NORTH
OF TYNE
COMBINED
AUTHORITY

Audit and Standards Committee

Tuesday 19 September 2023 at 10.00 am

Meeting to be held: Armstrong/Stephenson Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

www.northoftyne-ca.gov.uk

AGENDA

Tuesday 23 January 2024, 10.00am at North Tyneside Council

Contact Officer: Helen Thompson
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NORTH OF TYNE COMBINED AUTHORITY

Audit and Standards Committee

4 July 2023

(10.02 - 11.26 am)

Meeting held: Chamber 0.02, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

Draft Minutes

Present:

Chair: D Willis, OBE

Councillors C Gray, A Walker, C Ferguson, C Hardy, M Murphy, A McMullen, T Mulvenna and J Shaw

1 **WELCOME AND APOLOGIES**

The Chair introduced himself and welcomed everyone to the meeting. Brief introductions were made.

Apologies for absence was received from Councillor Castle.

(a) **Appointment of Vice Chair for the municipal year 2023-24**

Councillor McMullen nominated Councillor Mulvenna as Vice Chair of the Committee. Councillor Shaw seconded the nomination. There being no other nominations received, it was **RESOLVED** that Councillor Mulvenna be appointed as Vice Chair for the municipal year 2023-24.

2 **DECLARATIONS OF INTEREST**

None

3 **AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 25 APRIL 2023**

It was **RESOLVED** that the minutes of the meeting held on 25 April 2023 be agreed as an accurate record and were signed by the Chair.

4 **2020-21 ANNUAL AUDIT REPORT**

Submitted: Report of Director of Finance (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with the report of the External Auditors, Mazars, NTCA 2020-21 Final Auditors Annual Report (AAR).

Prior to discussion about the 2020-21 Annual Audit Report, the Chair invited feedback following the workshop held last week. Members agreed that further training would be useful to increase their knowledge and understanding of the audit processes within the combined authority.

M Oldham, Acting Group Assurance Manager, agreed to liaise with the Chair to include additional questions to a recent skills survey and recirculate for the new and continuing members, with a view to collating the responses by the next Audit Committee and delivering a training session in the Autumn.

2020-21 Annual Audit Report

G Barker, Mazars, presented the report that brought a conclusion to the 2020-21 audit and advised the audit opinion had been submitted on 7 June 2023 following approval of the accounts by Cabinet.

The Annual Audit Report included the areas of financial stability, governance and improving economy, efficiency, and effectiveness. G Barker highlighted that the report included commentary on value for money arrangements but did not include an opinion on whether the combined authority provided value for money.

He confirmed there were no significant weaknesses identified with the arrangements the combined authority had in place.

The 2020-21 audit was currently awaiting clearance from the National Audit Office to bring the audit to a final completion.

G Barker advised the Annual Audit Report showed a modest increase in the audit fees, which was guided by Public Sector Audit Appointments Ltd, and the lower end of the suggested range had been used. He also advised there was an additional fee in relation to infrastructure, that would be shared between both financial years (2020-21 and 2021-22) to even out the costs for the additional work incurred.

2021-22 financial year

G Barker explained the 2021-22 audit was still outstanding and since the last committee meeting the 2021-22 statement of accounts had been updated to reflect the results of the triennial valuation.

He outlined the audit work required to progress the revised report and explained how assurance was needed from the pension fund auditor, which was anticipated in September 2023, however there was no confirmed date provided by the pension fund auditor. In the meantime, Mazars would complete their work on the financial statements and G Barker proposed, subject to the receipt of the information on the pension fund audit, to report the outcomes of their audit work and bring the revised financial statements to the Audit and Standards Committee meeting in September, to then submit to Cabinet for approval.

The following points were confirmed in response to questions from members:

- Pension fund assurance - it was hoped there would not be any inaccuracies, but if there were any they would be assessed upon their impact and material terms (the materiality threshold was estimated to be £6m).
- The way the Value for Money judgement is reported has changed within the new 2021 Code of Audit Practice, managed by the National Audit Office, which applied to local authorities and was adopted to provide a consistent approach.
- There was a joined-up planning approach between the three organisations (NTCA, NECA and Transport North East) within the audit group which had the same auditor appointed. It was hoped a single auditor appointment would continue with the new combined authority.

It was **RESOLVED** that:

i) The NTCA 2020-21 Final Auditors Annual Report (AAR), be noted.
ii) A training session for committee members be arranged for the Autumn.

5 **2022/23 OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to outline Internal Audit's 2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control.

R Dunlop, Interim Chief Internal Auditor, introduced the report and advised the satisfactory frame controls and risk governance were working well.

The following points were confirmed in response to questions from members:

- Scoring rates – the low scores translated to good client feedback, within Annex A of the report. The higher scores in Annex B, were qualitative.
- A culture of engagement was encouraged in response to recommendations; a two-way process was important.

J Gillespie, Director of Finance, valued the role undertaken by internal audit and highlighted the importance of checking estimates and balances were in place to align with best practice.

The Chair acknowledged there was a good working relationship with internal audit within the combined authority.

M Oldham, Acting Group Assurance Manager, advised the quarterly update recommendations were indicative, and confirmed to the Chair that if any of the recommendations listed under 4.3 of the report were not clearly evidenced, they would be reported back to the Audit and Standards Committee.

It was **RESOLVED** that the Chief Internal Auditor's 2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control, attached as Appendix 1, be noted.

6 **INTERNAL AUDIT CHARTER**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to present Audit and Standards Committee with an updated Internal Audit Charter. The Charter meets the requirements of the Public Sector Internal Audit Standards (April 2017) and the related Local Government Application Note.

R Dunlop, Interim Chief Internal Auditor, briefly introduced the report and advised there were no fundamental changes to the updated Internal Audit Charter.

There were no following questions from members.

It was **RESOLVED** that the updated Internal Audit Charter, attached as Appendix 1, be agreed.

7 **INTERNAL AUDIT 2022/23 FINAL QUARTERLY UPDATE REPORT AND FIRST QUARTER UPDATE ON 2023/34 AUDIT PLAN**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with a final update on the 2022/23 Audit Plan, and first progress update against the 2023/24 Audit Plan.

R Dunlop, Interim Chief Internal Auditor, introduced the report and advised there was one agreed deferral from 2022/23 to 2023/24 for the governance review of Net Zero Transition due to a resource issue, as outlined on page 66 of the agenda pack. This was the only audit that had been affected.

J Gillespie, Director of Finance, added there had been a change of staffing within the Net Zero team following the transition from the North East LEP, and the team needed time to settle.

In response to the Chair, J Gillespie gave an update on the Performance Management review in terms of delivery of projects, programmes, outcomes, etc. She explained how the current management system and processes appeared complex and risked duplication of effort. Consequently, internal audit was asked to provide assurance and undertake an assessment to make a judgement if the system was fit for purpose. Internal audit were progressing with their assessment and would look at next steps it the system was not classed fit for purpose.

M Oldham, Acting Group Assurance Manager, advised that another risk assessment would be undertaken in the new financial year. Performance management would get looked at as part of the transition arrangements to the new combined authority.

It was **RESOLVED** that Internal Audit's report be noted.

8 **STRATEGIC RISK AND OPPORTUNITIES REGISTER**

Submitted: Report of Risk Advisor to North of Tyne Combined Authority (NTCA) (previously circulated and a copy attached to the official records) to provide assurance to Audit and Standards Committee that the most significant risks and opportunities have been identified, are being monitored and measures are being taken to mitigate them.

The Chair commented that the risks identified around the transition to the new combined authority were needed to be more explicit. An agenda item to discuss matters surrounding the transition would therefore be included at meetings going forward.

As requested by the Chair, J Gillespie, Director of Finance, provided a transition update to committee, explaining groups of officers and Members from across the seven local authorities met at least monthly since February to discuss operational matters, which included considerations of communications with staff and external wider engagement. An online SharePoint page was used and formed part of the dialogue with staff.

From a financial perspective there was a risk identified around the planned year-end audit work required at the end of March 2024, which would cause a significant capacity and resource issue as another set of accounts would be needed when NTCA folded into NEMCA in May 2024. J Gillespie was therefore involved in the governance workstream, working with government lawyers, to try and provide within the new Order an extension to NTCA's year-end date from 31 March to 5 May 2024.

J Softly, Monitoring Officer, advised there was a lot of technical work being undertaken to ensure that the new combined authority could inherit the work from NTCA and officially operate from day one, in May 2024.

He explained the Secretary of State had been provided with the public consultation analysis from the relevant local authorities for consideration, as part of their decision making. As part of preparations for the new combined authority, legislation was being drafted with government lawyers with a view that it would come into effect for the Mayoral election in May 2024 and the subsequent set up of the new combined authority.

The following points were confirmed in response to questions from members about the risks associated to the transition to the new combined authority:

- Funding approvals from NTCA, North East LEP and Transport North East were expected to continue as business as usual, and spend in accordance with existing plans. There were no significant funding timelines, other than the NTCA Brownfield Housing Fund and the UKSPF which had to be spent by March 2025.
- Arrangements were within legislation to ensure there was no unspent grant, and all balances would transfer to the new combined authority.
- The position statement was continually reviewed and there were no small amounts of funding identified that could not be delivered or were at risk of clawback.
- The end of year balance sheet would be reviewed for risks with the Strategic Management Team.

With reference to the risk register, S Richards, Risk Advisor, explained there was not much change to the action plan since the last committee meeting and there were no major key issues to report.

The Chair agreed it would be helpful to include a separate appendix to manage the risks around devolution and the transition to the new combined authority.

In response to a member's query about the complexities of the transition over a large geographical area with regard to managing the annual accounts, J Softly, Monitoring Officer, clarified that the transitional accounting arrangements being worked upon expanded across the region's seven local authorities involved in the new combined authority.

It was acknowledged by J Gillespie that it would be challenging and there would be two sets of 2023-24 statement of accounts for the new combined authority to consider in the first year for NTCA and NECA, thereafter there would be one set of accounts. The statement of accounts for 2023-24 would need to go to the new mayoral authority for consideration and approval. She confirmed the 2023-24 annual opinion however would still need to be considered by an audit committee.

The Service Level Agreement for the transition of the existing internal audit arrangements was being worked upon and the appointment of the internal auditors was expected soon.

The Chair noted the committee would not be able to sign-off the 2023-24 statement of accounts at the committee's last meeting scheduled in April 2024, but suggested committee could still receive the accounts as they stood at the time.

It was **RESOLVED** that:

i) The outcomes of the strategic risk review, be accepted.
ii) The strategic risks identified by the North East LEP included for information (Appendix D), be noted.
iii) The summary of the strategic risks identified by the North East Joint Transport Committee (North East JTC) (Appendix E), be noted.
iv) The devolution and transitional risks would be shown in an appendix to the risk register and the transition to the new combined authority would be added as an agenda item to future meetings.

9 DRAFT ANNUAL GOVERNANCE STATEMENT (2022/23)

Submitted: Report of Risk Advisor to North of Tyne Combined Authority (NTCA) (previously circulated and a copy attached to the official records) to present the NTCA draft 2022/23 Annual Governance Statement (AGS).

S Richards, Risk Advisor, introduced the report and outlined the work undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) good governance framework principles, to meet governance and internal control arrangements.

The AGS would be presented to committee at the final stage of the process before getting signed-off by the Mayor, the Director of Finance as the Chief Finance Officer, and Chair of Audit and Standards Committee.

The Chair commented that the AGS made a good read, and that ethical governance was a responsibility of the committee.

J Gillespie, Director of Finance, explained how the AGS provided an overarching view to the approach local government took around decision making, assuring accountability and good governance, to deliver actions and services in the community.

J Softly, confirmed there was a framework of policies and protocols related to ethical governance in place for the NTCA.

In response to the Chair's query that overview and scrutiny was not listed under Section 5 of the AGS, J Gillespie advised the AGS would provide the evidence to ensure that overview and scrutiny requirements were in place, and they fulfilled their role of reporting to Cabinet and provide challenge when required. External Audit would also need to be satisfied that the scrutiny function was operating successfully.

It was **RESOLVED** that:

i) The first draft of the NTCA 2022/23 AGS (Appendix A), be noted.
ii) The Financial Management Code action plan is substantially in place and therefore not considered as an area requiring improvement, be noted.
iii) The 2022/23 AGS be kept under review and amended as necessary. A report would be provided if any changes were made following the audit of the NTCA 2022/23 financial statements.

10 DRAFT STATEMENT OF ACCOUNTS (2022/23)

Submitted: Report of Director of Finance (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with an updated position on the preparation of the Draft NTCA 2022-23 Statement of Accounts.

J Gillespie, Director of Finance, presented the report and explained that the draft statement of accounts for 2022-23 would be circulated to the committee once the quality assurance process had been concluded, which was expected soon.

It was hoped the draft statement of accounts would be published in the next couple of weeks. Once committee were happy to sign-off and publish the draft statement of accounts, J Gillespie advised she would produce a briefing note for committee members.

The audited accounts would not be ready until January 2024, however J Gillespie would provide a progress update at the committee's meetings to keep members informed.

In response to the Chair's request for an update about the recruitment of external auditors, G Barker, confirmed there was a recruitment and retaining problem across the sector. Improvements had been made to the graduate programme to help attract new recruits. He advised that there was more stability in recruitment than there was 12 months ago.

It was **RESOLVED** that the updated position on the publication of the Draft NTCA 2022-23 Statement of Accounts, be noted.

11 **DATE AND TIME OF NEXT MEETING**

19 September 2023, 10.00am at Newcastle Civic Centre

NORTH OF TYNE COMBINED AUTHORITY

Audit and Standards Committee

19 September 2023

Subject: **External Audit Reports**

Report of: **Janice Gillespie, Chief Finance Officer**

Report Summary

The purpose of this report is to present to Audit and Standards Committee the External Auditors the 2020/21 signed Audit Certificate, which formally concludes the 2020/21 Audit. The 2021/22 Updated Letter to the Audit Completion Report, 2021/22 Auditors Annual Report and the 2022/23 Audit Strategy Memorandum.

Recommendations

The Audit and Standards Committee is recommended to review:

1. Letter Accompanying Audit Certificate 2020-21 (Appendix 1)
2. 2020/21 Signed Audit Certificate (Appendix 1a)
3. 2021/22 Updated Letter to the Audit Completion Report (Appendix 2)
4. 2021/22 Auditors Annual Report (Appendix 3)
5. 2022/23 Audit Strategy Memorandum (Appendix 4)

1. Background Information, Proposals and Timetable for Implementation

1.1 **2020/21 Signed Audit Certificate.** Under Regulation 10 of the Accounts and Audit (England) Regulations 2015 we are required to publish on our website:

• the statement of accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act;

• the annual governance statement approved in accordance with regulation 6(3); and the narrative statement prepared in accordance with regulation 8.

1.2 Due to substantial delays in the completion of the 2020/21 audit a notice of explanation for the delay in the issue of the Audit Certificate was also required to be published on our website. There were substantial delays in the completion of the 2020/21 audit, arising from a national issue relating to Infrastructure issues outside of the Combined Authority's control.

1.3 Following NTCA Cabinet on 6 June 2023, which gave approval and certification of the 2020/21 financial statements the External Auditors advised that they had issued their Independent Auditor's Report, in relation to the accounts for the year ended 31 March 2021. At that point, the Auditors had not yet completed the work in respect of Whole of Government Accounts (WGA) and as a consequence were unable to issue the Audit Certificate at that stage. Subsequently they completed and reported on WGA on 8 June 2023 and reported on their value for money work in the Auditor's Annual Report on 16 June 2023. However, the Audit Certificate was not yet able to be issued until the National Audit Office (NAO) provided confirmation that the Authority would not be selected for additional WGA work as a sampled component. Confirmation has now been received from the NAO and the 2020/21 audit certificate dated attached as Appendix 1 for Audit and Standards Members to note and review.

1.4 **2021/22 Updated Letter to the Audit Completion Report and 2021/22 Auditors Annual Report** An update to the 2021/22 Statement of Accounts was brought to April Audit and Standards Committee which detailed the delay to the sign-off of the 2021/22 Audit of the Accounts due to the national issue relating to Infrastructure Assets and also the update to the IAS19 Pension Disclosure due to the triennial pension review. The 2021/22 Updated Letter to the Audit Completion Report provides the conclusion to both of these issues and also details audit findings and internal control recommendations. The 2021/22 Auditors Annual Report summarises the work undertaken by the External Auditor for the year ended 2021/22. This report is draft as the External Auditors have not yet issued their Audit Opinion which they plan to issue when the financial statements have been approved by the Cabinet, and when they are in receipt of the relevant assurance from the pension fund auditor and have fully considered and addressed any matters arising from their letter.

1.5 **2022/23 Audit Strategy Memorandum** purpose is to summarise the audit approach, highlight significant audit risks and areas of key judgement in addition to providing details of the Audit Team. It is a fundamental requirement that an auditor is and is seen to be independent of its clients the Audit Strategy Memorandum summarises the Auditors considerations and conclusions on their independence as Auditors. The 2022/23 Audit Strategy Memorandum is attached at Appendix 4 and will be presented at Committee by the External Auditors, Mazars.

2. Potential Impact on Objectives

2.1 The production of the Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations and as revised Account and Audit Regulations. It is the role of the Audit and Standards Committee to be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the Authority's objectives.

3. Key Risks

3.1 The production of the NTCA accounts is reliant on the production of Nexus and NECA (North East Combined Authority) accounts and whilst we work together those elements are "out of our control". A risk log has been set up which identifies the key risks and issues associated with the closedown process. The management of these risks is part of the overall process.

4. Financial and Other Resources Implications

4.1 There are no finance or resource implications arising from this report.

5. Legal Implications

5.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

6. Equalities Implications

6.1 There are no equality and diversity implications arising from the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

7. Inclusive Economy Implications

7.1 There are no inclusive economy implications arising from the recommendations in this report. There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability.

8. Climate Change Implications

8.1 There are no climate change implications arising from the recommendations in this report. There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful that the NTCA and the three constituent Local Authorities have each declared a Climate Emergency.

9. Consultation and Engagement

9.1 Consultation will take place with the key personnel and interested parties involved in the closedown process.

10. Appendices

1. Letter Accompanying Audit Certificate 2020-21 (Appendix 1)
2. 2020/21 Signed Audit Certificate (Appendix 1a)
3. 2021/22 Updated Letter to the Audit Completion Report (Appendix 2)
4. 2021/22 Auditors Annual Report (Appendix 3)
5. 2022/23 Audit Strategy Memorandum (Appendix 4)

11. Background Papers

None

12. Contact Officers

Katherine Laing, NTCA Strategic Finance Manager, Katherine.laing@northoftyne-ca.gov.uk

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Audit Completion Certificate issued to the Members of North of Tyne Combined Authority and the Group for the year ended 31 March 2021

In our auditor's report dated 7 June 2023 we explained that the audit could not be formally concluded until we had completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

This work has now been completed.

No matters have come to our attention since 7 June 2023 that would have a material impact on the financial statements on which we gave our unqualified opinion.

The Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have nothing to report in this respect.

Certificate

We certify that we have completed the audit of the North of Tyne Combined Authority and the Group for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

8 September 2023

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11 September 2023

Dear Members

Conclusion of pending matters– Audit Completion Report North of Tyne Combined Authority 2021/22 audit

As required by International Standards on Auditing (UK), we are writing to confirm matters arising that were marked as outstanding within our Audit Completion Report presented on 13 January 2023.

The outstanding matters that we described in our Audit Completion Report and the conclusions reached are detailed in the table below, supported by Appendix 1 which includes a summary of misstatements, including those previously reported in our Audit Completion Report, along with a number of additional internal control recommendations.

Outstanding matter	Conclusion reached
Significant risk: Net defined pension liability valuation	An issue arose of more up-to-date information being available from the triennial revaluation of the Tyne & Wear Pension Fund as at 31 March 2022 meaning that management needed to reflect this in the 2021/22 financial statements. This arose due to the long delays in addressing the infrastructure issue and then delays in receiving Pension Fund auditor assurance. The way forward was then agreed that: • Authorities (including NTCA) were to obtain updated IAS19 valuation reports and amend the 2021/22 financial statements for the new figures; and • Pension Fund auditors are to complete testing on the reliability and accuracy of the updated pension fund membership data used in the triennial valuation.

