)	(20)	0
Contribution Pension - NTCA	(168)	(154)	(146)	(8)
Other Income	(100)	(100)	(70)	(30)
EXTERNAL FUNDING	(7,014)	(7,342)	(6,765)	(577)
GROSS INCOME	(7,764)	(8,092)	(7,515)	(577)
NET BUDGET	142	(136)	(88)	(48)
BROUGHT FORWARD BALANCE	(613)	(613)	(613)	
Use or (Contribution) LEP Reserves		(136)	(88)	
EZ Contribution	(142)	0	0	
CARRY FORWARD BALANCE	(613)	(749)	(702)	

Local Growth Fund and North-East Investment Fund

The LGF programme delivered over £8m of activity during 2021/22 across the Strategic Economic Plan (SEP) themes making full use of all LGF grant available for the year and cumulatively.

North East Investment Fund (NEIF)

The NEIF initial £55m allocation was made up of £25m Growing Places and £30m Regional Growth Funding. The Regional Growth Funding (RGF) project had originally tighter restrictions on the use of the funding, however, the North East LEP has worked with Department of Levelling Up Housing and Communities (DLUCH) on closing the original RGF programme and releasing this funding to be used to support the Commercial Property Development Fund (CPIF). The NEIF supports a number of projects through loans which are now making repayments, recycling the funding available for reinvestment in new projects and other opportunities.

Enterprise Zones

Round 1 Enterprise Zones are located across four local authority areas: Newcastle, North Tyneside, Northumberland, and Sunderland. Business rates growth generated on these designated sites accrues to the benefit of the North East LEP for a 25-year period, 2021/22 was the ninth year of the Round 1 zones' life.

In April 2017 these were joined by a further ten sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1 April 2018 to complete the coverage.

Table 9 below shows performance against 2021/22 Estimate on the Enterprise Zone Account including 2020/21 Actual.

Business Rate Income for 2021/22 amounted to £2.953m, and was higher than the 2020/21 Actual of £2.563m reported to the LEP Board in May 2021.

Table 9: Enterprise Zone Account

	2020/21 Actual	2021/22 Estimate	2021/22 Actual	Variation
	£000	£000	£000	£000
<u>ROUND 1 EZ SCHEMES</u>				
Newcastle - Neptune Yard	537	593	639	46
North Tyneside - Swans	143	217	158	(59)
Northumberland - Blyth Estuary / Port of Blyth	334	326	319	(7)
Sunderland A19 Corridor	628	692	831	139
<u>ROUND 2 EZ SCHEMES</u>				
Durham - Jade	51	142	185	43
Gateshead - Follingsby	255	1,289	259	(1,030)
Newcastle - International Airport		137	0	(137)
Northumberland - Ramparts (Berwick)	34	38	35	(3)
South Tyneside - Holborn		60		(60)
Sunderland/ South Tyneside IAMP	581	667	528	(139)
TOTAL BRGI	2,563	4,161	2,953	(1,208)
Interest	14	15	15	0
Total Income	2,577	4,176	2,968	(1,208)
<u>Expenditure</u>				0
Capital Financing Costs	1,805	2,174	2,171	(3)
Revenue Operating Costs	99	108	96	(12)
Contribution to INEE Team Costs	65	157	157	0
Total Costs	1,969	2,439	2,423	(16)
Annual Surplus	608	1,737	544	(1,193)
Use of the Surplus				
Project Development Fund	0	(500)	0	500
Cumulative Pooled Surplus	3,655	4,892	4,199	(693)

Invest North East England (INEE)

NTCA became the accountable body for Invest North East England (INEE) as of 1 April 2020 and therefore going forward the income and expenditure is reflected in the NTCA Statement of Accounts.

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 is on strategic inward investment projects which require regional-level promotion, coordination, and collaboration in the first instance, before a focus on a specific site.
- As far as possible, INEE will aim to attract investment opportunities which will lead to significant numbers of high-quality jobs (more and better jobs).

Performance

After a very challenging (Covid-affected) 2020/21 with subdued levels of enquiries, 2021/22 has turned out to be the best year for a decade for the North East in terms of investment projects landed and new jobs created.

There have been multiple successful investment projects from foreign-owned companies as well as UK companies expanding into the region. These investments have come from a number of sectors including offshore wind, business services, digital technology, and advanced manufacturing.