Outstanding matter	Conclusion reached
	We can confirm that management obtained updated IAS19 valuation reports and our work on the revised pension figures in 2021/22 financial statements is complete. Members should note that the changes in the financial statements are technical in nature and do not impact on the reserves or real resources available to the Authority. At the time of writing, we have received a response from the Pension Fund auditor in relation to their testing of membership data used in the triennial valuation. We are clarifying a few points of detail, but we anticipate being able to issue an unqualified audit opinion on the 2021/22 financial statements by the end of September 2023.
Infrastructure	As Members are aware, there has been a national issue in relation to accounting for infrastructure which has impacted on every local authority related entity with material infrastructure balances. The issue identified that there was insufficiently detailed information available to allow NTCA to demonstrate the material accuracy of the gross carrying value of infrastructure assets. Specifically, the information deficits related to the type of assets held within the infrastructure balance, their useful lives and whether or not any capitalised expenditure was incurred to replace existing components. Members should note that this issue was entirely technical in nature and it did not impact on the resources available to NTCA or the level of usable reserves held by NTCA. A statutory override was put in place by Government to address the information deficits and CIPFA guidance was issued to allow authorities to disclose net infrastructure and not disclose gross infrastructure and gross depreciation in the financial statements. The statutory override made it clear that adjustments were not required to previous infrastructure balances even where errors may have existed. NTCA has adopted the statutory override in full. NTCA also made amendments to the disclosures about infrastructure in the financial statements, as required by the guidance, but the figures relating to infrastructure have not been amended. As part of our review of NTCA's application of CIPFA's "Update to the Code and Specifications for Future Codes for Infrastructure Assets (Code update)", we considered NTCA's asset lives per its accounting policies for infrastructure assets. We considered CIPFA Bulletin 12, which includes a commentary on the useful lives of the components of the highways network by the "UK Roads Leadership Group Asset Management Board". The guidance includes a range of "reasonable useful lives" for different

Outstanding matter	Conclusion reached
	parts of the highways network which we compared to those applied by NTCA. As part of our work, we completed a sensitivity analysis to estimate the impact on in-year depreciation using NTCA's existing asset lives compared to the reasonable asset lives provided in the CIPFA guidance. This test was completed to gain assurance that depreciation in 2021/22 is materially accurate when compared to depreciation calculated using CIPFA's reasonable useful lives. Following completion of our work, we are satisfied that NTCA has followed the relevant guidance when reviewing its infrastructure assets and has made the required disclosures in the financial statements. Our review highlighted a number of differences between the useful economic lives of some assets against those set out by CIPFA. However, we are satisfied that this does not have a material impact on the financial statements for 2021/22.
Debtors	Work completed – no issues to report.
Creditors	Work completed – no issues to report.
Investments	All external confirmations received and no issues to report.
Group Consolidation	Work completed – there are amendments reflected in Appendix A arising from the consolidation with Nexus, where Nexus has also updated its IAS 19 figures to include the impact of the triennial valuation. There are also amendments to the classification of Usable balances to reflect errors in the draft accounts.
Whole of Government Accounts	We have received group audit instructions and will be able to report to National Audit Office once we have issued our audit opinion. As for 2020/21, we anticipate a significant delay before we will be able to issue our audit certificate for 2021/22. This is because NAO are unable to confirm that the Authority will not be selected for additional procedures as a sampled component. The NAO timetable is to report on WGA for 2021/22 by the end of March 2024, so we anticipate being able to issue our audit certificate for 2021/22 in March 2024.
Post Balance Sheet Events	Our review is ongoing up until the date of signing the auditor's report (the opinion).
IT General Controls	Our work in this area has been completed and identified three internal control recommendations which are highlighted in Appendix A.

Outstanding matter	Conclusion reached
Review and closure processes, including checking the amended version of the financial statements produced by finance as a result of our audit.	Including reviews of completed work, checking the final version of the financial statements and final review processes.

At the time of preparing this update letter, we anticipate being able to issue an unqualified audit opinion, without modification, on the financial statements.

We plan to issue our opinion when the financial statements have been approved by the Cabinet, and when we are in receipt of the relevant assurance from the pension fund auditor and have fully considered and addressed any matters arising from their letter. We will only issue a further follow up letter if there are further matters arising.

If you wish to discuss these or any other points, please do not hesitate to contact us.

Yours faithfully

Gavin Barker

Gavin Barker
Director
For and on behalf of Mazars LLP

mazars

Appendix 1: summary of misstatements and further matters arising

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £262k.

Adjusted misstatements: the table below shows the misstatements identified during the course of the audit that have been adjusted by management.

(areas in blue italics were included in the Audit Completion Report)

Group Financial Statements

	Description	CIES DR £000	CIES CR £000	Balance Sheet DR £000	Balance Sheet CR £000
1	DR Earmarked Reserves			6,064	
	CR Capital Receipts Reserves				-251
	CR General Fund Balance				-5,813
	Adjustment to Group balances in the final version of the financial statements to correct classifications in the draft financial statements. This change is to the Group Balance Sheet only.				
2	DR Pension Liability			4,533	
	CR Pension Asset				-4,533
	DR MIRS adjustment	4,533			
	DR Other Comprehensive Income		-4,533		
	This reflects the adjustment from recalculating pension disclosures using an updated IAS19 report from the actuary, which takes into account the results of the triennial revaluation at 31 March 2022. This incorporates the changes to Nexus as part of the Group in addition to the Authority.				
	Total adjusted misstatements	**4,533**	**-4,533**	**10,597**	**-10,597**

Authority Financial Statements

	Description	CIES DR £000	CIES CR £000	Balance Sheet DR £000	Balance Sheet CR £000
1	DR Pension Liability			354	
	CR Pension Asset				-354
	DR MIRS adjustment	354			
	DR Other Comprehensive Income		-354		
	This reflects the adjustment from recalculating pension disclosures using an updated IAS19 report from the actuary, which takes into account the results of the triennial revaluation at 31 March 2022.				
	Total adjusted misstatements	**354**	**-354**	**354**	**-354**

Unadjusted misstatements: the table below shows the misstatements identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

	Description	CIES DR £000	CIES CR £000	Balance Sheet DR £000	Balance Sheet CR £000
1	*DR Revenue* *CR Opening reserves*	*468*			*-468*
	As part of the grants testing we identified an error within the European Grants in that an element of the grant income recognised in FY21/22 related to the prior year and as such has been recognised in the incorrect period. The total error is £468k,split into 2 parts, the factual element of the error is for £194k and the Extrapolated element of the error is for £274k, resulting in a total adjustment of £468k.				
2	*DR : Intercompany Usable Reserves General Fund* *CR NTCA Usable Reserves*			*661*	*-661*
	Audit recalculated devolution split for Usable Reserves and £660k difference has been identified due to a different devolution percentage being used for the General Fund category of Usable Reserves. We note that NTCA is understated by £660k				
3	DR General Fund Reserve CR Earmarked Reserve			590	-590
	Revision In Usable Reserve balance caused a difference between the Mazars calculation for Group figures and the group figures disclosed by NTCA.				
	Total unadjusted misstatements	**468**	**0**	**1,251**	**-1,719**

Disclosure amendments

Amendments have been made to the financial statements following our audit, including the following:

- *General - Various minor presentational points.*
- *Note 32 (Assumptions made about the future and other major sources of estimation uncertainty) - upon review and based on our understanding of the entity we note that within the assumptions note 32 the client should have included a note in relation to Property, Plant and Equipment.*
- *Note 21 (Pensions) – a number of amendments were required to be made to this Note as a result of NTCA receiving a revised IAS 19 Accounting Results Schedule report from AON (Pension Actuary).*

Infrastructure amendments:

In accordance with CIPFA guidance, NTCA updated its Accounting Policies and Infrastructure Assets notes to include:

- Clarification that the statutory override was claimed;
- To ensure that only net infrastructure assets are disclosed rather than the gross value and gross depreciation; and
- More information on the nature of the infrastructure assets and NTCA's accounting treatment of them.

The values of infrastructure disclosed in the financial statements were unchanged.

Unadjusted disclosure amendments

None

Other issues

The financial statements for NECA include a share of the Joint Transport Committee assets and liabilities. Each year there is a difference in relation to cash balances between NECA and NTCA (the North of Tyne Combined Authority), and for 2021/22 the value of the difference is £260k. This is not reported as an unadjusted misstatement. The reason for not disclosing this as an error is that it is the result of a reasonable estimation process, but there is a relatively small and non-material variation when we carry out a comparison of this against the devolution percentages. No further action is required in relation to this issue.

Internal Control Recommendations

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

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

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Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
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.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

Description of deficiency – I.T. General Control, Segregation of Duties – Level 1

As per review It was noted that segregation of duties between the approver and the person/s moving the changes to the Production Environment was inadequate.

It is noted that developers have access to production for setting up functions, workflows, approvals, or alerts on the system, or for issue diagnosis purposes.

Potential effects

Lack of segregation of duties may result in data integrity and functionality provided by the application being compromised. Unauthorized/inappropriate changes may be migrated to production environment, which may compromise system stability. This may further lead to system downtime and business disruption.

Recommendation

Management should ensure that the access to production, test and development environments is segregated. IT access to production databases should be restricted and monitored on regular basis.

IDs should be created for the programmers without having access to the production environment. Changes should be implemented in the production environment after testing by the person independent of development responsibilities to prevent any unauthorized changes being made.

Segregation of Duties (SOD) matrix should also be maintained which lists the users and their profiles. SOD matrix should be updated and reviewed on periodic basis.

Management comments

These issues will be followed up with IT management and a more detailed response provided at a later date.

Description of deficiency – Related Party Declarations – Level 2

Related party declarations should be updated and obtained annually for all members and made available on the website. We identified numerous members whose declaration forms were not available on the website and when requested Democratic Services stated the forms were outstanding. The declaration forms are not dated, which makes it difficult to identify when the declarations were made. This has been raised in prior years. It was also noted in prior years that some of the links on the website for RPT officer declarations did not work, and that the forms are not dated - this is the same again this year for a small minority of officers.

Given that the appropriate controls have not been implemented the deficiency in internal control has been raised again.

Potential effects
Related parties may not be identified which potentially may lead to fraud and error.

Recommendation
Ensure that related party declarations are completed and received annually and are made available on the website.

Completed forms should all be dated.

Management comments

This issue will be followed up with Monitoring Officer for NTCA and a more detailed response will be provided at a later date.

Description of deficiency – I.T. General Control, New Access Creation/Modification – Level 2

As per review there was one user created in the audit period, however it is noted that there was insufficient evidence recorded and obtained.

Potential effects
Unauthorised users may gain access to the system where user access is not adequately controlled resulting in the impairment of the integrity, confidentiality, and availability of data stored and processed by the system.

Recommendation
Access request forms should be completed and approved by appropriate management prior to the allocation of access on the system. An audit trail of the forms should be kept and stored adequately

Management comments

These issues will be followed up with IT management and a more detailed response provided at a later date.

Description of deficiency – I.T. General Control, User Access Reviews – Level 3

As per review there is an informal process which is in place for user access review, however this is performed on an ad hoc basis. Furthermore, we noted that the evidence presented was insufficient and the control is performed on a manual basis.

Potential effects
Lack of regular review of user access to information systems may result in users with inappropriate access to process unauthorised or fraudulent transactions that could negatively impact the integrity of data generated by these information systems.

Recommendation
User access review is a detective control and in the absence of the effective control discrepancies in the users' access on underlying applications might go unnoticed and corrective actions might not be taken in a timely manner.

Management comments

These issues will be followed up with IT management and a more detailed response provided at a later date.

Auditor’s Annual Report - DRAFT

North of Tyne Combined Authority – year ended 31 March 2022

September 2023

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Contents

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 2022. 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 opinions. The report will be finalised when we issue our audit opinions, anticipated in September / October 2023.

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.

Opinion on the financial statements

We issued our audit report on XX September / October 2023. Our opinion on the financial statements was unqualified. [At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]

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Value for Money arrangements

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

Whole of Government Accounts (WGA)

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 are unable to respond to NAO until we have issued our audit opinion [not yet issued]. As for 2020/21, we anticipate a significant delay before we will be able to issue our audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

Wider reporting responsibilities

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 such correspondence from electors has been received.

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 2022 and of its financial performance for the year then ended.

Our audit report, issued on XX September / October 2023, gave an unqualified opinion on the financial statements for the year ended 31 March 2022. [At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]

Qualitative aspects of NTCA's accounting practices

We reviewed NTCA's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, 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.

There was a national issue in relation to accounting for infrastructure which impacted on every local authority related entity with material infrastructure balances in the 2021/22 audit. This led to a substantial delay in the audit. Although this issue was resolved early in 2023, with a statutory override put in place and revised guidance from CIPFA, a further issue arose.

The new national issue related to the impact of the delay in 2021/22 audit work, initially caused by the infrastructure issue, and then exacerbated in NTCA's case by a delay in receiving the Pension Fund Auditor Assurance letter until 24 March 2023 (the Pension Fund auditor is a different audit firm to Mazars). This meant that the triennial revaluation of the Tyne & Wear Pension Fund as at 31 March 2022 was now available as more up-to-date information for management to reflect in the 2021/22 financial statements.

The way forward took a little time to confirm as the situation was unprecedented, and added further to what had already been a considerable delay in completing the audit.

The way forward was then agreed that:

- Authorities (including NTCA) were to obtain updated IAS19 valuation reports and amend the 2021/22 financial statements for the new figures; and
- Pension Fund auditors were to complete testing on the reliability and accuracy of the updated pension fund membership data.

Although this work was eventually completed, it explains the delays and the additional costs relating to the 2021/22 audit. [At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]

03

Section 03:

Commentary on VFM arrangements

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3. Commentary on VFM arrangements

Overall summary

Page 32

3. VFM arrangements – Overall summary

Approach to value for money arrangements work

We are required to consider whether NTCA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (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 or 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; and
- interviews and discussions.

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 did not identify a risk of significant weakness in NTCA's arrangements for 2021/22.

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

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 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.

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 2022, NTCA reported useable reserves of £178.5 million.

A timetable for the production and consultation of the 2021-22 Budget / Medium Term Financial Strategy (MTFS) was agreed by Cabinet on 29 September 2020. 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.

The 2021/22 Outturn position identified an underspend of £0.477 million at the year end.

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 Head of Internal Audit 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 2022.

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 2021/22 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 National Audit Office (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 are unable to respond to NAO until we have issued our audit opinion [not yet issued].

As for 2020/21, we anticipate a significant delay before we will be able to issue our audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

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 July 2022. Now we have completed the 2021/22 audit, we can confirm our final fees, which include additional costs arising from the national infrastructure issue and the ongoing issues in relation to pensions.

Area of work	2021/22 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£27,500	£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 (these costs have been divided equally between 2020/21 and 2021/22 audits) – this cost is non-recurring	£5,000	£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 – this cost is non-recurring	£5,000	£nil
Total fees	**£47,500**	**£42,500**

All fees are subject to VAT. All additional fees are subject to Public Sector Auditor Appointments (PSAA) approval.

Fees for other work

We did not undertake any non-audit services in 2021/22.

Gavin Barker, Director

gavin.barker@mazars.co.uk

Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Audit Strategy Memorandum

North of Tyne Combined Authority

Year ending 31 March 2023

mazars

Contents

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

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

8 September 2023

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for North of Tyne Combined Authority (NoTCA) and the Group for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing NoTCA which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07896 684 771.

Yours faithfully

Gavin Barker

Gavin Barker
Mazars LLP

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of NoTCA for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

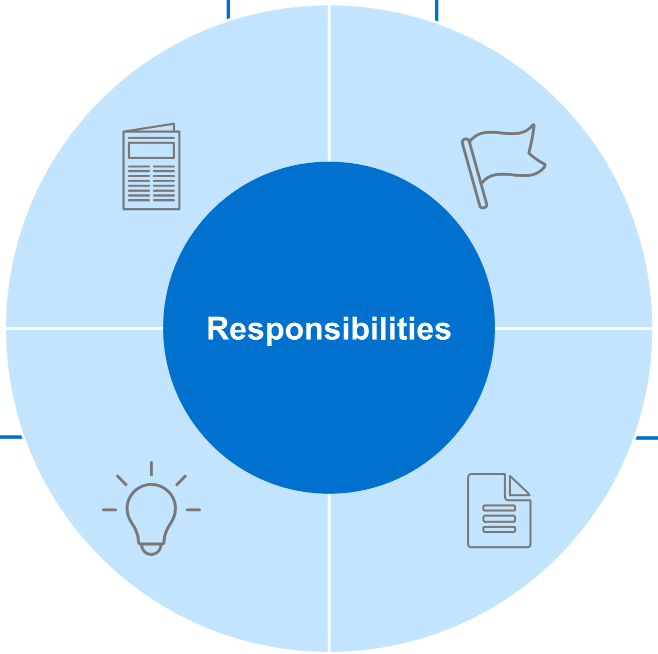
We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Cabinet, as those charged with governance, of their responsibilities.

The Director of Finance is responsible for the assessment of whether is it appropriate for NoTCA to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.



Value for money

We are also responsible for forming a commentary on the arrangements that NoTCA has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in Section 5 of this report.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Group's financial statements with its Whole of Government Accounts (WGA) submission.

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 NoTCA and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

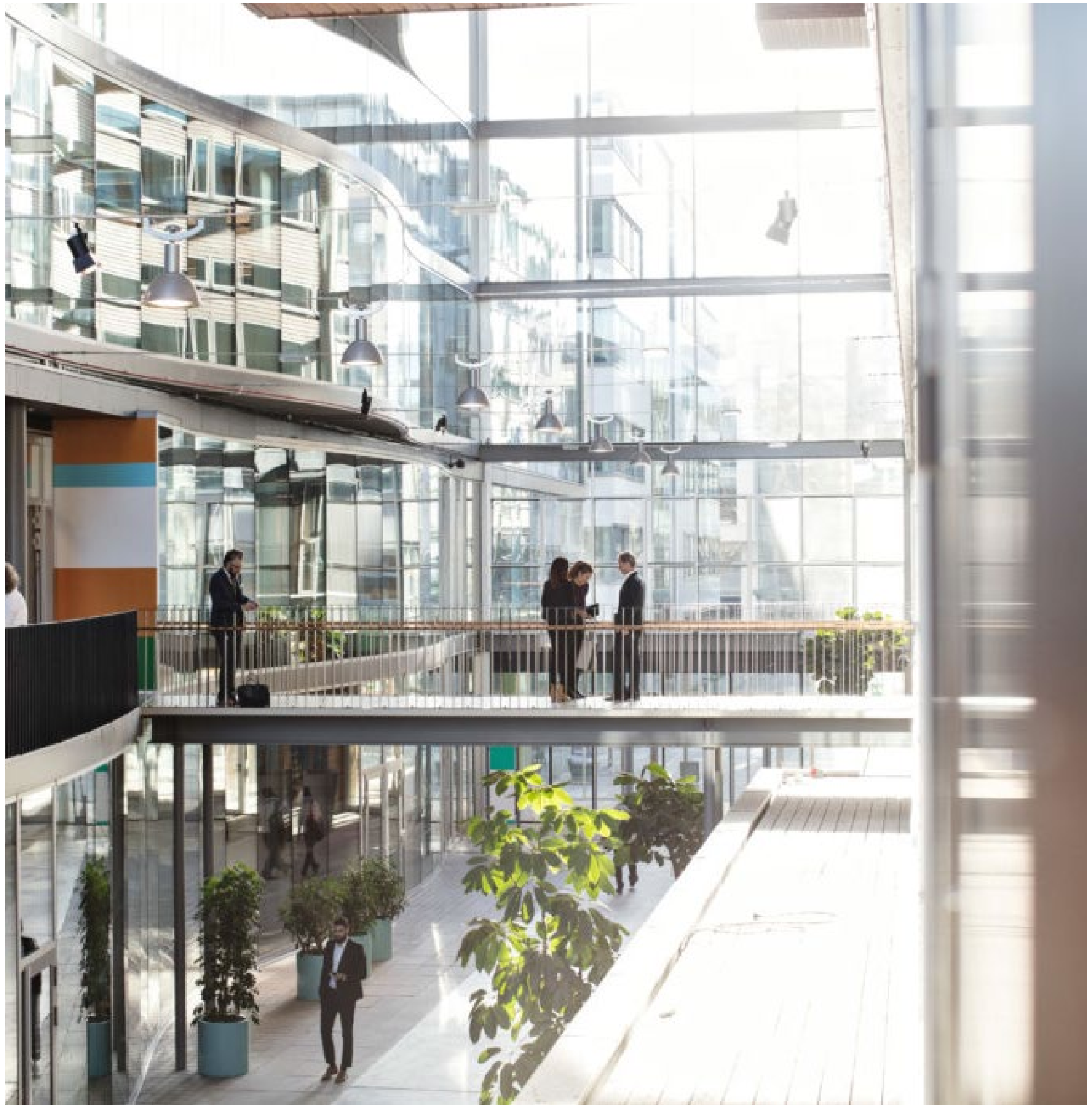
Section 02:

Your audit engagement team

2. Your audit engagement team

Your external audit service will continue to be led by Gavin Barker.

Who	Role	Contact
Gavin Barker	Engagement Lead	gavin.barker@mazars.co.uk 07896 684 771.
Jim Dafter	Engagement Manager	jim.dafter@mazars.co.uk 07815 876 042
Aanchal Singla	Engagement Team Leader	aanchal.singla@mazars.co.uk 07814 060 387



03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in Section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

Engagement and responsibilities summary | Your audit engagement team | Audit scope, approach and timeline | Significant risks and key judgement areas | Value for money | Fees for audit and other services | Our commitment to independence | Materiality and misstatements | Appendices

3. Audit scope, approach and timeline

Our proposed timeline for undertaking the audit is summarised below.

Planning and Risk Assessment (October 2023)

- Planning visit and developing our understanding of NoTCA
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

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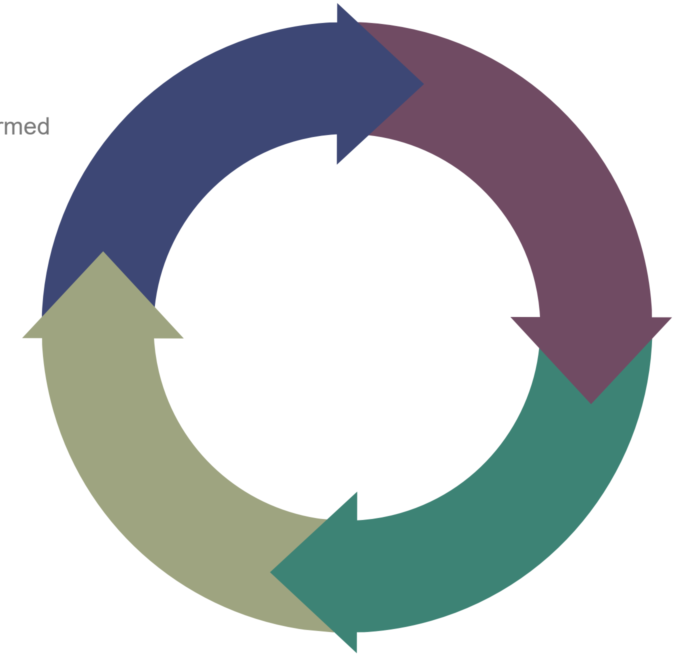

Interim (October 2023)

- Documenting systems and controls
- Performing walkthroughs
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork (October to December 2023)

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

Completion (December 2023 / January 2024 *)

- Final review and disclosure checklist of financial statements
- Final director review
- Agreeing content of letter of representation
- Reporting to the Audit and Standards Committee
- Reviewing subsequent events
- Signing the independent auditor's report

*** this timetable is subject to receipt of PF auditor assurance from the PF auditor**

3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Authority and Group's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

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Item of account	Management's expert	Our expert
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt)	NAO's consulting actuary (PWC)
Fair values	Link Group	Not required

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority and Group that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

Items of account	Service organisation	Audit approach
All areas	North Tyneside Council	Review the Authority and the Group's controls over: • The information provided to the service organisation; and • The outputs provided by the service organisation to NoTCA and the Group.

3. Audit scope, approach and timeline

Group audit approach

We are responsible for the audit of the Group consolidation. For the year ended 31 March 2022, the Group will be made up of the following components:

- North of Tyne Combined Authority (NoTCA);
- Nexus; and
- Tyneside Transport Services (TTS) Limited.

Gavin Barker will be responsible for ensuring appropriate audit procedures are performed to obtain assurance for NoTCA and the Group.

An analysis of the Group is shown below setting out :

- an overview of the type of work to be performed on the financial information of the components; and
- the percentage of the components of the Group audited directly by Gavin Barker (Key Audit Partner / Director for the Group).

NOTE - TTS Limited is not subject to separate audit, therefore the percentages on the next page exclude TTS Limited.

3. Audit scope, approach and timeline

Group audit approach

Planned approach by percentage of the Group (using operating expenditure)

Year	Full scope audit	Limited or specific review	Other audit procedures
2022/23 estimate	100%	0%	0%

Percentage of the Group (using operating expenditure) audited by responsible individual

Gary Barker is responsible for the audit of all entities within the Group

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

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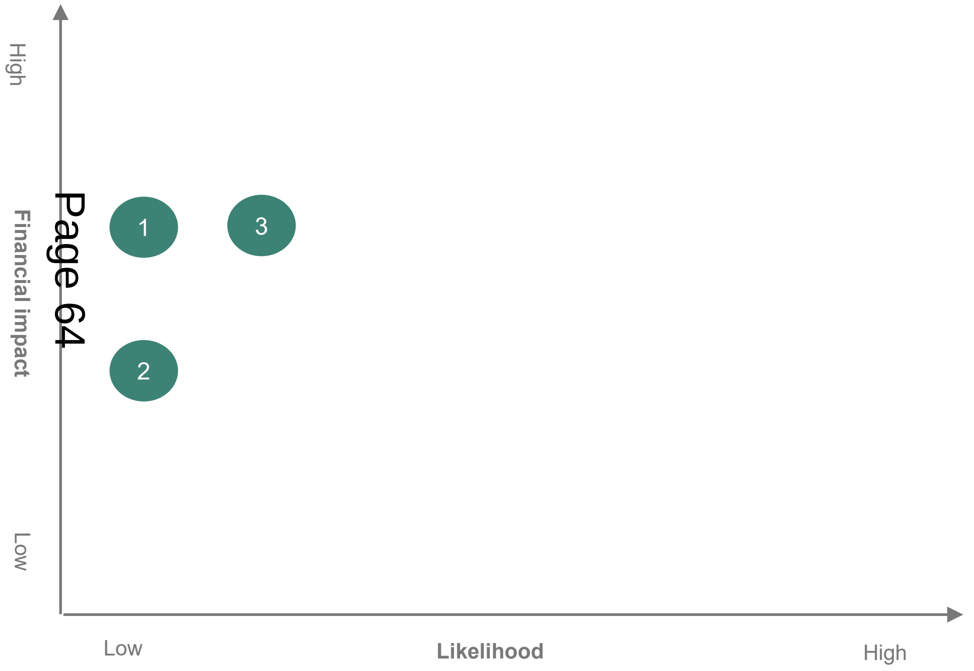
Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the following pages.



Key: Significant risk — Enhanced risk / significant management judgement

1 Significant - Management override of controls

2 Significant – Revenue recognition (in relation to Tyne Tunnel tolls and grant income)

3 Significant – Net defined benefit liability / asset valuation

4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Standards Committee and the Cabinet.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	**Management override of controls (single entity and the Group accounts)** 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.	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	**Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and the Group accounts)** 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.	●	●	●	We plan to address the revenue recognition 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; • cash receipts around the year end to ensure they have 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.

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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	**Net defined benefit liability / asset valuation (single entity and group accounts)** 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.	○	●	●	We will discuss with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we will: • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and • consider 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 will also specifically review the accounting treatment of the net pension asset against the latest technical guidance available.

05

Section 05:

Value for money

5. Value for money

The framework for Value for Money work

We are required to form a view as to whether NoTCA 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 in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that NoTCA has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on NoTCA's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on NoTCA's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to NoTCA and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of NoTCA's arrangements for each specified reporting criteria. Relevant information sources will 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; and • Interviews and discussions with staff and members.
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement; and • Emerging issues or other matters that do not represent significant weaknesses but still require attention from NoTCA.

5. Value for money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand NoTCA's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, work completed to-date has not identified any risks of significant weaknesses in arrangements.

We will report any identified risks to the Audit & Standards Committee, if any arise, as part of our continuous risk assessment.

06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Group's appointed auditor

At this stage of the audit, we are planning the following adjustments to the scale fees set by PSAA, subject to PSAA approval.

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Code Audit Work; PSAA scale fee	£28,195	£27,500
Fee increases agreed with Management.	TBC	TBC
Total audit fees *	£29,661 *	£27,500

* The revised Code of Audit Practice is likely to lead to additional audit work to support the new value for money conclusion and the changes in reporting requirements. It is currently unclear exactly what impact this will have on the work required and fees. We have consequently not reflected any impact in the proposed fee. We will update management as the position is clarified.

Also, there are additional regulatory pressures for auditors to undertake more work than originally reflected in PSAA scale fees. We will discuss this with management as the audit progresses.

All fees shown above are subject to VAT.

Fees for non-PSAA work

There is no 2022/23 non-audit fee work planned at this stage.

Before agreeing to carry out any additional work, we would consider whether there were any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Services provided to other entities within the Group

The Group consists of the NoTCA, 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 TTS as it is within the limits for audit exemptions under Section 479A of the Companies Act 2006 relating to subsidiary companies.

6. Fees for audit and other services

Fees for work as the Council’s appointed auditor

At this stage we are proposing one area where there will be a fee increase in 2022/23 compared to our final fees for 2021/22 (this relates to the implementation of revised ISA 315). There is also an inflationary fee increase which is to be funded by PSAA and is not included in the table below. Additional fees for 2021/22, which in turn will impact on the 2022/23 audit fee, are still subject to finalisation and PSAA approval. All fees are subject to VAT. In overall terms, we anticipate a significant reduction in the 2022/23 compared to 2021/22 due to non-recurring costs specific to the 2021/22 year (infrastructure and pensions).

Area of work	2022/23 Proposed audit fee (£ excluding VAT)	2021/22 Actual Fee (£ excluding VAT)
Scale audit fee	£28,195	£27,500
Additional fees in respect of the VFM approach (recurring, as agreed from the 2020/21 audit)	£7,500	£7,500
Additional fees in respect of the revised ISA 540 (recurring, as agreed from the 2020/21 audit)	£2,500	£2,500
Additional fees in respect of infrastructure and triennial pensions issue – specific issues relating to the 21/22 audit, and non-recurring (these have delayed our audit reporting on the 2021/22 financial year)	0	£10,000
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)	To be confirmed [1]	£0
Grand total	**£38,195** [1]	**£47,500**

Note 1 – there will be an additional fee in the 2022/23 audit for the implementation of ISA 315 (revised), the level of this fee can not be confirmed at this stage, so this fee and the Grand Total for the 2022/23 audit fee are subject to change.

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).

6. Fees for audit and other services

Fees for non-PSAA work

There is no 2022/23 non-audit fee work planned at this stage.

Before agreeing to carry out any additional work, we would consider whether there were any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Services provided to other entities within the Group

The Group consists of the NoTCA, 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 TTS as it is within the limits for audit exemptions under Section 479A of the Companies Act 2006 relating to subsidiary companies.

07

Section 07:

Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

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We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Gavin Barker in the first instance.

Prior to the provision of any non-audit services Gavin Barker will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

08

Section 08:

Materiality and misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold NoTCA £'000s	Initial threshold Group £'000s
Overall materiality	8,718	14,180
Performance materiality	6,538	10,635
Specific materiality: senior officers' remuneration	5	5
Trivial threshold for errors to be reported to the Audit and Standards Committee and the Cabinet	262	425

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

8. Materiality and misstatements

Materiality (continued)

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure at the net cost of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Standards Committee and the Cabinet.

We consider that the gross expenditure at the net cost of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of the benchmark. Based on the latest 2021/22 financial statements, we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £8,718 million for NoTCA and £14.180 million for the Group (prior year at the planning stage was £7,490 million for NoTCA and £12,487 million for the Group).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Standards Committee and the Cabinet that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.262 million NoTCA and £0.425 million Group, based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Gavin Barker.

Reporting to the Audit and Standards Committee and the Cabinet

The following three types of audit differences above the trivial threshold will be presented:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

A

Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor’s Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • enquiries of the Audit and Standards Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit and Standards Committee, Audit planning and clearance meetings

Appendix A: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Standards Committee in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

Appendix A: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of.	Audit Completion Report and Audit and Standards Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
[Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for NoTCA's 2022/23 audit.

The most significant changes relevant to NoTCA's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity;
- Complexity;
- Uncertainty and change; and
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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NORTH OF TYNE COMBINED AUTHORITY

Audit and Standards Committee

19 September 2023

Subject: 2021/22 Audited Statement of Accounts
Report of: Director of Finance
Portfolio: All

Report Summary

The purpose of this report is to present Audit and Standards Committee with the 2021/22 Audited Statement of Accounts for the year ended March 2022 including Narrative Report and Annual Governance Statement, with the intention of obtaining final approval by Cabinet once the Pension Fund Auditor report on the triennial pension fund membership data has been received by our external auditors. The report covers the regulations under which the Statement of Accounts are prepared and details the items included within the Statement of Accounts.

Recommendations

The Audit and Standards Committee is recommended to review the 2021/22 Audited Statement of Accounts including the Narrative Report and Annual Governance Statement.

1. Background Information, Proposals and Timetable for Implementation

1.1 The NTCA (North of Tyne Combined Authority) Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2022 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The production of the Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations and as revised Account and Audit Regulations 2021/22 .

1.2 Members will be aware of an issue which arose in relation to the 202122 accounts on the net defined pension liability valuation of more up-to-date information being available from the triennial revaluation of the Tyne & Wear Pension Fund as of 31 March 2022 meaning that this needed to be reflected in the 2021/22 financial statements. This arose due to the long delays in addressing the infrastructure issue and then delays in receiving Pension Fund auditor assurance.
The way forward was then agreed that:
• Authorities were to obtain updated IAS19 valuation reports and amend the 2021/22 financial statements for the new figures; and
• Pension Fund auditors were to complete testing on the reliability and accuracy of the updated pension fund membership data used in the triennial valuation.

1.3 The updated IAS19 valuation reports were obtained and the work on the revised pension figures in 2021/22 financial statements is complete. Members should note that the changes in the financial statements are technical in nature and do not impact on the reserves or real resources available to the Authority.

1.4 At the time of writing this report, our external auditors, Mazars, have received a response from the Pension Fund auditor in relation to their testing of membership data used in the triennial valuation. However, they are clarifying a few points of detail, but anticipate being able to issue an unqualified audit opinion on the 2021/22 financial statements by the end of September 2023. On this basis we are presenting to Audit and Standards Committee the final version of the 2021/22 Statement of Accounts, including the Narrative Report and Annual Governance Statement with the auditors taking the Update letter to the Audit Completion Report for 2021/22, 2021/22 Auditors Annual Report elsewhere on the agenda, with the intention of obtaining final approval by Cabinet once the Pension Fund Auditor report on the triennial membership data has been received.

1.3 Due to the delay in completing the audit work there was a requirement to review and update the Annual Governance Statement to consider any governance issues that may have arisen since the draft accounts were published. There are no such issues arising.

2. Potential impact on Objectives

2.1 The production of the Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations and as revised Account and Audit Regulations 2021/22. It is the role of the Audit and Standards Committee to be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the Authority's objectives.

3. Key Risks

The production of the NTCA accounts is reliant on the production of Nexus and NECA (North East Combined Authority) accounts and whilst we work together those elements are "out of our control". A risk log has been set up which identifies the key risks and issues associated with the closedown process. The management of these risks is part of the overall process.

4. Financial and Other Resources Implications

There are no finance or resource implications arising from this report

5. Legal Implications

It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

6. Equalities Implications

There are no equality and diversity implications arising from the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

7. Inclusive Economy Implications

There are no inclusive economy implications arising from the recommendations in this report. There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability

8. Climate Change Implications

There are no climate change implications arising from the recommendations in this report. There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful that the NTCA and the three constituent Local Authorities have each declared a Climate Emergency.

9. Consultation and Engagement

Consultation will take place with the key personnel and interested parties involved in the closedown process.

10. Appendices

2021/22 Annual Governance Statement Appendix A
2021/22 Narrative Report Appendix B
2021/22 Statement of Accounts Appendix C

11. Background Papers

None

12. Contact Officers

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

13. Sign-off

1) Chief Executive: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes

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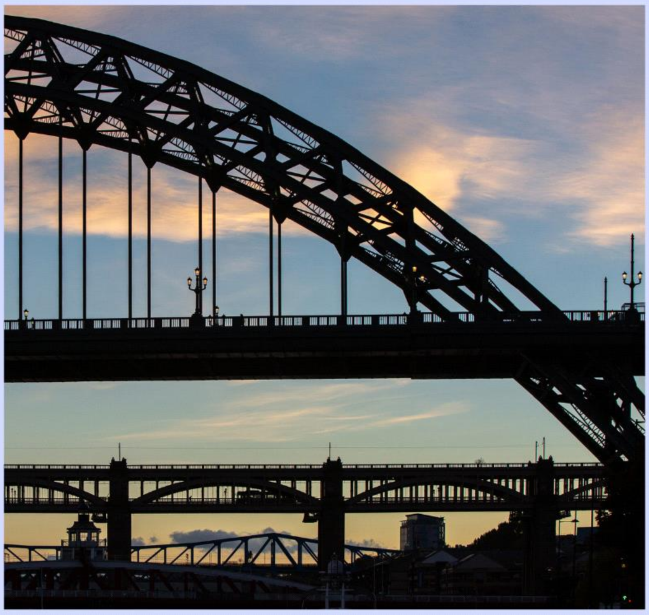
ANNUAL GOVERNANCE STATEMENT 2021/22



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 2021/22, 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 2022 and up to the date of approval of the Authority's Annual Report and Accounts.

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

Section 4: The Governance Framework

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

Principles of Good Governance

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

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

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

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

F. Managing risks and performance through robust internal control and strong public financial management

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

The Governance Framework		
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
The Authority's Commitment of Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Behaving with Integrity	The 2022 budget and our medium-term financial plan for the period 2023-24/2025-26 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. A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area which outlines a framework for collaborative working across the region. A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis. The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the NTCA Chief Finance Officer.	2022-2026 Budget Proposals (Agenda item 11a – page 323) Gifts and Hospitality Policy
Demonstrating Strong Commitment to Ethical Values	Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and	The Constitution is available on the NTCA website.

	controls required to manage risks. We will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	
	The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.	Cabinet Rules of Procedure ("Standing Orders") can be found at part 3.1 of the Constitution
	Codes of conduct are set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deal with issues of conduct and generally promote high standards among officers and members.	Codes of Conduct can be found at Part 5.2 of the Constitution
	Our Freedom of Information Scheme is published on our website	Freedom of Information Scheme
	We ensure that there are effective arrangements for "Whistle-blowing" and for receiving and investigating complaints from the public. Administration of the Authority's policies on anti-fraud and corruption is undertaken by Internal Audit. Whistleblowing policy and procedure is at Part 5.5 of our Constitution	Whistleblowing Policy
	The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.	
	Data Protection and Confidentiality; Environmental; Equalities and Diversity; Modern Slavery; and Social Value policies are in place and available on our Transparency page of our website.	Transparency Policies
	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.	Working Together: Our Corporate Plan 2022-2023 (page 3)

Respecting the Rule of Law	NTCA has measures to address breaches of its legal and regulatory powers. The Authority's Monitoring Officer has statutory reporting duties in respect of lawful decision and maladministration. We review and update our standing orders, standing financial instructions, scheme of delegation and support procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks. 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). Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer. The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.	Constitution 2.9 – Scheme of Delegations

B. Ensuring openness and comprehensive stakeholder engagement		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Ensuring Openness Engaging Comprehensively with Institutional Stakeholders	We are clear on delivering the objectives of the Combined Authority and intended outcomes of our vision. Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region Our Annual Report 'Getting Stuff Done in 2021' sets out the Authority's achievements and the work of the Mayor and Cabinet over the last year. 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 updated Adult Education Strategic Skills Plan sets out our ambitious programme for skills development. It	Working Together: Our Corporate Plan 2022-2023 (page 3) Getting stuff done in 2021- Annual Report Overview and Scrutiny Committee – Annual Report – Agenda item 8 North East Joint Transport Committee Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023

	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.	
Engaging stakeholders effectively, including individual citizens and service users	Meetings, agendas and minutes are accessible via the website. All meetings are held in public (other than where consideration of confidential or exempt information) - during the pandemic, Cabinet meetings and all other Committees were held virtually, in accordance with their usual timescales, and live streamed for the public to view. Cabinet meetings continue to be livestreamed. 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. In 2021 the Overview and Scrutiny Committee conducted a study group on co-production with three recommendations all accepted by Cabinet in July. Our Freedom of Information Scheme is published on our website. The appointment of a Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) and supporting Accord, which sets out a framework for a new relationship between NTCA and the VCSE to deliver our shared vision of an inclusive economy.	NTCA website Forward Plan Co-production at NTCA Scrutiny Report – Agenda item 6 Freedom of Information Scheme VCSE Accord Agenda item 4 VCSE Stakeholder Engagement Group Annual Report 2021/22 – page 19