Table 10: Invest North East England 2021/22 Outturn and 2022/23 Budget

	2021/22 Original Budget	2021/22 Outturn	Variance	2022/23 Budget
Expenditure	£	£	£	£
Salaries	166,000	195,423	29,423	237,000
Staff Training	2,000	0	(2,000)	2,000
Travel and Subsistence	9,000	2,018	(6,982)	5,000
Visits and Hospitality	0	0	0	5,000
Web, Telecoms, Computers	8,000	6,173	(1,827)	8,000
Marketing/Communications	107,000	105,825	(1,175)	90,000
Membership Fees (e.g. Sector Bodies)	3,000	3,562	562	3,000
Professional Consultancy	20,000	10,650	(9,350)	20,000
Lead Generation/Events	120,000	60,537	(59,463)	75,000
Subscriptions	25,000	15,000	(10,000)	15,000
Gross Expenditure	460,000	399,187	(60,813)	460,000
Income				
Local Authority Contributions	(140,000)	(140,000)	0	(140,000)
LEP Contribution	(140,000)	0	140,000	0
EZ Contribution	(170,000)	(252,881)	(82,881)	(313,000)
KAM (DIT)	(10,000)	(6,306)	3,694	(7,000)
Gross Income	(460,000)	(399,187)	60,813	(460,000)
Net Budget	0	0	0	0

Main points from Financial Statements

Comprehensive Income & Expenditure Statement

The 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 (Page 5 within the Statement of Accounts). The Comprehensive Income & Expenditure Statement is showing a surplus of (£55.623m) for the year ended 31 March 2022.

Balance Sheet

The Balance Sheet is set out on page 6 within the Statement of Accounts. The net assets of the Combined Authority are £234.337m for the year ended 31 March 2022 and are financed by Usable Reserves of £178.489m and Unusable Reserves of £55.848m. The Balance Sheet also includes the Combined Authority's share of assets and liabilities contained within the North East Combined Authority in relation to the Joint Transport Committee.

Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results from Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note 1 on page 73.

During the year Nexus invested £91.500m 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 £73.1m, 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 as at 31 March 2022 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

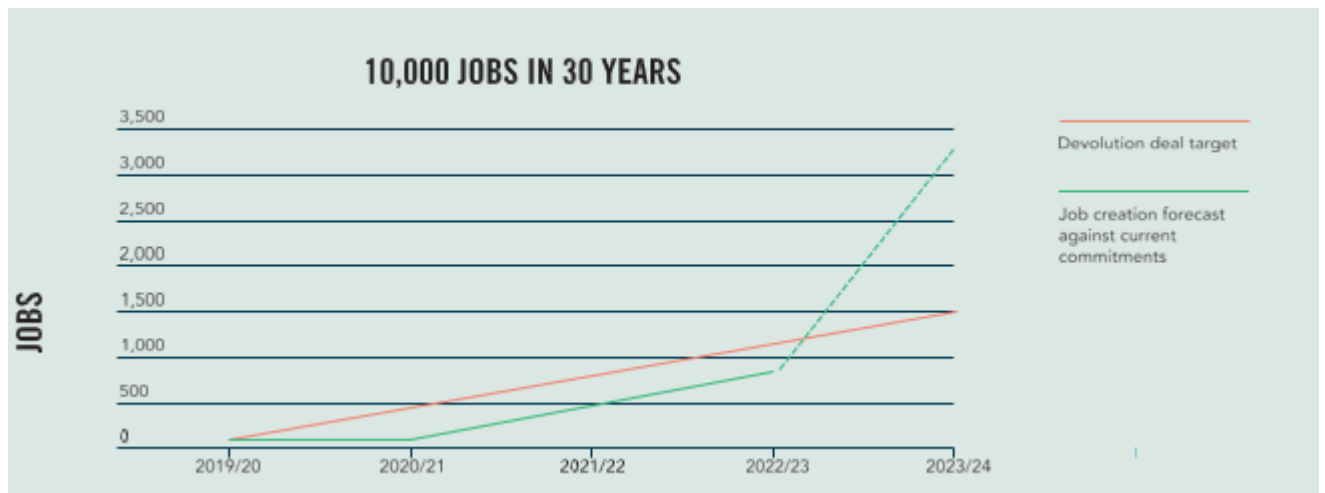
Investment Fund non-financial performance

At the end of financial year 2021/22 the Investment Fund total commitments stood at £82.9m against 96 live contracts. A strong pipeline of high-quality projects is in development with several significant investments planned over the coming months. This includes interventions to grow our digital and ageing sectors, as well support for our residents, creating opportunities to develop new skills and progress into employment.