	We set up a dedicated Coronavirus webpage which provides support for our businesses and communities, providing the latest government advice and available support. The website also signposts businesses to specialist sources of Brexit preparedness advice and support.	Coronavirus webpage Brexit Support webpage
	We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.	
	Our website includes a transparency page where you will find the non-financial information the North of Tyne Combined Authority is required to publish under the Local Government Transparency Code 2015.	Transparency Information
	We continue to work closely with our adult education providers providing stability and flexibility to ensure delivery is maintained throughout and beyond the Covid-19 pandemic. The hyperlink to the mid-year update provides an update on provision for the period 1 August 2021 to 4 February 2022.	Devolved Adult Education Budget – mid year update (Agenda item 6 – page 21

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Defining Outcomes	Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region.	Working Together: Our Corporate Plan 2022-2023 (page 3)

	The North East LEP works with its partners, which includes NTCA and NECA, to deliver the regions Strategic Economic Plan (SEP). The Plan reflects on recent changes to the global and national economy as well as the UK's departure from the European Union. It also looks at how the North East can maximise opportunities around the UK's Industrial Strategy. We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.	Strategic Economic Plan UK's Industrial Strategy. Significant Partnership Register
Sustainable, Economic, Social and Environmental Benefits	To build on the engagement that is already happening across the North of Tyne region regarding climate change, Cabinet has approved the creation of a Citizens' Assembly to look at a specific set of issues relating to climate change. 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 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.	North of Tyne Citizens' Assembly on Climate Change

	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 35,500 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. 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. To support businesses during the Coronavirus pandemic we have made funding of £5m available with additional grant funding of around £1.5m to support businesses during the Coronavirus crisis.	Social Value Policy Newcastle college receives good work pledge award Devolved Adult Education Budget mid-year update – Agenda item 6 Covid-19 Capacity Fund

	We have established a digital equipment loan scheme to support residents across the region giving them access to digital services and opportunities. Encouraging digital inclusion for everyone will help our residents' access new opportunities and in turn support our inclusive economy. Inclusive Economy Board was launched in March 2020 and advises the NTCA Cabinet on inclusive economy interventions across the North of Tyne area, championing the NTCA vision and supporting the area to become a national exemplar in inclusive growth The Housing and Land Board provides robust governance around an integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area. 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. 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 creativity and opportunity for all, or support social enterprise and co-operative development.	Digital Inclusion Scheme Inclusive Economy Board Annual Report 2021/22 – page 13 Housing and Land Board Annual Report 2021/22 – page 15 Children North East to lead on Poverty Truth Commission Child Poverty Prevention Programme – Agenda item 9 Crowdfund North of Tyne

D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Determining Interventions	Cabinet approved its draft budget for 2022/23, and the medium-term financial plan for the period 2023/24 to 2025/26 at its January 2022 meeting. Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles. A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens. A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting	Cabinet Report (Agenda item 11a) Constitution (Part 1.2) Cabinet Scrutiny Protocol (Agenda item 6) Overview and Scrutiny Committee – Annual Report – 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 has been put forward to Government demonstrating our commitment to post-covid recovery and renewal.	Recover, Redesign, Reimagine

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Developing the Organisation's Capacity	We have defined and documented in our Constitution the roles and responsibilities of Cabinet, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Cabinet, Members and Officers have been agreed by the Combined Authority.	Part 2 Constitution – Responsibility for Functions - NTCA (northoftyne-ca.gov.uk) Minutes Cabinet 8 June 2021 (northoftyne-ca.gov.uk)
Developing the Capability of the Organisation's Leadership and Other Individuals	We identify and aim to address the development needs of members and senior officers through the annual appraisal process, in relation to their strategic roles, and support these with appropriate training. Values and behavior's workshops have been delivered to all staff, with staff appraisals undertaken with agreed targets and objectives linked to NTCA's work programme. During the Coronavirus pandemic national updates and latest Government guidance was regularly communicated to all our staff working remotely. Staff are also reminded of our information governance/data security requirements whilst working remotely, to ensure they continue to work safely and securely. Additional health and safety modules have been made available on our Learning Management System alongside advice from the Health & Safety Executive to ensure all our staff work safely at home.	

F. Managing risks and performance through robust internal control and strong public financial management		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Managing Risk	Our Risk and Opportunity Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.	
Managing Performance	Cabinet and Overview and Scrutiny Committees receive quarterly finance reports, monitoring the Authority's financial position and treasury management activity. Cabinet and Overview and Scrutiny Committees receive six monthly reports monitoring the financial position of the North East LEP and Invest North East England.	Overview and Scrutiny Committee 8 February Budget Monitoring Report - Agenda item 9 Overview and Scrutiny Committee 5 July Outturn Report – Agenda item 9
Effective Overview and Scrutiny	Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 1.2) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles. 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.	Adoption of Cabinet-Scrutiny Protocol

	A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting There are regular meetings between the Mayor and the Chair and Vice Chair of Overview and Scrutiny Committee.	Overview and Scrutiny Committee – Annual Report – Agenda item 8
Robust Internal Control	An Officer holds the position of Data Protection Officer and is responsible for overseeing the Authority's Data Protection and Confidentiality Strategy and its implementation to ensure compliance with the General Data Protection Regulations. The Authority regularly reviews policies relating to records management, data quality, data protection and information security. The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent assurance on the adequacy of the risk management framework and internal control environment. An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The Chief Internal Auditor will provide an annual opinion for 2021/22 to support this Annual Governance Statement. A 2022/23 Strategic Audit Plan which was approved by Audit and Standards Committee April 2022, 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 2021/22 Audit Plan was reported to Audit and Standards Committee at its January 2022 meeting.	Data Protection and Confidentiality Strategy Internal Audit report April 2022 – Agenda item 4)

Managing Data	All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2022/23. The Authority makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.	 Freedom of Information Scheme
Strong Public Financial Management	The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2021/22 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.	

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Implementing Good Practice in Transparency	Mayor's Question Time – Mayor Driscoll hosts regular themed online Mayor's question time, welcoming questions and comments on key issues. We publish details of delegated decisions on our website. We publish NTCA's £500+ spend monthly	Mayor's Facebook Page - Mayor's question time delegated decisions on our website. 2021/22 Transparency Spend Documents
Implementing Good Practices in Reporting	We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit	Review of Audit and Standards Committee Arrangements – April 2022 – Agenda item 7

	Committees – Practical Guidance for Local Authorities and Police 2018. Internal Audit compliance with Public Sector Internal Audit Standards Production of the Authority's Annual Report and Accounts	
Assurance and Effective Accountability	The Assurance Framework explains the arrangements for NTCA to: • Demonstrate that arrangements are in place to ensure accountable and transparent decision-making • Appraise projects and allocate funding; and • Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks, issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals. Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy of the effectiveness of our governance, risk and control framework. The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations.	

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

Section 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 Interim Chief Internal Auditor's report to the July 2022 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 2021/22: The opinion of the Interim Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall, given the range of responsibilities it is required to discharge. This is a positive assessment of the control environment of the organisation.

(c) Assurance from Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written signed statements.

(d) The views of External Auditors.

(e) The results of the Authority's self-assessment of compliance with the new CIPFA Financial Management Code

(f) Activity of the Audit and Standards Committee, including ethical governance

(g) Partnerships, including the North East Joint Transport Committee

(h) The Risk Management process, particularly the Strategic Risk Register

(i) Performance information which is reported to Cabinet and other meetings on a regular basis.

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

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

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

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

Section 7: Investment Fund Programme & Brownfield Housing

Investment Fund Programme

Delivery of the initial 5-year Investment Programme is in a strong position as we approach the first Gateway Review with Government. To date £82.9m is committed (exc. £10m top slice) against a wide range of projects and programmes supporting businesses, skills and capital infrastructure. Project delivery is well underway and we are seeing an increase in the reporting of actual outputs, including 819 new jobs and 1773 safeguarded.

Forecast cumulative expenditure for 2022/23 currently stands at c£50m (taking account of attrition). In addition, a healthy pipeline of high-quality projects is in place with further significant investments planned in the coming months. This includes establishing a £10m Equity Fund to support business growth, as well as further investments around green growth, digital, culture and creative, enabling innovation in businesses, as well as broader programmes of support to our residents and communities. The Covid-19 pandemic has had an impact on North of Tyne residents and our economy, in addition to the implications of Brexit and war in Ukraine. The Combined Authority continues to work closely with project sponsors to provide additional support and enable the development of alternative delivery methods where appropriate to realise outcomes. The impacts continue to be monitored.

An evaluation framework to capture our achievements and learning has been approved by the Mayor and the portfolio holder for Investment and Resources. The Combined Authority also commissioned SQW to undertake an external evaluation against national indicators, to support the upcoming gateway review in early 2023. The joint baseline and one-year-out report was received positively by Cabinet in February, evident throughout was the increasing strength of partnership working and capacity building across the area since NTCAs inception. Performance is reported monthly, outcomes are slightly ahead of forecasts in terms of the creation of new jobs and attracting private sector leverage. A bespoke programme management system, shared with the North East LEP, was launched in April 2021 across all NTCA programmes. The system was developed through an agile methodology with further functionality built over 2021/22. As a cloud-based system, this will improve the efficiency of managing and monitoring programmes across the Combined Authority and will streamline the interface with delivery organisations for claims and output reporting.

Brownfield Housing

In July 2020, the Combined Authority secured £23.850m from Government's £400m national Brownfield Housing Fund. This was increased by a further £7.9m announced within the Levelling Up White Paper in February 22. The funding will be delivered over five years up to 31 March 2025, 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.

The Combined Authority has operationalised the programme at pace, working closely with Local Authorities to establish a pipeline of projects totalling £23.3m and legally committing £12.5m against 6 investments by March 2022. A further £21.1m of proposed projects is currently going through the assurance framework which will increase the pipeline to £44m.

Levelling up

Government produced the Levelling up White Paper in February as a *"blueprint for spreading opportunity more equally across the country"*, with a focus on productivity, quality of life, place improvements and stronger leadership.

The White Paper itself was not accompanied by major funding announcements, although the NTCA will receive nearly £8m of additional Brownfield Housing Funding and a devolved Shared Prosperity Fund allocation – with the amount not yet known.

Instead, the main focus of the White Paper is to provide the strategic backdrop for, and influence, future Government funding and decision making - in areas ranging from skills and regeneration to digital infrastructure. It also advocates that more funding should be devolved in future. Government departments will be asked to set spatial objectives and numerical targets, while a new Levelling Up Advisory Council will be created to oversee progress.

Section 8: Adult Education Budget

Devolution of Adult Education Budget (AEB) has provided an opportunity to make commissioning decisions on an area focused and forward-looking basis. NTCA's ambition is to improve the impact of AEB in the NTCA region and we will continue our approach to strategic relationship building and partnership working to develop localised, flexible, high-quality provision that responds to the needs of our residents and employers.

In August 2020 the NTCA took control of £23,144,967 devolved AEB for academic year (AY) 2020-21. An additional allocation of £959,064 for one year only was devolved in September 2020 to invest in High Value Courses (HVC) and Sector-based Work Academy Programmes (SWAP). £409,894 was also delegated to NTCA in April 2021 to deliver the Lifetime Skills Guarantee – Level 3 Adult Offer. Bringing the total AEB for AY 2020-21 to £24,513,925.

With Cabinet approval, 100% of the NTCA AEB funding was allocated during AY 2020-21. 67% was allocated through Grant Funding Agreements, 27% was allocated through procurement exercises which were open to all adult education training providers and 3% was invested in the costs associated with manging the budget.

For AY 2021-22 NTCA have received a devolved AEB of £23,551,493 plus an additional £1,641,588 for the delegated Level 3 Adult Offer. Bringing the total AEB for AY 2021-22 to £25,193,081. NTCA Grant fund 10 Provider's. 26 Contracts for Service are held with 22 Provider's. And there are 13 Provider's delivering the delegated Level 3 Adult Offer.

Through the Scheme of Delegation 93% of the AY 2021-22 budget has been allocated through extensions to Grant Funding Agreements and procured Contract for Services. The remaining funding is being allocated through mini-competitions and contract growth as new opportunities are identified throughout the year. All NTCA Providers have developed an AEB Delivery Plan which is monitored at quarterly performance management meetings throughout the year.

The AEB is a cornerstone of investment in the skills system and has a significant role in supporting our region's economic recovery from the COVID-19 pandemic. Led by the priorities outlined in the published NTCA Strategic Skills Plan, NTCA officers work closely with education providers, employers and stakeholders to ensure that a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local labour market needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.

The devolution of the AEB has provided NTCA with the opportunity to implement additional flexibilities on the funding for the benefit of our residents and employers. NTCA implemented a number of new funding flexibilities during AY 2020-21 and AY 2021-22 in response to consultation with the AEB provider base and in response to the ongoing impact of the crisis on adult learning. All of the flexibilities have been co-designed to specifically address disadvantage and remove barriers to learning.

NTCA AEB providers have delivered a range of provision targeting employed and unemployed residents including statutory entitlements in maths, English, English for Speakers of Other Languages (ESOL) and digital skills plus full Level 2 and Level 3 vocational programmes required to access the labour market and/or progress in work.

Despite the ongoing restrictions and interruptions to learning caused by COVID-19, in AY 2020-21 the AEB funded over 25,000 enrolment opportunities and by the mid-year point in this current AY 2021-22, the AEB has already funded over 17,400 enrolment opportunities.

Key priorities set out in the NTCA Strategic Skills Plan include supporting residents of all ages, including those in work, to develop their skills to progress into better jobs and increase their earnings. We also aim to extend the reach of learning opportunities to a broader range of underrepresented groups. Analysis of NTCAs devolved AEB investment reveals that

- 72% of residents accessing devolved AEB reside in the top 20% deprived wards in our region (45% of in the top 10% deprived wards)
- 71% of AEB opportunities are being undertaken by unemployed residents
- 16% of AEB opportunities are being undertaken by young people (19-24)
- 58% of AEB enrolment opportunities are being undertaken by women
- 47% of enrolment opportunities are being undertaken by residents from our BAME community
- 72% of AEB enrolment opportunities are undertaken by residents with low or no qualifications
- 18% participating in provision self-declared a learning difficulty/disabilities

Section 9: Significant Weaknesses In Governance and Internal Control

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no significant weaknesses in governance or internal control during 2021/22.

Section 10: Governance and Internal Control Improvements

The review also identifies activities that may need improvement, but which do not constitute "significant weaknesses" in our governance and internal control arrangements. These are set out in Appendix A and will be monitored as part of the next review.

Section 11: Conclusion

We consider the governance and internal control environment operating during 2021/22, 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 2021/22 are in place and operating as planned.

Mayor of the North of Tyne Combined Authority **Full Name: Jamie Driscoll** **Signature:** **Date:**	**Chief Executive** **Full Name: Henry Kippin** **Signature:** **Date:**
Chair of Audit and Standards Committee **Full Name: David Willis** **Signature:** **Date:**	**Chief Finance Officer** **Full Name: Janice Gillespie** **Signature:** **Date:**

Section 13: Governance and Internal Control Improvements Appendix A

CIPFA Financial Management Code

Background Risk

The Financial Management Code (FM Code) was an additional requirement in 2020/21 and is mandatory from 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public authority.

In preparation for the first full year of compliance with the Code the Combined Authority undertook a self-assessment to ensure that it complied with the FM code in line with guidance issued by CIPFA and in a way that is appropriate and proportional to its own circumstances reflecting the structure, function and size of the Combined Authority.

The overall conclusion of each Financial Management Principle has been assigned a red, amber, or green rating in line with the scale of the improvements required for full compliance. A red rating indicates that significant improvements are required, an amber rating indicates that moderate improvements are required, and a green rating indicates that no improvements or minor improvements may be required. The RAG assessment ratings against each Principle are noted below:

- Leadership – Green
- Accountability – Green
- Transparency – Green
- Standards – Green
- Assurance – Green
- Sustainability – Green

The overall results from the self- assessment were green, however, the code requires any areas for improvement to be disclosed within an action plan. The self-assessment identified 4 areas for improvement, which once implemented will ensure the Combined Authority fully complies with the Financial Management Code.

Accountable Officer: Chief Finance Officer

Action(s) required to enhance effectiveness	**Implementation date**

Assurance Principle – Standard (F) The authority has carried out a credible and transparent financial resilience assessment. *This requirement relates to whether the Combined Authority has undertaken an independent, credible, and transparent financial resilience assessment. Unlike Local Government the Combined Authority has full control over the grant and funding programmes it has with more certainty around the financial envelope to plan with, and no risk associated with Demand Led Services as our constituent authorities have. The factors which should be considered as part of the financial resilience assessment, will include getting routine financial management right, planning and managing revenue and capital resources well and using performance information effectively. As no assessment has been carried out to date externally, this has been consequently assessed as Amber.* **Progress update:** An annual external assessment is carried out by the External Auditor to ensure the Combined Authority is a going concern and has put proper arrangements in place to secure value for money. In addition, the first 5-year Government Gateway Review is due to be undertaken in 2022-23 to provide independent assurance of the Combined Authorities funding programmes have resulted in positive impact for the Region.	March 2023
Standards Principle – Standard (H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities. *Borrowing powers need to be secured to enhance the Combined Authority's ability to achieve its ambitions. These powers may be secured during Q4 of 2021/22 (January – March 2022). At which time an appropriate Capital Investment Strategy will be laid before the Mayor and Cabinet for their consideration.* **Progress update:** Confirmation received 28 March 2022 that the Minister had signed the Combined Authority (Borrowing Powers) Regulations 2022 on 22 March 2022. Chief Finance Officer will work on an appropriate Capital Investment Strategy including Minimum Revenue Provision (MRP) Policy to be laid before the Mayor and Cabinet for their consideration. The Capital Investment Strategy and MRP Policy will be taken alongside the Budget Proposals Report for 2023/24 to January 2023 Cabinet.	January 2023
Sustainability Principle - Standard (E) The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review? *The Authority has evolved as a new entity in its entirety. The nature of the funding sources and delivery mechanisms the Authority has to achieve the Ambition and the requirements of the devolved funding mean that the level of risk associated with Financial Sustainability traditionally associated with Local Government Tiers is not the same. A peer review is not a requirement for compliance with the FM Code, the benefit of doing so will enable:*	March 2023

• *The creation of an action plan for any areas of improvement.* • *Review adequacy of financial management support.* **Progress update:** Head of Paid Service and members of the Senior Management Team to take this action forward with consideration of engaging on a peer review with a fellow Mayoral Combined Authority.	
Transparency Principle - Standard (M) Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in the International Federation of Accountants/Professional Accountants in Business Publication – Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal? *The Combined Authority have an Assurance Framework for appraising all projects, in line with the HM Treasury Green Book recommendations - a review is currently ongoing to further strengthen the requirements for options appraisals and relate this to the Business Case Guidance.* **Progress update:** A review of the Assurance Framework and Business Processes supporting the Assurance Framework is still ongoing with regular updates presented to NTCA Senior Management Team. Initiation phase almost complete.	March 2023

North of Tyne Combined Authority

Statement of Accounts

2021/22

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1.0 Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the officer is the Chief Finance Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

Signed: **Date:**
Jamie Driscoll
Mayor of the North of Tyne Combined Authority

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('The Code').

In preparing this Statement of Accounts the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts for the period ended 31 March 2022, required by the Accounts and Audit Regulations 2015 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2022.

Signed:
Janice Gillespie
Chief Finance Officer (Section 73 Officer)
Date:

2.0 Core Financial Statements and Explanatory Notes

2.1 Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Total Comprehensive Income and Expenditure line shows the accounting cost of providing the Combined Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance. The net increase or decrease before transfers to earmarked reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Combined Authority.

	Note	General Fund Balances £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020		**(10,691)**	**(50,876)**	**-**	**(5,850)**	**(67,417)**	**(41,070)**	**(108,487)**
Transfer of balances from NECA 1 April 2020		**(649)**	**(17,841)**	**(8,889)**	**(249)**	**(27,628)**	**(13,724)**	**(41,352)**
Total Comprehensive Income & Expenditure		(30,707)	-	-	-	(30,707)	1,832	(28,875)
Adjustments between accounting basis & funding basis under regulations		18,572	-	-	(17,193)	1,379	(1,379)	-
(Increase)/ decrease in year		(12,135)	-	-	(17,193)	(29,328)	453	(28,875)
Transfers (to)/from Earmarked Reserves	23	17,289	(17,289)	-	-	-	-	-
Balance at 31 March 2021 carried forward		**(6,186)**	**(86,006)**	**(8,889)**	**(23,292)**	**(124,373)**	**(54,341)**	**(178,714)**
Total Comprehensive Income & Expenditure		(53,254)	-	-	-	(53,254)	(2,723)	(55,977)
Adjustments between accounting basis & funding basis under regulations		25,898	-	8,418	(35,178)	(862)	862	-
(Increase)/ decrease in year		(27,356)	-	8,418	(35,178)	(54,116)	(1,507)	(55,623)
Transfers (to)/from Earmarked Reserves	23	26,478	(26,478)	-	-	-	-	-
Balance at 31 March 2022 carried forward		**(7,064)**	**(112,484)**	**(471)**	**(58,470)**	**(178,489)**	**(56,202)**	**(234,691)**

2.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount charged to the General Fund which is set out in the Movement in Reserves Statement.

As part of the creation of the Combined Authority (NTCA) it was stated that a Joint Transport Committee (JTC) must be appointed which is endowed with the powers of the Integrated Transport Authority, which were previously endowed upon the North East Combined Authority (NECA) when the seven Local Authorities were part of it . NECA was appointed as the accountable body for the JTC.

NECA as the accountable body must split revenue, expenditure, assets and liabilities into those which relate to NECA and NTCA. The accounts for the Combined Authority thereby include a split of all income and expenditure relating to transport activity associated with the constituent authorities of North of Tyne.

2020/21					2021/22		
Gross Exp £000	Gross Inc £000	Net Exp £000		Note	Gross Exp £000	Gross Inc £000	Net Exp £000
5,898	(66)	5,832	Investment Fund		14,662	(338)	14,324
11,443	(2,328)	9,115	Corporate Costs		8,148	(2,475)	5,673
13,405	(14,640)	(1,235)	Adult Education Budget		22,745	(25,449)	(2,704)
57,430	(39,097)	18,333	Joint Transport Committee		58,328	(60,178)	(1,850)
534	(438)	96	Invest North East		607	(298)	309
47,896	(15,278)	32,618	Local Enterprise Partnership		42,994	(29,381)	13,613
136,606	**(71,847)**	**64,759**	**Cost of Services**		**147,484**	**(118,119)**	**29,365**
3,295	(2,060)	1,235	Financing and Investment Income and Expenditure	6	4,561	(644)	3,917
-	(96,701)	(96,701)	Taxation and Non-Specific Grant Income	7	-	(86,536)	(86,536)
139,901	**(170,608)**	**(30,707)**	**Surplus on Provision of Service**		**152,045**	**(205,299)**	**(53,254)**
		1,832	Other Comprehensive Income and Expenditure				(2,723)
		(28,875)	**Total Comprehensive Income & Expenditure**				**(55,977)**

2.3 Balance Sheet as at 31 March 2022

The Balance sheet shows the values as at the Balance Sheet date, 31 March each year, of the assets and liabilities recognised by the Combined Authority. The Net Assets of the Combined Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories – Usable and Unusable. Unusable Reserves includes those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

31 March 2021 £000		Note	31 March 2022 £000
153,133	Property, Plant & Equipment	13	152,242
28,184	Long Term Debtors	17	33,748
181,317	**Long Term Assets**		**185,990**
142,617	Short Term Investments	14	202,708
11,487	Short Term Debtors	16	12,302
39,055	Cash & Cash Equivalents	18	34,894
193,159	**Current Assets**		**249,904**
(21,023)	Short Term Borrowing	14	(21,025)
(51,624)	Short Term Creditors	19	(63,067)
(2,696)	Grants Receipts in Advance	8	(857)
(2,268)	Public Private Partnerships	20	(2,278)
(77,611)	**Current Liabilities**		**(87,227)**
(75,724)	Long Term Borrowing	15	(75,766)
(36,292)	Public Private Partnerships	20	(34,177)
(1,148)	Provisions		-
(4,987)	Pension Liability	21	(4,033)
(118,151)	**Long Term Liabilities**		**(113,976)**
178,714	**Net Assets**		**234,691**
	Financed By:		
(124,373)	Usable Reserves	24	(178,489)
(54,341)	Unusable Reserves	24	(56,202)
(178,714)	**Total Reserves**		**(234,691)**

I certify that the Statement of Accounts for the period ended 31 March 2022, required by the Accounts and Audit Regulations 2015 give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2022.

Signed: **Date:**

Janice Gillespie, Chief Finance Officer (Section 73 Officer)

2.4 Cash Flow Statement for period ended 31 March 2022

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The Statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Combined Authority.

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

2.5 Index to the Notes to the Financial Statements

The values within the financial statements are disclosed with roundings which are appropriate to their individual presentation. Consequently, the tables in the Statement of Accounts may contain rounding differences.

1. Narrative Explanatory Note on Devolution

Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority

On 2 November 2018, under the terms of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 a new entity, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority was created known as North of Tyne Combined Authority (NTCA).

At this date, Newcastle City Council, North Tyneside Metropolitan District Council and Northumberland County Council ceased to be members of the North East Combined Authority and became a member of the new NTCA; and the business of the North East Combined Authority, and the associated assets and liabilities, relating to the geography of Newcastle upon Tyne, North Tyneside and Northumberland transferred to the new NTCA.

Under the Order, it is stated that NECA and NTCA must appoint a Joint Transport Committee (JTC), which is endowed with the powers of the Integrated Transport Authority previously endowed upon NECA. The Constitution of the JTC is such that at it meets the definition of Joint Control and it is classified accordingly as a Joint Operation.

At its first meeting on 20 November 2018, the JTC appointed NECA as its accountable body. As the accountable body NECA must split the revenue, expenditure, and assets and liabilities into those which relate to NECA and those which relate to NTCA:

- That which relates to Northumberland is wholly allocated to NTCA.
- That which relates to Durham is wholly allocated to NECA.
- That which relates to Tyne and Wear is allocated between NECA and NTCA on the basis of population using the ONS statistics used as a basis of dividing levy contributions.

2. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (e.g. government grants and levies) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

It also shows how this expenditure is allocated for decision making between the different areas of the Combined Authority (including JTC) budget. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The EFA presented in the accounts reconciles between the amounts in the Movement in Reserves Statement and Comprehensive Income and Expenditure Statement.

2021/22

	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £000
Investment Fund	14,003	-	347	(26)	14,324
Corporate Costs	5,350	-	344	(21)	5,673
Adult Education Budget	(2,704)	-	-	-	(2,704)
Joint Transport Committee	30,222	(32,072)	-	-	(1,850)
Invest North East	247	-	62	-	309
Local Enterprise Partnership	4,385	8,418	914	(104)	13,613
Net Cost of Services	**51,503**	**(23,654)**	**1,667**	**(151)**	**29,365**
Other Income & Expenditure	(78,859)	(4,852)	102	990	(82,619)
Surplus on Provision of Service	**(27,356)**	**(28,506)**	**1,769**	**839**	**(53,254)**

Opening General Fund Balances	**(6,186)**
Surplus on General Fund Balances in Year	(27,356)
Transfer to Earmarked Reserves	26,478
General Fund Balances at 31 March 2022	**(7,064)**

2020/21

	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £000
Investment Fund	5,585	-	197	50	5,832
Corporate Costs	7,032	-	2,051	32	9,115
Adult Education Budget	(1,277)	-	33	9	(1,235)
Joint Transport Commiteee	35,289	(16,956)	-	-	18,333
Invest North East	66	-	30	-	96
Local Enterprise Partnership	31,394	249	510	465	32,618
Net Cost of Services	**78,089**	**(16,707)**	**2,821**	**556**	**64,759**
Other Income & Expenditure	(90,224)	(4,862)	49	(429)	(95,466)
Surplus on Provision of Service	**(12,135)**	**(21,569)**	**2,870**	**127**	**(30,707)**

Opening General Fund Balances	**(10,691)**
Transfer from NECA in respect of Local Enterprise Partnership	(649)
Surplus on General Fund Balances in Year	(12,135)
Transfer to Earmarked Reserves	17,289
General Fund Balances at 31 March 2021	**(6,186)**

Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets;

- Financing and Investment Income and Expenditure – the statutory charges for capital i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and

- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from that receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Combined Authority as allowed by statute and the replacement with current service costs and past service costs; and

- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statue include:

- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and

- For services this includes adjustments made from accruing compensated absences earned but not taken in the year

3. Income and Expenditure Analysed by Nature

2020/21 Total £000		2021/22 Cost of Service £000	2021/22 Other Income & Expenditure £000	2021/22 Total £000
9,064	Employee benefit expenses	8,077	-	8,077
77,961	Other service expenses	88,951	-	88,951
421	Support service recharges	536	-	536
49,160	Depreciation, impairment and revenue expenditure funded from capital under statute (REFCUS)	49,920	-	49,920
3,295	Interest payments	-	4,561	4,561
139,901	**Total Expenditure**	**147,484**	**4,561**	**152,045**
(19,406)	Fees, charges and other service income (Tyne Tunnels tolls)*	(35,249)	-	(35,249)
(2,060)	Interest and Investment Income	-	(644)	(644)
(33,450)	Income from transport levy	-	(33,666)	(33,666)
(111,683)	Government grants and contributions	(74,718)	(52,870)	(127,588)
(4,009)	Other Income	(8,152)	-	(8,152)
(170,608)	**Total Income**	**(118,119)**	**(87,180)**	**(205,299)**
(30,707)	**Surplus on the provision of services**	**29,365**	**(82,619)**	**(53,254)**

*Fees, charges and other service income relates wholly to tolls paid by users of the Tyne Tunnels.

4. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure recognised by the Combined Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Combined Authority to meet future capital and revenue expenditure.

2020/21 General Fund £000	2020/21 Capital Receipts Reserve £000	2020/21 Capital Grants Unapplied £000	2020/21 Unusable Reserves £000		2021/22 General Fund £000	2021/22 Capital Receipts Reserve £000	2021/22 Capital Grants Unapplied £000	2021/22 Unusable Reserves £000
				Adjustments primarily involving the Capital Adjustment Account				
				Reversal of items debited or credited to the CIES				
(1,930)	-	-	1,930	Charges for depreciation and impairment of non-current assets	(1,931)	-	-	1,931
2,268	-	-	(2,268)	Other income that cannot be credited to the General Fund	2,278	-	-	(2,278)
48,614	-	-	(48,614)	Capital Grants and contributions applied	43,877	-	-	(43,877)
(47,230)	-	-	47,230	Revenue expenditure funded from capital under statute	(47,989)	-	-	47,989
				Insertion of items not debited or credited to the CIES				
1,117	-	-	(1,117)	Statutory provision for the financing of capital investment	804	-	-	(804)
15	-	-	(15)	Capital expenditure charged against the General Fund	354	-	-	(354)
				Adjustments primarily involving the Capital Grants Unapplied Account				
18,715	-	(18,715)	-	Grants and contributions unapplied credited to CIES	39,530	-	(39,530)	-
-	-	1,522	(1,522)	Application of grants to capital financing transferred to Capital Adjustment Account	-	-	4,352	(4,352)

2020/21 General Fund £000	2020/21 Capital Receipts Reserve £000	2020/21 Capital Grants Unapplied £000	2020/21 Unusable Reserves £000		2021/22 General Fund £000	2021/22 Capital Receipts Reserve £000	2021/22 Capital Grants Unapplied £000	2021/22 Unusable Reserves £000
				Adjustments involving the Capital Receipts Reserve				
-	(676)	-	676	Loan principal repayments	-	(654)	-	654
-	-	-	-	Use of Capital Receipts to finance new capital expenditure	(8,418)	8,418	-	-
-	676	-	(676)	Application of capital receipts to repayment of debt	-	654	-	(654)
				Adjustments involving the Financial Instruments				
429	-	-	(429)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(990)	-	-	990
				Adjustments involving the Accumulated Absences Reserve				
(556)	-	-	556	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	151	-	-	(151)
				Adjustments involving the Pensions Reserve				
(3,036)	-	-	3,036	Reversal of items relating to retirement benefits debited or credited to CIES	(1,930)	-	-	1,930
215	-	-	(215)	Employer's pension contributions and direct payments to pensioners payable in the year	263	-	-	(263)
(49)	-	-	49	Interest expense on net defined liability/(asset)	(102)	-	-	102
18,572	**-**	**(17,193)**	**(1,379)**	**Total Adjustments**	**25,898**	**8,418**	**(35,178)**	**862**

5. Leasing

The Combined Authority entered into a short term building lease on the 10th August 2021 which is classified as a short-term lease. The total rents payable in 2021/22 were £0.049m.

Undischarged operating lease rentals at 31 March 2022 amounted to £0.722m, comprising of the following elements:

	31 March 2022 £000
Due Year 1	151
Due Year 2-5	571
Due after Year 5	-
Total	**722**

6. Financing and Investment Income and Expenditure

The financing and investment income & expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

	Note	2020/21 £000	2021/22 £000
Interest payable and similar charges		3,246	4,459
Interest on defined benefit liability	21	49	102
Interest receivable and similar income		(2,060)	(644)
Total		**1,235**	**3,917**

7. Taxation and Non-Specific Grant Income

The taxation and non-specific grant income shown in the Comprehensive Income and Expenditure Statement consists of:

	2020/21 £000	2021/22 £000
Transport Levy	(33,450)	(33,666)
Non-ringfenced Government Grants	(20,000)	(20,000)
Non Specific Capital Grants	(43,251)	(32,870)
Total	**(96,701)**	**(86,536)**

8. Grants and Contributions Income

The Combined Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

	31 March 2021 £000	31 March 2022 £000
Capital Receipts in Advance		
Covid 19 Grants	(2,583)	-
NECA Office for Low Emission Vehicles	(56)	(23)
Other Grants	(57)	(834)
Total	**(2,696)**	**(857)**
Shown as Short-Term Liability on the Balance Sheet	(2,696)	(857)
Total	**(2,696)**	**(857)**

The following grants were credited to the net cost of service within the Comprehensive Income and Expenditure Statement during the year:

	2020/21 £000	2021/22 £000
Adult Education Budget	(15,064)	(25,449)
Transforming Cities Fund	(11,170)	(25,617)
Local Transport Plan	(6,213)	(9,022)
Active Travel Fund	(3,225)	(6,280)
Covid 19 Business Support	(5,168)	(1,149)
Mayoral Capacity Fund	(1,000)	(1,000)
Community Renewal Fund	-	(1,002)
Growth Hub	(410)	(780)
European Grants	(1,178)	(674)
Made Smarter Fund	-	(624)
Business Recovery Grant	-	(558)
LEP Core Funding	(600)	(500)
Brownfield Housing Fund	(551)	-
Enterprise Advisor Programme	(487)	-
Local Growth Fund	(409)	-
Peer Networks	(292)	(313)
Education Vision	(263)	(206)
Section 31 Grants	(228)	(26)
Education Challenge	(144)	-
Adult Education Implementation Fund	(116)	-
EY Primary Pilot	(115)	(281)
EU Exit Funding	(109)	-
North East Smart Ticketing Initiative	(91)	-
Office for Low Emission Vehicles	(57)	-
Careers Grant	-	(134)
Skills Bootcamp	-	(171)
Youth Employment Partnership	-	(187)
Other grants and contributions (individually under £0.100m)	(1,542)	(745)
Total	**(48,432)**	**(74,718)**

9. Members' Allowances

	31 March 2021 £000	31 March 2022 £000
Allowances	67	67
Total	**67**	**67**

10. Officers' Remuneration

The remuneration paid to the Combined Authority's Senior Officers was as follows:

Table 1

2020/21				2021/22		
Salary, Fees & Allowances £000	Pension Contributions £000	Total £000		Salary, Fees & Allowances £000	Pension Contributions £000	Total £000
135	7	142	Chief Executive (LEP)	137	7	144
130	7	137	Director of Economic Growth**	132	7	139
109	6	115	Director of Performance and Policy	110	6	116
94	5	99	Innovation Director (LEP)	95	5	100
68	4	72	Director Invest North East	71	4	75
68	4	72	Skills Director (LEP)	71	4	75
69	4	72	Strategy & Policy Director (LEP)	71	4	75
68	4	72	Business Growth Director (LEP)	71	4	75
131	-	131	Managing Director of Transport Arrangements*	133	-	133
872	**41**	**913**	**Total**	**891**	**41**	**932**

* The Managing Director of Transport Arrangements is a NECA employee, working on behalf of the Joint Transport Committee, therefore under the Joint Transport Committee arrangements the remuneration paid to the Managing Director of Transport Operations is included in the table above, although NTCA are only responsible for their proportion of his salary costs based on the population split.

**From the 8th of June 2021 this post now includes the responsibilities of the Statutory post of Head of Paid Service.

Two of the Statutory Officers of the Combined Authority - Monitoring Officer and Chief Finance Officer are not formal employees of the Combined Authority, and are not therefore included in the statutory disclosures above. Their services are based on agreed number of days per week and charged including expenses by their respective local authority employers, these are shown in the interests of transparency. Prior to the 8th of June 2021 the Head of Paid Service was not a formal employee of the Combined Authority. The role has now transferred to an existing employee within the Combined Authority.

Table 2

2020/21				2021/22		
Payment for agreed days £000	**Expenses £000**	**Total £000**		**Payment for agreed days £000**	**Expenses £000**	**Total £000**
40	-	40	Paul Hanson, Head of Paid Service from 1 Jan 2020 to 7 June 2021 (SLA North Tyneside Council)	7	-	7
25	-	25	Janice Gillespie, Interim Chief Finance Officer, S.73 Officer (SLA North Tyneside Council)	23	-	23
29	-	29	John Softly Interim Monitoring Officer (SLA Newcastle City Council)	28	-	28
94	**-**	**94**	**Total**	**58**	**-**	**58**

The number of other officers who are directly employed by the Combined Authority, who received remuneration greater than £50,000 (excluding employers' pension contributions) was as follows:

	2020/21	**2021/22**
£50,000-£54,999	5	9
£55,000-£59,999	4	4
£60,000-£64,999	1	-
£65,000-£69,999	2	2
£70,000-£74,999	1	-
£75,000-£79,999	-	2
£80,000-£84,999	-	-
£85,000-£89,999	-	-
£90,000-£94,999	-	-
£95,000-£99,999	-	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit pack cost band (a)	Number of compulsory redundancies (b)		Number of other departures agreed (c)		Total number of exit packages by cost band (b) + (c)		Total cost of exit packages in each band £000	
£	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
0-20,000	-	1	-	1	-	2	-	15
20,001-40,000	-	-	-	-	-	-	-	-
40,001-60,000	-	-	-	-	-	-	-	-
60,001-80,000	-	-	-	-	-	-	-	-
80,001-100,000	-	-	-	-	-	-	-	-
100,001-150,000	-	-	-	-	-	-	-	-
Total	**-**	**1**	**-**	**1**	**-**	**2**	**-**	**15**

The above table provides details of exit packages. The packages included within each band are those that have been agreed by the Combined Authority. The agreement may be legal, contractual or constructive at the end of the financial year. The costs include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

11. Audit Costs

The Combined Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

	2020/21 £000	2021/22 £000
Fees payable to the appointed Auditor under the Local Audit and Accountability Act 2014	28	28

12. Related Party Transactions

The Combined Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Combined Authority or to be controlled or influenced by the Combined Authority. Disclosure of these transactions allows readers to assess the extent to which the Combined Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Combined Authority.

In this context, related parties include:
- Central Government
- Members of the Cabinet
- Officers of the Combined Authority
- NTCA Constituent Authorities
- Joint Transport Committee Constituent Authorities
- Other Public Bodies
- Other Entities

Central Government is responsible for providing the statutory framework within which the Combined Authority operates and provides much of its funding in the form of grants and prescribes the terms of some of the transactions that the Combined Authority has with other parties. Grants received from government departments are set out in **Note 8.**

Members of the Cabinet have direct control over the Combined Authority's financial and operating policies. The total of Members' allowances payable to elected members of the Combined Authority is shown in **Note 9**. During 2021/22 no works or services were commissioned from companies in which any members had an interest.

Officers – During 2021/22 there have been no pecuniary interests involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Combined Authority.

NTCA Constituent Authorities – The leaders of the three constituent authorities serve as members on the NTCA Cabinet. Details of material transactions with the seven north east authorities are set out in the table below.

Joint Transport Committee Constituent Authorities – From 2 November 2018, the Joint Transport Committee has been in establishment, comprised of the seven North East local authorities. Figures reported in these accounts include the NTCA share of Joint Transport Committee activity, and details of material transactions with the seven authorities are set out in the table below.

Other public bodies – The Combined Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus) through the North East Combined Authority (NECA). Details of material transactions with Nexus are set out in the table overleaf.