These projects will attract £282m of private sector leverage and are forecast to deliver 4530 new jobs and safeguard a further 2679.

Of these, the first 819 have been confirmed as created as a direct result of NTCA investment, and 1,773 confirmed as safeguarded.

The Line Chart below shows the trajectory of job creation forecast against current commitments and Devolution Deal Target



Brownfield Housing Non-financial Performance

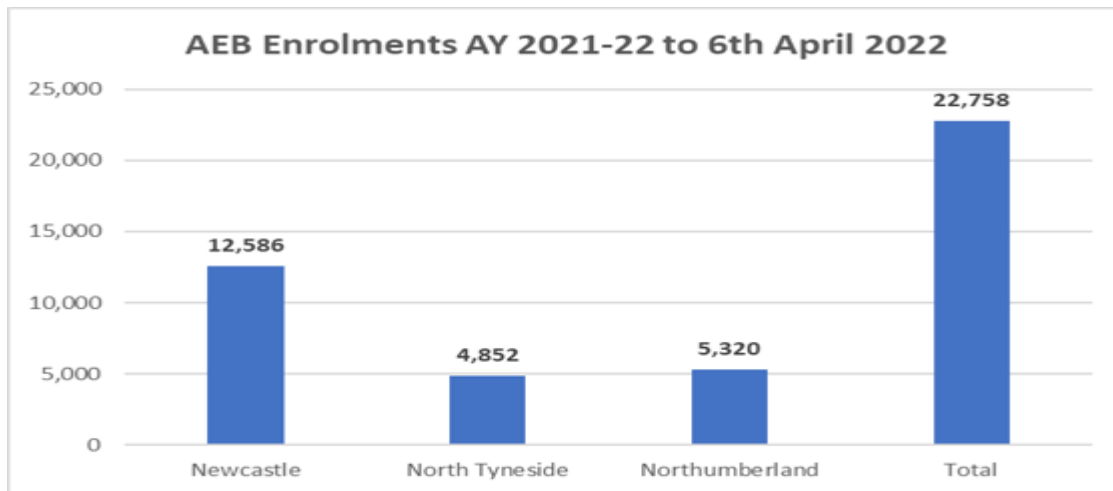
Contracted projects are forecasting the creation of 1,298 housing units with the extended pipeline accounting for 2,998. Our contracted target with DLUHC is 1500. During 2021/22 NTCA was allocated a further £7.96million bringing the total amount of NTCA BHF funding to £31.8million. The additional funding is linked to the unlocking of an additional 600 housing units to the 1,500-2,500 units identified in July 2020.

Contracted projects will remediate 25.28 hectares of Brownfield land which will be either reclaimed, re-developed, or resembled.

Adult Education Budget Non-financial Performance







From 1 August 2021 to 31 March 2022, over 22,758 enrolment opportunities have been delivered or are being undertaken, an increase of 2,700 enrolment opportunities on the previous year.

This is shown below as per constituent authority.



Key Priorities and upcoming Milestones

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

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

Significant issues relating to 2022/23 and beyond

The impact from the pandemic will continue to impact throughout 2022/23, the Combined Authority has worked with regional colleagues to support the submission for Recovery Support and Finance for the North East.

The Combined Authority has continued to provide support for particular sectors impacted by the Pandemic, this includes the continuation of the support to enhance short-term skills, jobs, and inclusive economy interventions Kickstart, Youth Hubs, and Good Work Pledge.

The Mayor and Cabinet continue to work with officers to maximise the opportunities of the three constituent authorities in order that they work together efficiently and effectively with the North of Tyne Combined Authority. Other opportunities exist around the consideration of how best the Procurement Strategies across the constituent authorities can support the ambition and delivery of the Vision for North of Tyne.

In order to deliver the Combined Authority's priorities and commitments the social factors such as a consistently higher unemployment rate than the national average, a lower productivity than the national wage and social inequality with pockets of deprivation affecting the area will need to be considered. This being exasperated by the increased cost of living crisis.

The financial environment for local government is likely to remain challenging for the foreseeable future.