2020/21					2021/22			
Receivables £000	Income £000	Expenditure £000	Payables £000		Receivables £000	Income £000	Expenditure £000	Payables £000
				NTCA Constituent Authorities				
(539)	(27,322)	6,404	2,818	Newcastle	(155)	(32,185)	12,284	1,804
(374)	(27,396)	2,867	995	North Tyneside	(1)	(22,275)	6,767	2,205
(437)	(6,349)	10,016	2,544	Northumberland	-	(6,378)	5,169	891
				NECA Constituent Authorities				
(329)	(68)	5,388	1,588	Durham	(195)	(4,251)	7,262	772
(256)	(68)	7,494	1,018	Gateshead	(259)	(88)	3,356	167
-	(68)	1,030	1,902	South Tyneside	-	(982)	2,157	78
(1,372)	(68)	9,943	548	Sunderland	(1,777)	(79)	9,758	705
				Other Public Bodies				
(355)	(77)	34,367	2,044	NECA	(18)	(6)	34,002	432
(559)	(611)	29,907	27,048	Nexus	(81)	(675)	27,901	43,943
(4,221)	(62,027)	107,416	40,505	**Total**	(2,486)	(66,919)	108,656	50,997

NECA is the accountable body for the Joint Transport Committee and as such must split revenue, expenditure and assets and liabilities into those which relate to NECA and those which relate to NTCA. The basis of dividing the levy contributions is done on a proportion of population in respect of the five Tyne & Wear authorities, with North of Tyne authorities proportion based on Newcastle and North Tyneside population and the NECA authorities split on the population of Gateshead, South Tyneside and Sunderland. The contribution relating to Northumberland, however, is administered by North of Tyne and therefore shown as wholly allocated within the North of Tyne accounts and Durham is wholly shown in the NECA accounts.

13. Property, Plant and Equipment excluding Highways Infrastructure Assets

2021/22	**Vehicles, Plant, Furniture & Equipment £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**	**Service Concession Assets included in PPE £000**
Cost or Valuation				
At 1 April 2021	2,298	542	2,840	-
Additions	-	144	144	-
Reclassification	62	(62)	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Other adjustments	-	-	-	-
At 31 March 2022	**2,360**	**624**	**2,984**	**-**
Accumulated Depreciation & Impairments				
At 1 April 2021	(728)	-	(728)	-
Depreciation charge	(135)	-	(135)	-
At 31 March 2022	**(863)**	**-**	**(863)**	**-**
Net Book Value				
At 1 April 2021	1,570	542	2,112	-
At 31 March 2022	**1,497**	**624**	**2,121**	**-**

2020/21

	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation				
At 1 April 2020	1,754	934	2,688	-
Additions	-	152	152	-
Reclassification	544	(544)	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Other Adjustments	-	-	-	-
At 31 March 2021	**2,298**	**542**	**2,840**	**-**
Accumulated Depreciation & Impairments				
At 1 April 2020	(599)	-	(599)	-
Depreciation charge	(129)	-	(129)	-
At 31 March 2021	**(728)**	**-**	**(728)**	**-**
Net Book Value				
At 1 April 2020	1,155	934	2,089	-
At 31 March 2021	**1,570**	**542**	**2,112**	**-**

13a. Highways Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.
The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2020/21	2021/22
	£000	**£000**
Net book value (modified historical cost)		
At 1 April	**151,533**	**151,022**
Additions	424	210
Derecognition		
Depreciation	(1,785)	(1,796)
Impairment	(16)	
Other movements in cost	866	687
Net book value		
At 31 March	**151,022**	**150,123**

	2020/21	2021/22
	£000	**£000**
Infrastructure assets	151,022	150,123
Other PPE assets	2,112	2,121
Total PPE assets	**153,134**	**152,244**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Structures – net book value

North of Tyne Combined Authority has estimated a net book value at 31 March 2022 for its structures at £150.123m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

Northbound vehicle tunnel	61 years
Southbound vehicle tunnel	109 years
Pedestrian and cyclist tunnels	61 years

Depreciation for the tunnels (and total annual depreciation for 2021/22 on structures) is £1.796m.

14. Financial Instruments

Financial Assets

A financial asset is a right to future economic benefits controlled by the Combined Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Combined Authority during the year are held under the following classifications:

Financial Assets	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
Amortised cost	-	-	28,184	33,748	142,617	202,708	10,757	10,980
Total Financial Assets	-	**-**	**28,184**	**33,748**	**142,617**	**202,708**	**10,757**	**10,980**
Non-financial Assets	-	-	-	-	-	-	730	1,322
Total	-	**-**	**28,184**	**33,748**	**142,617**	**202,708**	**11,487**	**12,302**

Financial assets held at amortised costs

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

All of the financial assets fit these criteria and are classified at amortised cost.

Trade receivables

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefor measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments, their carrying value is considered to be the same as their fair value.

Financial liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Combined Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Combined Authority.

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
Amortised cost	(75,724)	(75,766)	-	-	(21,023)	(21,025)	(31,085)	(26,054)
Total financial liabilities	**(75,724)**	**(75,766)**	-	**-**	**(21,023)**	**(21,025)**	**(31,085)**	**(26,054)**
Non-financial liabilities	-	-	-	-	-	-	(20,539)	(37,013)
Total	**(75,724)**	**(75,766)**	-	**-**	**(21,023)**	**(21,025)**	**(51,624)**	**(63,067)**

The contractual terms for these financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

31 March 2021				31 March 2022		
Financial Liabilities at Amortised Cost £000	Financial Assets at Amortised Cost £000	Total £000		Financial Liabilities at Amortised Cost £000	Financial Assets at Amortised Cost £000	Total £000
3,295	-	3,295	Interest Expense	3,231	1,330	4,561
3,295	**-**	**3,295**	**Total expense in Surplus on the Provision of Services**	**3,231**	**1,330**	**4,561**
-	(1,808)	(1,808)	Investment Income	-	(1,745)	(1,745)
-	(252)	(252)	Movement on Soft Loan Adjustment	-	1,101	1,101
-	**(2,060)**	**(2,060)**	**Total Income on Surplus on Provision of Services**	**-**	**(644)**	**(644)**
3,295	**(2,060)**	**1,235**	**Net gain/(loss) for the year**	**3,231**	**686**	**3,917**

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans borrowed by the Combined Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;
- The value of ‘Lender’s Option Borrower’s Option’ (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;
- No early repayment or impairment is recognised for any financial instrument; and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximate to the carrying amount.

For 2021/22 the fair values shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices;

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans’ contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of “Lender’s Option Borrower’s Options” (LOBO) loans have been increased by the value of the embedded options: lenders’ options to propose an increase to the interest rate on the loan have been valued according to a p proprietary model for Bermudan cancellable swaps; borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

	Level	31 March 2021		31 March 2022	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities held at amortised cost	2	(96,747)	(142,065)	(96,971)	(130,747)
Total		**(96,747)**	**(142,065)**	**(96,971)**	**(130,747)**
Financial Assets at amortised cost					
Held to Maturity Investments	2	142,617	142,617	202,708	202,708
Nexus loan debtor	2	15,032	24,137	14,470	21,068
Other loan debtors	3	13,152	13,152	19,278	19,278
Total Financial Assets		**170,801**	**179,906**	**236,456**	**243,054**

Soft Loans

Soft loans are loans made to third parties at a preferential rate of interest, i.e. below the market rate. In previous years, the Local Entreprise Partnership issued a small number of loans as part of its North East Investment Fund activity to encourage economic development in the region. Details of soft loans are set out in the table below.

- Durham University - Development of Centre for Innovation and Growth, research and development facility to work with partners and private companies to develop new technologies and processes.
- Hyperbaric (previousy Neptune Test Centre) - Construction of deep water test tank at Neptune Enterprise Zone.
- Boiler Shop - Development including office and conferencing space at South Street/Boiler Shop, Stephenson Quarter.

Description	Term (Years)	Contracted Rate	Fair Value Rate	Opening Balance Fair Value	Loans Repaid	Increase in discounted amount	Closing Balance (fair value)	Closing Balance (Nominal)
				£000	£000	£000	£000	£000
Durham University	12	1.90%	4.95%	6,354	(1,084)	1,440	6,710	6,748
Hyperbaric	9	0.00%	4.99%	4,000	(380)	1,075	2,545	3,620
Boiler Shop	3	4.50%	5.02%	1,734	-	(297)	1,437	1,958

15. Nature and Extent of risks arising from Financial Instruments

The Combined Authority’s activities expose it to a variety of financial risks:

- Credit Risk- the possibility that other parties might fail to pay amounts due to the Combined Authority;

- Liquidity Risk- the possibility that the Combined Authority might not have funds available to meet its commitments to make payments; and

- Market Risk- the possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and financial market movements.

The Combined Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Combined Authority in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Combined Authority's customers. This deposit risk is minimised through the Treasury Management Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Statement also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Combined Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the Combined Authority's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by Treasury Management advisors and focuses on the long-term investment grade rating issued to each financial institution. The highest possible rating is AAA and the lowest rating is BBB:

Rating	2021/22 £000
AAA	12,304
Total Cash Equivalents	**12,304**
n/a – investments with UK Local Authorities	157,965
n/a - investments with banks	31,321
n/a – investments with unrated building societies[1]	13,423
Total Short-Term Investments	**202,709**

[1]In line with its agreed Investment Strategy, NTCA at the point of these accounts, did not place investments with any Building Society. NECA (in regard of those Investments which relate to JTC Investments) place investments for up to 1 year and up to £5m each with UK Building Societies without credit ratings with assets greater than £250m.

The Combined Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Combined Authority's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Combined Authority. The Combined Authority has a low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

Credit risk is taken into account in determining the appropriate rate of interest to be applied to the North East Investment Fund loans and in whether an investment decision is agreed.

Liquidity Risk

The Combined Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Combined Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Combined Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Combined Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure maturing loans may be replaced through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2021 £000	31 March 2022 £000
Between 1 and 2 years	(297)	(298)
Between 2 and 5 years	(891)	(746)
Between 5 and 10 years	(148)	-
More than 10 years	(74,388)	(74,722)
	(75,724)	**(75,766)**
Less than 1 year	**(21,023)**	**(21,025)**
Total Borrowing	**(96,747)**	**(96,791)**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Combined Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Combined Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;

- Borrowings at fixed rates - the fair value of liabilities will fall;

- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise;

- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Combined Authority has a number of strategies for managing interest rate risk. The policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Interest rate sensitivity analysis: an example of the impact of a change in interest rates is calculated in the risk assessment shown below. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal and maturity periods being held constant). The results of this assessment are shown in the following table:

	31 March 2021 £000	**31 March 2022 £000**
Increase in interest payable on variable rate borrowing	(3)	(1,225)
Increase/(decrease) in interest receivable on variable rate investments	(95)	(371)
Impact on the Surplus on Provision for Services	**(98)**	**(1,596)**

The increase in interest payable on variable rate borrowings is nil, because all NECA's borrowings, as related to JTC balances are at fixed rates. A decrease in the fair value of fixed rate borrowings liabilities would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above, but with the movements being reversed. There have been no changes from the previous period in the methods and assumptions used.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease of £26.205m in the fair value of fixed rate borrowings, although this would not impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

16. Short Term Debtors

The following figures are net of impairment allowances - £1.189m in 2021/22.

	31 March 2021 £000	31 March 2022 £000
Central Government Bodies	1,752	2,633
Other local authorities	3,572	7,563
Other Entities and Individuals	6,163	2,106
Total	**11,487**	**12,302**

17. Long Term Debtors

	31 March 2021 £000	31 March 2022 £000
Local Enterprise Partnership Loans	13,152	19,278
Nexus borrowing	15,032	14,470
Total	**28,184**	**33,748**

18. Cash and Cash Equivalents

	31 March 2021 £000	31 March 2022 £000
Cash held by the Combined Authority	24,801	22,590
Cash equivalents	14,254	12,304
Total	**39,055**	**34,894**

19. Short Term Creditors

	31 March 2021 £000	31 March 2022 £000
Central Government Bodies	(221)	(289)
Other Local Authorities	(12,983)	(7,774)
Other Entities and Individuals	(38,420)	(55,004)
Total	**(51,624)**	**(63,067)**

20. Private Finance Initiatives and Similar Contracts

In November 2007, the then Tyne & Wear Passenger Transport Authority entered into a 30-year contract with TT2 Ltd to construct a second vehicle tunnel under the River Tyne, refurbish the existing Tyne Tunnel and operate both vehicle tunnels alongside the pedestrian and cycle tunnels for the life of the contract. The second tunnel was opened 25 February 2011, and the refurbished original tunnel opened 21 November 2011. Both are included on the public sector Balance Sheet.

In 2021/22 the total payment under the contract was £20.012m (2020/21 £12.717m) of which £8.954m is shown in the accounts of the Combined Authority with the remaining £11.058m being shown in the accounts of the North East Combined Authority. The increase between years is a direct result of the consequences of reduced traffic volumes in 2020/21 due to the Covid-19 pandemic.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2021/22 total value of £81.476m (2021/22 £86.568m), of which £36.455m is shown in the accounts of the Combined Authority with the remaining £45.021m being shown in the accounts of the North East Combined Authority. The table below shows an analysis of the Combined Authority's deferred income balances.

	Deferred Income Release	
	2020/21 £000	**2021/22 £000**
Payable in 2022/23	(2,268)	(2,278)
Payable within 2 to 5 years	(9,073)	(9,115)
Payable within 6 to 10 years	(11,341)	(11,392)
Payable within 11 to 15 years	(11,341)	(11,392)
Payable within 16 to 20 years	(4,537)	(2,278)
Total	**(38,560)**	**(36,455)**

Payments

Payments made by the Combined Authority to TT2 Ltd are based on actual traffic volumes using the tunnel and so will vary from year to year.

21. Defined Benefits Pension Scheme

The Combined Authority currently participates in one post-employment scheme:

- Tyne and Wear Pension Fund administered locally by South Tyneside Council. This is a funded, defined benefit scheme, meaning that the Combined Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments.

The Tyne & Wear Pension Fund is operated under the regulatory framework for the Local

Government Pension Scheme. The governance of the scheme is the responsibility of the Fund's Pension Committee which consists of eight members from South Tyneside Council (which has legal responsibility for the Fund), four members from the other councils in Tyne & Wear, and three members each nominated by the trade unions and the employers. During 2017/18, the Fund, along with eleven other funds, created and now owns a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited.

Amounts recognised in Profit and Loss and Other Comprehensive Income

Comprehensive Income & Expenditure Statement	**LGPS**	
	2020/21 £000	**2021/22 £000**
Cost of Services		
Current Service Costs	1,093	1,930
Past Service Costs	-	-
Settlement Costs	2,080	-
Financing and Investment Income and Expenditure		
Interest on net defined benefit asset	49	102
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**3,222**	**2,032**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
Return on plan assets (excluding the amount included in the net interest expense)	(901)	(4,622)
Actuarial gains due to changes in financial assumptions	2,688	(1,836)
Actuarial gains due to changes in demographic assumptions	-	(103)
Actuarial losses due to changes in liability assumptions	45	3,828
Total Amount recognised in Other Comprehensive Income & Expenditure	**1,832**	**(2,723)**
Total amount recognised in the CIES	**5,054**	**(691)**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Reconciliation of the Fair Value of the Scheme Assets

	LGPS 2020/21 £000	LGPS 2021/22 £000
Opening fair value of scheme assets	**625**	**6,214**
Interest Income	113	140
Remeasurement gain on plan assets	901	4,622
Employer contributions	215	263
Contributions by scheme participants	321	388
Net Benefits paid out	14	204
Settlements	4,025	-
Closing fair value of scheme assets	**6,214**	**11,831**

Reconciliation of present value of the scheme liabilities

	LGPS 2020/21 £000	LGPS 2021/22 £000
Opening balance at 1 April	**910**	**11,201**
Current Service Cost	1,093	1,930
Interest expense on defined benefit obligation	162	242
Contributions by participants	321	388
Actuarial losses on liabilities – financial assumptions	2,688	(1,836)
Actuarial losses on liabilities – demographic assumptions	-	(103)
Actuarial gains on liabilities – experience	45	3,838
Net benefits paid	14	204
Past service costs	-	-
Net Increase in liabilities from disposals/acquisitions	(137)	-
Settlements	6,105	-
Closing balance at 31 March	**11,201**	**15,864**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History	**2020/21 £000**	**2021/22 £000**
Fair Value of LGPS Assets	**6,214**	**11,831**
Present value of LGPS liabilities		
- Funded Defined Benefit Obligation	(11,201)	(15,864)
Deficit on funded defined benefit scheme	**(4,987)**	**(4,033)**
Unrecognised Asset	-	-
Total Liability shown on Balance Sheet	**(4,987)**	**(4,033)**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

	NTCA
Active members	95%
Deferred pensioners	5%
Pensioners	0%

The liabilities show the underlying commitments that the Combined Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £15.86m has an impact on the net worth of the Combined Authority recorded on the balance sheet, resulting in a negative pension balance of £4.03m. However, statutory arrangements for funding the deficit mean that the financial position of the Combined Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;

- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid;

- The total contributions expected to be made to the Local Government Pension Scheme by the Combined Authority in the year to 31 March 2023 is £0.274m. In addition, strain on the fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2023 is nil in relation to unfunded benefits.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been estimated by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

A small proportion (8.4%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of those unquoted assets than would normally be the case. There is a risk that current valuations may be under or overstated in the accounts. The weighted average duration of the defined benefit obligation for scheme members is 29.3 years.

The principal assumptions used by the actuary have been:

	Local Government	
	31 March 2021	**31 March 2022**
Mortality assumptions:		
Pensioner member aged 65 at accounting date (male)	21.9	21.5
Pensioner member aged 65 at accounting date (female)	25.1	24.5
Active member aged 45 at accounting date (male)	23.6	22.8
Active member aged 45 at accounting date (female)	26.9	26.0
Rate for discounting scheme liabilities:	% p.a	% p.a
Discount Rate	2.1	2.7
Rate of inflation – Consumer Price Index	2.6	2.8
Rate of increase in pensions	2.6	2.8
Pensions accounts revaluation rate	2.6	2.8
Rate of increase in salaries	4.1	4.3

The approximate split of assets for the Fund as a whole is shown in the table below:

	31 March 2021	**Asset Split 31 March 2022 %**		
	% Total	**Quoted**	**Unquoted**	**Total**
Equities	55.5	47.8	9.2	57.0
Property	7.9	0	8.4	8.4
Government Bonds	2.2	2.0	0.0	2.0
Corporate Bonds	19.8	18.8	0.0	18.8
Cash	4.0	1.8	0.0	1.8
Other*	10.6	4.8	7.2	12.0
Total Assets	100.0	75.2	24.8	100.0

*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

Actual Return on Assets	**Local Government**	
	2020/21 £000	**2021/22 £000**
Interest Income on Assets	113	140
Remeasurement gain on assets	901	4,622
Actual Return on Assets	**1,014**	**4,762**

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Discount rate assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to discount rate			
Present value of total obligation (£M)	15.404	15.864	16.340
% change in present value of total obligation	(2.9%)		3%
Projected service cost (£M)	1.676	1.737	1.800
Approximate % change in projected service cost	(3.5%)		3.6%

Rate of general increase in salaries	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to salary increase rate			
Present value of total obligation (£M)	15.864	15.864	15.864
% change in present value of total obligation	0%		0%
Projected service cost (£M)	1.737	1.737	1.737
Approximate % change in projected service cost	0%		0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to pension increase rate			
Present value of total obligation	16.340	15.864	15.404
% change in present value of total obligation	3.0%		(2.9%)
Projected service cost (£M)	1.800	1.737	1.676
Approximate % change in projected service cost	3.6%		(3.5%)

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	16.403	15.864	15.340
% change in present value of total obligation	3.4%		(3.3%)
Projected service cost (£M)	1.810	1.737	1.666
Approximate % change in projected service cost	4.2%		(4.1%)

*a rating of + 1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

22. Usable Reserves

	Note	31 March 2021 £000	31 March 2022 £000
General Fund Balance	23	(6,186)	(7,064)
Earmarked Reserves	23	(86,006)	(112,484)
Capital Receipts Reserve		(8,889)	(471)
Capital Grants Unapplied Reserve		(23,292)	(58,470)
Total Usable Reserves		**(124,373)**	**(178,489)**

Earmarked Reserves are amounts which the Combined Authority has chosen to set aside from the General Fund Balance to be used for specific purposes.

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Combined Authority has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

23. Transfers (to)/from Earmarked Reserves

	Balance at 1 April 2020	Transfers from NECA 1 April	Transfers out 2020/21	Transfers in 2020/21	Balance at 31 March 2021	Transfer out 2021/22	Transfers in 2021/22	Balance 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund Balances	(10,691)	(649)	5,164	(10)	**(6,186)**	-	(879)	**(7,065)**
General Fund Reserves								
Investment Fund	(36,840)	-	7,305	(20,595)	**(50,130)**	-	(4,462)	**(54,592)**
GBF Reserve	-	-	-	-	**-**	-	(17,627)	**(17,627)**
Enterprise Zone		(7,345)	171	(2,016)	**(9,190)**	163	(1,366)	**(10,393)**
LGF SWAP		(5,610)	2,751	(6,949)	**(9,808)**	594	(336)	**(9,550)**
LEP Reserve				(119)	**(119)**	70	(427)	**(476)**
Metro Fleet Replacement	(4,471)	-	-	(40)	**(4,511)**	-	(9)	**(4,520)**
Metro Reinvigoration	(4,093)	-	-	(37)	**(4,130)**	272	-	**(3,858)**
Tyne Tunnel		(3,491)	-	-	**(3,491)**	-	-	**(3,491)**
Community Renewal Fund	-	-	-	-	**-**	-	(931)	**(931)**
North East Investment Fund		(1,394)	814	(340)	**(920)**	691	(410)	**(639)**
Metro Studies		-	-	(336)	**(336)**	-	(217)	**(553)**
Recovery Contingency Fund	-	-	-	-	**-**	-	(452)	**(452)**
Bus Project		-	-	(223)	**(223)**	-	-	**(223)**
Strategic	(200)	-	-	-	**(200)**	-	-	**(200)**
Business Rates Pool	(4,909)	-	4,909	-	**-**	-	-	**-**
Grant Reserves								
Adult Education Budget		-	-	(1,477)	**(1,477)**	1,477	(3,459)	**(3,459)**
North East Ambition		-	-	(301)	**(301)**	301	(486)	**(486)**
CEC Enterprise Advisor		-	-	(290)	**(290)**	290	(290)	**(290)**
Dept for Education		-	-	(206)	**(206)**	206	(159)	**(159)**
Grant Reserves (individual balances under £0.100m)	(363)	-	181	(611)	**(689)**	607	(504)	**(586)**
Total General Fund Reserves	**(50,876)**	**(17,841)**	**16,132**	**(33,540)**	**(86,021)**	**4,671**	**(31,135)**	**(112,485)**
Total Balances & Reserves	**(61,567)**	**(18,490)**	**21,296**	**(33,550)**	**(92,207)**	**4,671**	**(32,014)**	**(119,550)**

24. Unusable Reserves

	31 March 2021 £000	31 March 2022 £000
Capital Adjustment Account	(58,876)	(60,671)
Financial Instruments Adjustment Account	2,554	3,544
Revaluation Reserve	(3,562)	(3,513)
Accumulated Absences Account	556	405
Pension Reserve	4,987	4,033
Total	**(54,341)**	**(56,202)**

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The CAA is credited with the amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement. The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 4) provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2020/21 £000	2021/22 £000
Opening Balance 1 April	(38,174)	(58,876)
Transfer of balance from North East Combined Authority 1 April	(16,282)	-
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation & impairment of non-current assets	1,930	1,931
Write down of New Tyne Crossing deferred income balance	(2,268)	(2,278)
Revenue expenditure funded from capital under statute	47,230	47,989
Write down of long-term debtors	676	654
Adjusting amounts written out of the Revaluation Reserve	(44)	(49)
Capital financing applied in the year:		
Capital grants & contributions credited to the CIES that have been applied to capital financing	(50,136)	(39,812)
Statutory provision for the financing of capital investment charged against the General Fund	(1,117)	(804)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(8,418)
Capital expenditure charged against the General Fund	(15)	(354)
Debt redeemed using capital receipts	(676)	(654)
Balance at 31 March	**(58,876)**	**(60,671)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. It provides a balancing mechanism between the different rates at which gains and losses (e.g. premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	2020/21 £000	2021/22 £000
Opening Balance 1 April	425	2,554
Transfer of balance from North East Combined Authority 1 April	2,558	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(429)	990
Balance at 31 March	**2,554**	**3,544**

Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Combined Authority arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The RR contains only revaluation gains accumulated since 1 April 2007, the date on which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

	2020/21 £000	2021/22 £000
Balance at 1 April	(3,606)	(3,562)
Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	44	49
Balance at 31 March	**(3,562)**	**(3,513)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	2020/21 £000	2021/22 £000
Balance at 1 April	-	556
Adjustment to the accrual required	556	(151)
Adjustment to the debtor in respect of leave taken in advance	-	
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	556	(151)
Balance at 31 March	**556**	**405**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Combined Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Combined Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Combined Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21 £000	2021/22 £000
Balance at 1 April	285	4,987
Remeasurements of the net defined benefit liability/(asset)	1,832	(2,723)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	3,036	1,930
Employer's pension contributions and direct payments to pensioners payable in the year	(215)	(263)
Interest expense on net defined liability/(asset)	49	102
Balance at 31 March	**4,987**	**4,033**

25. Capital Expenditure and Capital Financing

	2020/21 £000	2021/22 £000
Opening Capital Financing Requirement	**85,787**	**81,649**
Capital Investment		
Property, Plant and Equipment	576	354
Revenue Expenditure Funded from Capital Under Statute	47,230	47,989
Sources of Finance		
Government Grants and Other Contributions	(50,136)	(39,812)
Capital Receipts	(676)	(9,071)
Sums set aside from revenue		
Direct Revenue Contributions	(15)	(354)
Minimum Revenue Provision	(783)	(232)
Additional Voluntary Provision	(334)	(572)
Closing Capital Financing Requirement	**81,649**	**79,951**
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(4,138)	(1,698)
Decrease in Capital Financing Requirement	**(4,138)**	**(1,698)**

26. Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing activities

	2020/21 £000	2021/22 £000
Surplus on the provision of services	**30,707**	**53,254**
Adjustments to Surplus on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	1,930	1,931
Increase/(Decrease) in Creditors	24,032	11,446
(Increase)/Decrease in Debtors	(17,546)	(6,247)
Movement in Pension Liability	2,870	1,769
Other non-cash items charged to the surplus on the provision of services	(891)	(3,425)
	10,395	5,474
Adjustments for items included in the net surplus on the Provision of Services that are investing and financing activities		
Capital grants credited to surplus on provision of services	(67,330)	(83,408)
Net Cash Flow from Operating Activities	**(26,228)**	**(24,680)**

The cash flows for operating activities include the following items

	2020/21 £000	2021/22 £000
Interest Received	2,060	1,049
Interest Paid	(3,295)	(4,561)

27. Cash Flow Statement – Investing Activities

	2020/21 £000	2021/22 £000
Purchase of Property, Plant & Equipment, investment property and intangible assets	(1,442)	(1,041)
Purchase of short- and long-term investments	(148,408)	(259,532)
Proceeds from short-term and long-term investments	41,371	199,441
Other receipts from Investing Activities	69,600	81,438
Net Cash Flows from Investing Activities	**(38,879)**	**20,306**

28. Cash Flow Statement – Financing Activities

	2020/21 £000	2021/22 £000
Repayment of short and long-term borrowing	20,106	213
Net Cash Flows from Financing Activities	**20,106**	**213**

29. Reconciliation of liabilities arising from Financing Activities

	1 April 2021 £000	Financing Cash Flows £000	Changes which are not financing cash flows: Acquisition £000	Changes which are not financing cash flows: Other £000	31 March 2022 £000
Long Term Borrowings	(75,724)	(42)	-	-	(75,766)
Short Term Borrowings	(21,023)	-	-	(2)	(21,025)
Total Liabilities arising from Financing Activities	**(96,747)**	**(42)**	**-**	**(2)**	**(96,791)**

	1 April 2020 £000	Financing Cash Flows £000	Changes which are not financing cash flows: Acquisition £000	Changes which are not financing cash flows: Other £000	31 March 2021 £000
Long Term Borrowings	(75,595)	(129)	-	-	(75,724)
Short Term Borrowings	(1,032)	(20,000)	-	9	(21,023)
Total Liabilities arising from Financing Activities	**(76,627)**	**(20,129)**	**-**	**9**	**(96,747)**

30. Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 has introduced changes in accounting policy which will be required from 1 April 2022 and may require retrospective application. The accounting policies have been reviewed and it has been concluded that the changes will not have a material impact on the Statement of Accounts.

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There have been no changes in accounting policies introduced by the Combined Authority in 2021/22.

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year);

- Annual Improvements to IFRS Standards 2018-2020. The Annual IFRS improvement programme notes 4 changed standards:

    - IFRS1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - IAS37 (Onerous contracts) – clarifies the intention of the standard
    - IFRS16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
    - IAS41 (Agriculture) one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances

  None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16)

31. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in these accounts, the Combined Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Service Concession Arrangements

The Code requires arrangements where private sector contractors provide a service for a period using a dedicated asset to be assessed under an application of the principles within IFRIC12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC12:

- The public sector entity controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price.

- The public sector entity controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For arrangements falling under the scope of IFRIC 12, the public sector entity will recognise the cost of the Property, Plant and Equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing concession has been judged to meet both of the IFRIC 12 criteria and, accordingly, the cost of the new Tunnel and the refurbishment of the existing Tunnel are recorded within the Combined Authority's Property, Plant and Equipment on the Balance Sheet.

Transferred assets and liabilities in Local Government Pension Scheme transferred to TT2 Ltd

Assets and liabilities relating to membership accrued before 1 February 2008 transferred to TT2 Ltd on commencement of the concession agreement. The project agreement provides that should there be a shortfall in the TT2 fund at the actuarial valuation, which can be attributed to pre-2008 benefits, the Combined Authority will be required to reimburse the shortfall. As a result of the most recent triennial valuation, there is currently no reimbursement due.

Accounting for the North East Joint Transport Committee

As set out in Note 1, on 2 November 2018 the boundaries of NECA changed and the North East Joint Transport Committee was created. The assets and liabilities which transferred from the former Tyne and Wear Integrated Transport Authority to NECA on its creation in April 2014 are now jointly owned by NECA and NTCA, and assets, liabilities, income and expenditure (from the date of establishment) must be divided between the accounts of the two Combined Authorities.

For many of the assets and liabilities and revenue streams, these cannot be separated into those which relate to the authorities which are part of NECA and those which relate to the authorities which are part of NTCA. As a result, these balances have been apportioned between the two Combined Authorities on the basis of Tyne and Wear population.

32. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Combined Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Combined Authority’s Balance Sheet at 31 March 2022 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Combined Authority with expert advice about the assumptions to be applied.	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Pension Fund engages a firm of specialist actuaries to provide the Combined Authority with expert

		advice about the assumptions to be applied. See Note 21 Defined Benefits Pension Scheme for details of sensitivity analysis of the estimations.
Fair Value Measurement	Estimation of the fair value measurement depends on a number of complex judgements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding discount rates – adjusted for regional factors.
Debtors Arrears	Calculation of bad debt provision	At 31 March 2022, the Combined Authority had a gross balance of £13.491m. A review of significant balances suggested that an impairment of doubtful debts of £1.189m was appropriate leaving a net balance of £12.302m. However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient.
Covid-19	The exact consequences of the outbreak of the Covid-19 virus are still unknown. Some areas of concern are:- - Reduction in Government Funding to Local Authorities	Possiblity of Local Authorities reducing their spend on Transport related services / schemes as they prioritise services. This would lead to a reduction of levy income. Reduction of Tunnel use due to

	- Possible reduction in income from the Tyne Tunnels due to changes in working practices '- Reduction to passenger numbers on Bus and Rail services due to changes in working practices - Pension Scheme Assets	employers' new ways of working, which would, in turn, reduce the income from the Tunnels This would impact on the finances of the company who run the Tunnels on behalf of the authority. Reduction in passenger numbers would impact on the finances of NEXUS the provider of passenger transport for the Authority. The Authority's net pensions liability includes a share of the overall Pension Fund investment assets. The Pension Fund has disclosed an uncertainty, due to Covid-19, in respect of mortality rates and the impact of longevity for the Fund's members which could be positive or negative.

33. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with property accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code requires that a Local Authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the Combined Authority will continue in operational existence for the foreseeable future.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Combined Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority;

- Revenue from the provision of services is recognised when the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payments on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Combined Authority has a policy of not accruing for manual sundry creditors or sundry debtors provision for less than £1,000, other than in exceptional circumstances.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Combined Authority's cash management.

4. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and,

- Amortisation of intangible fixed assets attributable to the service.

The Combined Authority is not required to raise the levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Combined Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Combined Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Combined Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2021/22.

6. Employee Benefits

<u>Benefits Payable during Employment</u>

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Combined Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flexi balances) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

<u>Termination Benefits</u>

Termination benefits are amounts which would be payable as a result of a decision by the Combined Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Corporate Costs line in the CIES when the Combined Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Combined Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

7. Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the Accounts, depending on how significant the items are to an understanding of the Combined Authority's financial performance.

9. Fair Value measurement

The Combined Authority measures some of its non-financial assets such as surplus assets, assets held for sale and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Combined Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Combined Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Combined Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Combined Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Combined Authority can access at the measurement date;

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or

- Level 3 – unobservable inputs for the asset or liability.

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Combined Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Combined Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Combined Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are recognised on the Balance Sheet when the Combined Authority becomes a party to the contractual provisions of the financial instrument and are classified into three types using an approach that is based on the business model for holding the financial assets and their cashflow characteristics.

- Amortised Cost – assets held within a business model with the sole objective of collecting contractual cash flows on specified dates that are solely payments of principal and interest;

- Fair value through other comprehensive income (FVOCI) – assets held within a business model with the objective to either sell the asset or collect contractual cash flows on specified dates that are solely payments of principal and interest; and,

- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

The Combined Authority can at initial recognition of the asset override the above classifications in the following circumstances and the decision is irrecoverable:

- An equity instrument can be elected into FVOCI rather than FVPL if it is not held for trading;

- Any financial asset can be designated as measured at FVPL if this removes any deemed inconsistency in measurement by treating assets based upon the above classification.

Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Combined Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual creditors to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Combined Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Combined Authority can make loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of the soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to net gain required against the General Fund Balance is managed by a transfer to for from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Expected Credit Loss Model

The Combined Authority recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cashflows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since and instrument was initially recognised, losses are assessed on a lifetime basis expected losses. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair Value through other Comprehensive Income

Changes in fair value are recorded against Other Comprehensive Income and Expenditure gain/loss by an entry in the Financial Instrument Revaluation Reserve through the Movement in Reserves Statement.

However, interest is charged to the Surplus/Deficit on the Provision of Services as though the asset had been measured at amortised cost

Where assets are identified as impaired because of a likelihood arising from a future event that cashflows due under the contract will not be made, a charge for the value of the impairment is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding entry being recognised in Other Comprehensive Income through the Financial Instruments Revaluation Reserve on the Balance Sheet.

When the asset is de-recognised the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from the Financial Instrument Revaluation Reserve to the Surplus/Deficit on the Provision of Services as a reclassification adjustment.

Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Combined Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Combined Authority can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 inputs – unobservable inputs for the asset

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third- party contributions and donations are recognised as due to the Combined Authority when there is reasonable assurance that:

- The Combined Authority will comply with the conditions attached to the payments; and

- The grants or contributions will be received.

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions and capital grants used to fund Revenue Expenditure Financed from Capital Under Statute) or Taxation and

Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Group Accounts

NECA and the Combined Authority are required by the Code of Practice on Local Authority Accounting 2021/22 to produce Group Accounts to include services paid to Council Tax payers by organisations other than the Combined Authority itself in which the Combined Authority has an interest.

Although there has been no definitive ruling by CIPFA or central government in relation to Combined Authorities and Passenger Transport Executives, it is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Combined Authority and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

For the 2021/22 accounts, NECA and the Combined Authority have fully complied with the requirements of the Code, providing group figures for 2021/22 and comparators for 2020/21. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

13. Joint Transport Committee

On 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) changed the boundaries of NECA and established the new Mayoral Combined Authority.

The reconfiguration of NECA has been classed as a transfer by absorption meaning:

- NECA has accounted for its control up to the date of the reconfiguration albeit with clear disaggregation of the financial results relating to the functions being transferred; and

- Assets and liabilities transferred at book value.

The Order establishing the NTCA also required the seven local authorities to establish the Joint Transport Committee (JTC). Under the CIPFA Code, the JTC meets the definition of a ‘joint operation’ which determines its accounting treatment. Where a Join Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own single entity financial statements.

In order to comply with CIPFA Code, NECA must:

- Split the revenues between that which relates to NECA and the Combined Authority. In this case the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to the Combined Authority), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and the Combined Authority).

- The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and /or North Tyneside (allocated to the Combined Authority), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area provides that "those costs and liabilities which are attributable to the exercise of functions exclusively in the area of the Tyne and Wear Authorities shall be shared between the Tyne and Wear Authorities on a per capita basis relating to their resident populations at that time."

By similar rationale and argument, the division of assets, liabilities and expenditure incurred will also be divided on this basis.

14. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

<u>The Authority as Lessee</u>

Rentals paid under operating leases are charge to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

15. Overheads and Support Services

The costs of overheads and support services e.g. Finance and Legal services are shown within the Corporate Costs line on the Comprehensive Income and Expenditure Statement on the basis of Service Level Agreements in accordance with the Combined Authority's arrangements for accountability and financial performance and in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA), this is also the case for NECA.

16. Post-Employment Benefits

The Combined Authority and NECA are members of the Local Government Pension Scheme, which provides members with defined benefits relating to pay and service. Its pension obligations relate primarily to former employees.

The relevant fund is the Tyne & Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at www.twpf.info.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Combined Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate determined annually, based on the indicative rate of return on high quality corporate bonds.

- The assets of the pension fund attributable to the Combined Authority are included in the Balance Sheet at their fair value:

    - Quoted securities at current bid price
    - Unquoted securities based on professional estimate
    - Unitised securities at current bid price
    - Property at market value

The change in the net pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the Combined Authority and NECA Corporate Costs line;

- Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the CIES as part of the Combined Authority and NECA Corporate Costs line;

- Net interest on the net defined liability i.e. net interest expense for the Combined Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Combined Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs

- Remeasurements comprising:

    - The return on plan assets, excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income & Expenditure; and

    - Actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income & Expenditure

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Combined Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are provided in Note 21 to the accounts.

17. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or if the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Combined Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

18. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Combined Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs dismantling and removing the item and restoring the site on which it is located.

The Combined Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Combined Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Combined Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets Under Construction – cost;

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (EUV).

The following useful economic lives are used for PPE assets in relation to NECA: Tyne Tunnels 120 years, Tunnels vehicles, Plant and Equipment 30 years.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. All valuations will be undertaken by or under the supervision of a fully qualified Chartered Surveyor (MRICS – Member of the Royal Institution of Chartered Surveyors). These revaluations are detailed within the Notes to the Core Financial Statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>De Minimis Levels</u>

The use of a de-minimis level for capital expenditure means that in the above categories assets below the de-minimis level are charged to the revenue account and are not classified as capital expenditure i.e. the asset is not included in the balance sheet unless they are part of an overall project costing more than the established de-minimis level. For all capital expenditure the de-minimis level is £10,000.

<u>Impairment</u>

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Deprecation on all Property, Plant and Equipment assets (except Vehicles) is calculated by taking the asset value at the 31 March 2022 divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been charged based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In the most recent valuations of the Tyne Tunnels it was assessed that, although Mechanical and Electrical Services and the Toll Plazas have an economic life of 20 years, these formed less than 20% of the overall valuation and have not therefore been classed as significant components.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Combined Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the general fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

18.a Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges and tunnels), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. NTCA holds highways infrastructure assets in the form of the Tyne Tunnels – the two vehicle tunnels and the pedestrian and cyclist tunnels.

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Combined Authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Impairment

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network have been assessed by the authority using industry standards where applicable as follows:

- Structures (tunnels) – useful life of up to 120 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

19. Provisions

Provisions are made where an event has taken place that gives the Combined Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Combined Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Combined Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Combined Authority settles the obligation.

20. Public Private Partnership (PPP) Contracts

Public Private Partnerships are agreements to receive services and provide capital jointly with the private sector. The New Tyne Crossing Partnership is judged to be such an arrangement.

The Code requires these arrangements to be assessed under an application of the principles within International Financial Reporting Interpretation Committee 12 (IFRIC12) 'Service Concessions'.

Arrangements fall in scope of the application where both of the following IFRIC 12 criteria are met:

- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing is considered to meet both IFRIC 12 criteria, and therefore the costs are recognised on the Combined Authority's Balance Sheet.

In most arrangements within the scope of the application, the grantor will account for the arrangement's financing by recording and measuring a long-term liability in accordance with IAS 17. This treatment reflects an obligation to pay the operator for the full value of the asset along with the operator's costs of finance. However, in the New Tyne Crossing project, TT2 Ltd (the operator) receives a defined proportion of the total toll revenue and uses this to meet its cost of constructing and operating both vehicle tunnels. The Combined Authority may therefore have no long-term obligation to transfer economic resources to TT2, and hence should not recognise a liability.