The Government issued their Levelling Up White Paper in March 2022 and subsequently the outcome of the LEP Review. The key message emerging from the LEP Review was that every LEP across the country was entering a period of transition over the coming years as Government works with local areas on devolved deals.

Core LEP funding for the North East LEP saw a reduction for the first time from £0.500m to £0.375m for 2022/23 and a reduction in Growth Hub funding from £0.780m to £0.390m. The LEP budget have managed this reduction in funding through redundancies and reduction in operational spend. Future core funding is in question. The future form of the North East LEP is dependent on the potential of a new devolution deal for the North East Region resulting in bringing all 6 (7 if Durham do not enter a county deal) local authorities under the Mayoral Combined Authority.

The new devolution deal based on all 6/7 local authorities will secure a larger annual Investment gain and provide additional powers such as Transport.

Over the past year transport has continue to be dominated by Covid-19. The major reductions in public transport use, and uncertainties over the scale and pace of any recovery in this remains a major challenge for the area. At the same time, the rapid recovery of general traffic levels, in some cases to levels above those seen before the pandemic, emphasise the continued need to focus investment on more sustainable and less polluting forms of transport.

The Government's strategy for walking and cycling, Gear Change, published in July 2020, sets out a commitment to further investment in improving active travel. Local authorities are already developing ambitious proposals for improving active travel infrastructure

and the additional funding promised in the strategy should help build on current work to provide further improvements in future.

It is estimated that increases in traffic levels at the Tyne Tunnels will occur but there is no certainty that traffic levels will again reach the previous pre-Covid-19 levels. Many businesses and individuals have changed their journey habits due to Covid-19, for example, shifts in modes of transport, more online meetings, and more homeworking, all of which may mean fewer journeys overall on a permanent basis.

The cross-partner North East Brexit Group continues to meet and provides a forum for sharing intelligence across sectors. This information and intelligence have informed action such as the Brexit Toolkit on the Growth Hub, as well as the Work Programme. The focus of the group is now on opportunities post-Brexit and preparations in the light of potential trade deals with the EU and other nations/trading areas.

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

Explanation of Accounting Statements included within the Accounts

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

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

Core Financial Statements

The 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 Combined Authority. This statement shows the movement in the year on the different reserves held by the Combined 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 Combined Authority.

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

The Balance Sheet (page 6) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Combined Authority. The net assets of the Combined Authority are matched by the reserves held by the Combined 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 Combined Authority during the reporting period. The Statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority’s future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Combined Authority.

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 Combined 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 Combined Authority itself in which the Combined 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 Combined Authority and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

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

Implementation of the Devolution order

Under the CIPFA Code, the JTC meets the definition of a 'joint operation,' which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues, and expenses held or incurred jointly in their own single entity financial statements.

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 to NTCA), that which relates to Durham (allocated 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 to Newcastle and/or North Tyneside (allocated to NTCA), that which relates to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not 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 2021/22 accounts the mid-year estimated population published by the Office of National Statistics as at June 2018 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2022 is shown in Table 11 overleaf.

Table 11: Population used to allocate Transport Assets/Liabilities between NECA and NTCA

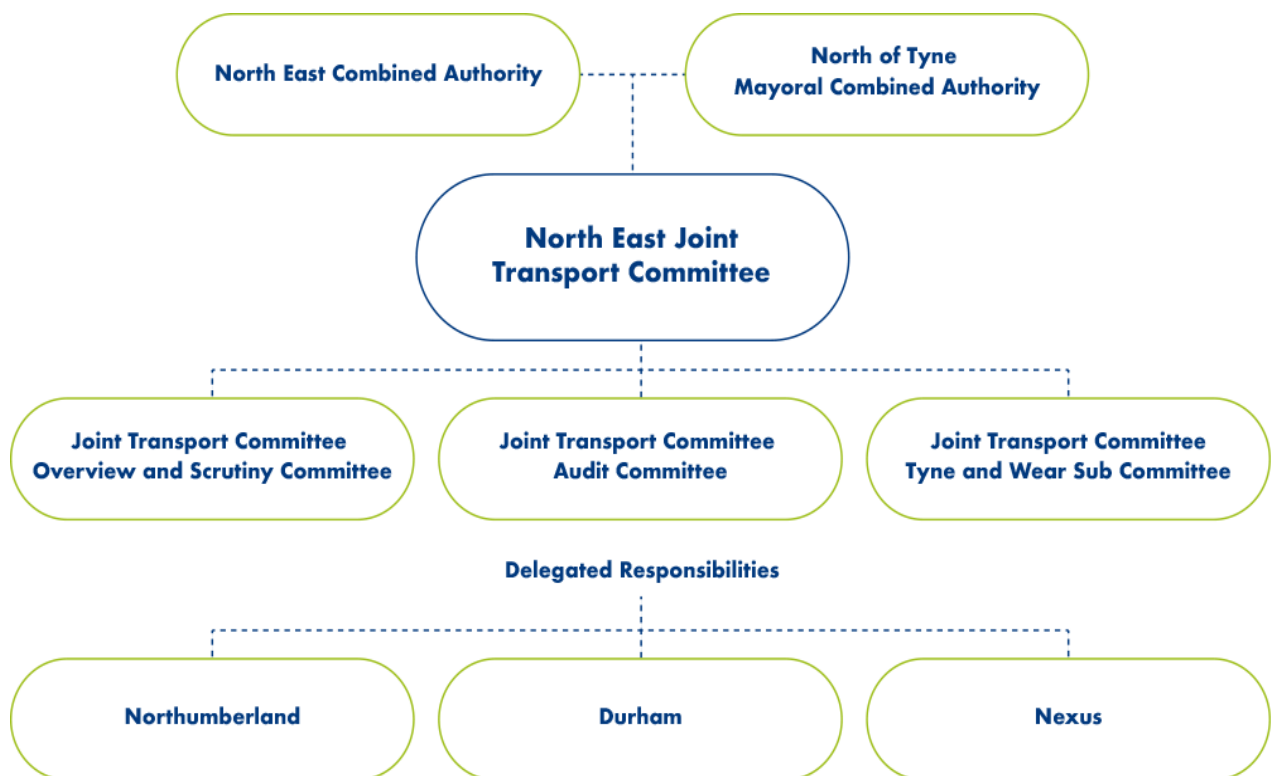
	Mid-Year 2019 Population	Proportion
	People	Proportion
NECA		
- Gateshead	202,055	
- South Tyneside	150,976	
- Sunderland	277,705	
	630,736	0.55257
NTCA		
- Newcastle	302,820	
- North Tyneside	207,913	
	510,733	0.44743
Tyne and Wear Total	1,141,469	

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

Table 12 overleaf shows Tyne Tunnel Flow data shows a small increase in traffic in 2021/22 until the end of March when the impact of the Covid-19 pandemic took effect. The increase was seen in all classes of vehicle except Class 1.

Table 12: Tyne Tunnel Traffic Flow data

	Class 1	Class 2	Class 3	Exempt	Total
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 1 May 2021 from £1.80 to £1.90 for Class 2 vehicles.

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 2021/22.

- The number of passenger journeys across all modes within Tyne and Wear in 2021/22 was estimated at 106.9 million, a 115.5% increase when compared to the 49.6 million in the previous year and a 30.8% decline when compared to 154.5 million in 2019/20.
- Bus patronage was 81.4 million in 2021/22; a 104.5% increase when compared to 39.8 million in the previous year and a 31.8% decline when compared to 119.4 million in 2019/20.
- Metro patronage was 24.2 million in 2021/22; a 157.4% increase when compared to 9.4 million in the previous year and a 26.9% decline when compared to 33.1 million in 2019/20.
- Ferry patronage was 0.269 million passengers in 2021/22; a 74.7% increase when compared to 0.154 million journeys in the previous year and 23.8% decline when compared to 0.353 million journeys in 2019/20.
- Rail patronage was 1.1 million journeys in 2021/22; a 340% increase when compared to 0.250 million journeys in the previous year and a 34.5% decline when compared to 1.680 million journeys in 2019/20.
- Metro reliability (operated mileage) was 95.3% during 2021/22, stable versus the figure of 95.8% achieved in the previous year.

- Metro reliability (Charter punctuality) was 82.8% during 2021/22, a decrease on the 87.4% 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 125 staff employed by the Combined Authority, including North East LEP and Invest North East England.

Table 13: Change in Staffing numbers during 2021/22

	Corporate Employees at the year end	North East LEP Employees at year end	Invest North East Employees at year end	Total NTCA Employees at year end
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)