The provisions within the Payment Mechanism for payment of toll revenue to the operator are as follows:

- In each month a Shadow Toll is paid to the operator, this being a fixed amount per vehicle, adjusted for changes in RPI;

- Throughout the term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls; and

- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by NECA. If NECA varies a Real Toll from its corresponding Formula Toll beyond a certain level, the operator is compensated for the effect of this adjustment on demand.

The Combined Authority therefore has no exposure to any risk and reward associated with the operator revenue, but only an executor contract to transfer the operator's share of total revenues to the operator as it is collected.

It therefore follows from this conclusion that the Combined Authority has no long-term obligation to transfer economic resources to the operator, since the operator revenue is in substance transferred directly to it. The Combined Authority therefore should not recognise a long-term liability to finance the project assets.

In relation to such an arrangement, the Code and the accompanying notes do not provide clear guidance. However, the guidance notes accompanying the Code suggest that the credit that matches the asset should be a deferred income balance. The Combined Authority has therefore recognised a deferred credit balance, added to as each Phase 1 and Phase 2 of the project were completed, and equal to the fair value of the asset addition under each Phase. This balance is then released to the Comprehensive Income and Expenditure Statement over the life of the contract.

21. Reserves

The Combined Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Combined Authority.

22. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Combined Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charges so that there is not impact on the levy.

23. Tyne Tunnels Income

The majority of the income from tolls is received on a cash basis. Accruals are made to apportion income credited to the bank account to the correct financial year. Prepayments on permit accounts are also received, and the balance on these accounts are accrued as income received in advance at the period end.

24. Value Added Tax (VAT)

VAT is payable and is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

34. Events after the Balance Sheet Date

Adjusting events after the Balance Sheet date

Where events take place after 31 March which provide information about conditions exiting at 31 March, the financial statements and notes are adjusted to reflect the impact of this information. No such events have taken place.

3.0 Group Financial Statements and Explanatory Notes

3.1 Group Movement in Reserves Statement

	NTCA\NECA Usable Reserves £000	NTCA\NECA Unusable Reserves £000	Total NTCA\NECA Reserves £000	Authority Share of Nexus £000	Total Group Reserves £000
Balance at 31 March 2020 carried forward	**(67,417)**	**(41,070)**	**(108,487)**	**(209,696)**	**(318,183)**
Transfer from NECA in respect of LEP	(27,628)	(13,724)	(41,352)	-	(41,352)
Total Comprehensive Income & Expenditure	(30,707)	1,832	(28,875)	(1,493)	(30,368)
Adjustments between accounting basis & funding basis under regulations	1,379	(1,379)	-	-	-
(Increase)/decrease in 2020/21	(29,328)	453	(28,875)	(1,493)	(30,368)
Balance at 31 March 2021 carried forward	**(124,373)**	**(54,341)**	**(178,714)**	**(211,189)**	**(389,903)**
Total Comprehensive Income & Expenditure	(53,254)	(2,723)	(55,977)	(53,064)	(109,043)
Adjustments between accounting basis & funding basis under regulations	(862)	862	-	-	-
(Increase)/decrease in 2021/22	(54,116)	(1,861)	(55,977)	(53,064)	(109,043)
Balance at 31 March 2022 carried forward	**(178,489)**	**(56,202)**	**(234,691)**	**(264,253)**	**(498,946)**

3.2 Group Comprehensive Income and Expenditure Statement

2020/21					2021/22		
Gross Exp £000	Gross Inc £000	Net Exp £000		Note	Gross Exp £000	Gross Inc £000	Net Exp £000
5,898	(66)	5,832	Investment Fund		14,662	(338)	14,324
11,443	(2,328)	9,115	Corporate Costs		8,148	(2,475)	5,673
13,405	(14,640)	(1,235)	Adult Education Budget		22,745	(25,449)	(2,704)
106,365	(74,953)	31,412	Joint Transport Committee		113,780	(101,222)	12,558
534	(438)	96	Invest North East		607	(298)	309
47,896	(15,278)	32,618	Local Enterprise Partnership		42,994	(29,381)	13,613
185,541	**(107,703)**	**77,838**	**Cost of Services**		**203,360**	**(159,163)**	**43,773**
7,296	(4,656)	2,640	Financing and Investment Income and Expenditure	G4	9,282	(3,914)	5,368
-	(121,902)	(121,902)	Taxation and Non-Specific Grant Income	G5	-	(125,260)	(125,260)
-	-	-	Gain/Loss on disposal of non-current assets		14	(564)	(550)
192,837	**(234,261)**	**(41,424)**	**Surplus on Provision of Service**		**212,656**	**(289,325)**	**(76,669)**
		(270)	Taxation credit charge for the year	G14			**626**
		(41,694)	**Group surplus after taxation**				**(76,043)**
		11,056	Re-measurement of the defined benefit liability	G13			**(33,000)**
		-	Gains on Revaluation of Property				**-**
		(30,638)	**Total Comprehensive Income & Expenditure**				**(109,043)**

3.3 Group Balance Sheet

31 March 2021 £000		Note	31 March 2022 £000
395,896	Property, Plant & Equipment	G7	422,422
13,152	Long Term Debtors		19,278
2,388	Intangible Assets	G8	2,642
411,436	**Long Term Assets**		**444,343**
142,617	Short Term Investments	G9	202,708
19,324	Short Term Debtors	G10	20,249
50,549	Cash & Cash Equivalents	G11	41,291
401	Inventories		405
212,891	**Current Assets**		**264,656**
(21,023)	Short Term Borrowing	G9	(21,025)
(40,508)	Short Term Creditors	G12	(45,117)
(2,696)	Grants Receipts in Advance	G6	(857)
(2,268)	Public Private Partnerships		(2,278)
(66,495)	**Current Liabilities**		**(69,277)**
(75,724)	Long Term Borrowing	G9	(75,766)
(36,292)	Public Private Partnerships		(34,177)
(50,506)	Pension Liability	G13	(27,125)
(3,679)	Provisions		(1,617)
(1,728)	Deferred Taxation	G14	(2,090)
(167,929)	**Long Term Liabilities**		**(140,775)**
389,903	**Net Assets**		**498,946**
(146,886)	Usable Reserves	G15	**(203,346)**
(243,017)	Unusable Reserves	G16	**(295,600)**
(389,903)	**Total Reserves**		**(498,946)**

I certify that the Accounts give a true and fair view of the financial position of the North of Tyne Combined Authority Group as at 31 March 2022.

Signed: **Date:**

Janice Gillespie, Chief Finance Officer (Section 73 Officer)

3.4 Group Cash Flow Statement

2020/21 £000		Note	2021/22 £000
41,424	Surplus on the provision of services	G17	76,043
33,780	Adjustments to net surplus on the provision of services for non-cash movements	G17	32,997
(94,333)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	G17	(123,557)
(19,129)	**Net Cash Flows from Operating Activities**		**(14,517)**
(45,566)	Investing Activities	G18	7,138
18,062	Financing Activities	G19	(1,879)
(46,633)	**Net Increase in cash and cash equivalents**		**(9,258)**
55,830	Cash and cash equivalents at the beginning of the reporting period		50,549
41,352	Transfer from NECA in respect of LEP		-
50,549	**Cash and cash equivalents at the end of the reporting period**	G11	**41,291**

3.5 Index to the Notes to the Group Financial Statements

The values within the financial statements are disclosed with roundings which are appropriate to their individual presentation. Consequently, the tables in the Statement of Accounts may contain rounding differences.

G1 Group Accounts

Under the 9.1.17 of the Code of Practice for Local Authority Accounting 2021/22, authorities with interest in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

The Group Accounts include the accounts of Nexus (in relation only to the proportion relating to the North of Tyne Combined Authority population basis), and have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of NECA and NTCA with the following minor differences:

<u>Deferred Taxation</u>
NTCA/NECA does not require a policy on Deferred Taxation. Deferred Taxation (which arises from the differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated by Nexus on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

<u>Property, Plant and Equipment and Intangible Assets</u>

Nexus uses the following estimated useful lives for each class of assets:

Asset	**Estimated Useful Life**
Freehold buildings	40 years
Short leasehold buildings	Over the lease term
Infrastructure assets	20 to 50 years
Plant and Equipment	5 to 30 years
Vehicles	5 to 10 years
Marine Vessels	30 years
Intangibles	5 to 10 years

Details of NTCA's depreciation policy can be found within the accounting policies of the single entity accounts. Nexus's policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NTCA and NECA charge a full year depreciation in the year of acquisition.

Where Group Accounts are required, authorities must provide the main financial statements and the disclosure notes which add value to the understanding of the accounts. Disclosure notes have been produced to add more detail where the Group Accounts are materially different from the single entity accounts.

Copies of the single entity accounts for Nexus are available at www.nexus.org.uk

As described in the Note 1 to the single entity accounts, the establishment of the North of Tyne Combined Authority (NTCA) and the North East Joint Transport Committee on 2 November 2018 necessitates the division of income and expenditure, assets and liabilities relating to Joint Transport Committee activity between the NECA and NTCA accounts. Since all Nexus activity reported in the NECA Group Accounts relates to Transport at the Tyne and Wear level, it has been fully apportioned between NECA and NTCA on the basis of Tyne ad Wear population using the ONS statistics used as the basis of dividing the levy contributions.

Assumptions made about the future and other major sources of uncertainty

The Group's net pension liability includes a share of the overall Pension Fund Investment assets. The Pension Fund has disclosed a material uncertainty, due to Covid-19, in respect of pension investments (direct property valuations and pooled residential property funds).

Please see Note 32 of the single entity accounts for NTCA's assumptions made about the future and other major sources of estimation uncertainty. Significant accounting judgements, estimates and assumptions for Nexus can be found in the Nexus accounts at www.nexus.org.uk.

G2 Expenditure and Funding Analysis

2021/22	**Net Exp Chargeable to General Fund £000**	**Adjs for Capital Purposes £000**	**Pension Adjs £000**	**Other Adjs £000**	**Net Exp in CIES £000**
Investment Fund	14,003	-	347	(26)	14,324
Corporate Costs	5,350	-	344	(21)	5,673
Adult Education Budget	(2,704)	-	-	-	(2,704)
Joint Transport Committee Costs	23,572	(18,868)	7,850	-	12,554
Invest North East	247	-	62	-	309
Local Enterprise Partnership	4,385	8,418	914	(104)	13,613
Net Cost of Services	**44,857**	**(10,450)**	**9,517**	**(151)**	**43,773**
Other Income & Expenditure	(74,563)	(46,452)	102	475	(120,438)
Surplus on Provision of Service	**(29,710)**	**(56,902)**	**9,619**	**324**	**(76,669)**
Taxation Charge for the Year					**626**
Surplus after Taxation					**(76,043)**

Opening General Fund Balances	**(29,333)**
Surplus on General Fund Balances in Year	(29,710)
Transfers to Reserves	27,091
General Fund Balances at 31 March 2022	**(31,952)**

2020/21	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £000
Investment Fund	5,585	-	197	50	5,832
Corporate Costs	7,032	-	2,051	32	9,115
Adult Education Budget	(1,277)	-	33	9	(1,235)
Joint Transport Committee	23,403	(3,821)	11,830	-	31,412
Invest North East	66	-	30	-	96
Local Enterprise Partnership	31,394	249	510	465	32,618
Net Cost of Services	**66,203**	**(3,572)**	**14,651**	**556**	**77,838**
Other Income & Expenditure	(84,307)	(34,576)	49	(428)	(119,262)
Surplus on Provision of Service	**(18,104)**	**(38,148)**	**14,700**	**128**	**(41,424)**

Opening General Fund Balances	**(33,300)**
Transfer from NECA in respect of LEP Balances	(649)
Surplus on General Fund Balances in Year	(18,104)
Transfers to Reserves	22,720
General Fund Balances at 31 March 2021	**(29,333)**

Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and adjusts for:

- Other Operating Expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets;

- Financing and Investment Income and Expenditure – the statutory charges for capital i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and

- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from that receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs; and

- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statue include:

- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and

- For services this includes adjustments made from accruing compensated absences earned but not taken in the year.

G3 Income and Expenditure Analysed by Nature

2020/21 £000		2021/22 £000
	Expenditure	
27,566	Employee benefit expenses	25,261
95,815	Other service expenses	110,659
2,783	Support Service Recharges	3,250
59,377	Depreciation, impairment and Revenue Expenditure Funded from Capital under Statute (REFCUS)	63,778
7,296	Interest Payments	9,282
192,837	**Total Expenditure**	**212,230**
	Income	
(29,138)	Fees, charges and other service income (Tyne Tunnel tolls)	(53,404)
(4,656)	Interest and investment income	(3,914)
(33,450)	Income from transport levy	(33,666)
(163,620)	Government grants and contributions	(189,919)
(3,397)	Other Income	(7,993)
(234,261)	**Total Income**	**(288,896)**
(41,424)	**Surplus on the provision of services**	**(76,666)**

G4 Financing and Investment Income and Expenditure

2020/21 £000		2021/22 £000
3,386	Interest payable and similar charges	4,594
3,910	Interest payable on defined benefit liability	4,688
(3,053)	Interest receivable on defined benefit liability	(3,772)
(1,603)	Interest receivable and similar income	(142)
2,640	**Total**	**5,368**

G5 Taxation and Non-Specific Grant Income

2020/21 £000		2021/22 £000
(33,450)	Transport Levy	(33,666)
(68,452)	Capital Grants, Contributions & Donated Assets	(71,592)
(20,000)	Non-Ringfenced Government Grants	(20,000)
(121,902)	**Total**	**(125,258)**

G6 Grant Income and Other Contributions

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services:

31 March 2021 £000		31 March 2022 £000
(11,170)	Transforming Cities Fund	(25,617)
(15,064)	Adult Education Grant	(25,449)
(11,844)	Metro Rail Grant	(13,598)
(6,213)	Local Transport Plan	(9,022)
(19,062)	Covid 19 Business Support	(8,518)
(3,225)	Active Travel Fund	(6,280)
-	Community Renewal Fund	(1,002)
(1,000)	Mayoral Capacity Fund	(1,000)
(7,590)	Other Grants & Contributions (individually under £1m)	(5,922)
(75,168)	**Total**	**(96,408)**

The Group has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

31 March 2021 £000		31 March 2022 £000
	Grants Receipts in Advance	
(2,696)	Grants & Contributions (individually under £1m) – Short Term	(857)
(2,696)	**Total**	**(857)**

G7 Property, Plant and Equipment excluding Highway Infrastructure Assets

2021/22	**Vehicles, Plant, Furniture & Equipment**	**Land & Buildings**	**Assets Under Construction**	**Total Property, Plant & Equipment**	**Service Concession Assets included in PPE**
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2021	**15,577**	**1,759**	**27,872**	**45,208**	**-**
Additions	-	-	40,614	40,614	-
Transfers from Assets under Construction	62	-	(9,402)	(9,340)	-
Transfers to Intangibles	-	-	(26)	(26)	-
Derecognition – disposals	(17)	(119)	(19)	(155)	-
Other Adjustments	-	-	-	-	-
At 31 March 2022	**15,622**	**1,640**	**59,039**	**76,301**	**-**
At 1 April 2021	(11,333)	(244)	-	(11,577)	-
Depreciation charge	(522)	(11)	-	(533)	-
Derecognition – disposals	17	114	-	131	-
At 31 March 2022	**(11,838)**	**(141)**	**-**	**(11,979)**	**-**
Net Book Value					
At 1 April 2021	4,244	1,515	27,872	33,631	-
At 31 March 2022	**3,784**	**1,499**	**59,039**	**64,322**	**-**

2020/21

	Vehicles, Plant, Furniture & Equipment	Land & Buildings	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets included in PPE
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2020	**16,855**	**1,440**	**20,703**	**38,998**	**-**
Additions	-	-	29,201	29,201	-
Transfers from Assets under Construction	544	-	(22,012)	(21,468)	-
Derecognition – disposals	(1,348)	(155)	(20)	(1,523)	-
Impairment recognised in the Provision of Services	-	-	-	-	-
Other Adjustments	-	-	-	-	-
At 31 March 2021	**16,051**	**1,285**	**27,872**	**45,207**	**-**
At 1 April 2021	(11,185)	(330)	-	(11,515)	-
Depreciation charge	(690)	(18)	-	(708)	-
Derecognition – disposals	542	104	-	646	-
At 31 March 2021	**(11,333)**	**(244)**	**-**	**(11,577)**	**-**
Net Book Value					
At 1 April 2020	5,670	1,110	20,703	27,483	-
At 31 March 2021	**4,718**	**1,041**	**27,872**	**33,631**	**-**

G7a Highway Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2020/21	**2021/22**
	£000	**£000**
Net book value (modified historical cost)		
At 1 April	**353,402**	**362,265**
Additions	424	210
Transfers from Assets Under Construction	21,468	9,330
Derecognition	(745)	(479)
Depreciation	(14,416)	(15,007)
Impairment	(16)	-
Other movements in cost	2,147	1,770
At 31 March	**362,264**	**358,089**
	2020/21	**2021/22**
	£000	**£000**
Infrastructure Assets	362,264	358,089
Other PPE Assets	33,631	64,333
Total Group PPE Assets	**395,895**	**422,422**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Structures – net book value

North of Tyne Combined Authority has estimated a net book value at 31 March 2022 for its structures at £358.089m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

Northbound vehicle tunnel	61 years
Southbound vehicle tunnel	109 years
Pedestrian and cyclist tunnels	61 years

Depreciation for the tunnels (and total annual depreciation for 2021/22 on structures) is £15.077m.

G8 Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

2020/21 £000		2021/22 £000
	Cost or Valuation	
4,740	Opening Balance	5,357
636	Additions	478
-	Transfers from Property, Plant & Equipment	26
(19)	Derecognition – Disposals	(1)
5,357	**Total**	**5,860**
	Amortisation	
(2,752)	Opening Balance	(2,969)
(217)	Amortisation provided during the period	(249)
(2,969)	**Total**	**(3,218)**
2,388	**Net Book Value at 31 March**	**2,642**

G9 Financial Instruments

Financial Assets

A financial asset is a right to future economic benefits controlled by the Combined Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Combined Authority during the year are held under the following classifications.

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
Amortised cost	-	-	13,152	19,279	142,617	202,708	16,756	18,927
Total Financial Assets	-	**-**	**13,152**	**19,279**	**142,617**	**202,708**	**16,756**	**18,927**
Non-financial Assets	-	-	-	-	-	-	2,568	1,323
Total	-	**-**	**13,152**	**19,279**	**142,617**	**202,708**	**19,324**	**20,250**

Financial assets at amortised cost

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and

- The contractual terms give rise to cash flows that are solely payments of principal and interest.

All of the Group's financial assets fit these criteria and are classified at amortised cost.

Trade receivables

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

Financial Liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Combined Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to Combined Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
Amortised cost	(75,724)	(75,766)	-	-	(21,023)	(21,025)	(17,840)	(8,979)
Total Financial Liabilities	**(75,724)**	**(75,766)**	**-**	**-**	**(21,023)**	**(21,025)**	**(17,840)**	**(8,980)**
Non-financial Liabilities	-	-	-	-	-	-	(22,668)	(36,137)
Total	**(75,724)**	**(75,766)**	**-**	**-**	**(21,023)**	**(21,025)**	**(40,508)**	**(45,116)**

The contractual terms for the Group's financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made as follows:

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following method and assumptions:

31 March 2021				31 March 2022		
Financial Liabilities at amortised cost £000	Financial assets measured at amortised cost £000	Total £000		Financial Liabilities at amortised cost £000	Financial assets measured at amortised cost £000	Total £000
3,386	-	3,386	Interest expense	9,282	-	9,282
3,386	-	**3,386**	**Total expense in Surplus on Provision of Services**	**9,282**	-	**9,282**
-	(1,603)	(1,603)	Investment Income	-	(3,914)	(3,914)
-	**(1,603)**	**(1,603)**	**Total income in Surplus on Provision of Services**		**(3,914)**	**(3,914)**
3,386	**(1,603)**	**1,783**	**Net (gain)/loss for the year**	**9,282**	**(3,914)**	**5,368**

- Loans borrowed by the Combined Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;

- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;

- No early repayment or impairment is recognised for any financial instrument;

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2021/22 the fair values are shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities;

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options: lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;

- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

		31 March 2021		31 March 2022	
	Level	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial liabilities at amortised cost	2	(96,747)	(142,065)	(96,791)	(130,347)
Total		**(96,747)**	**(142,065)**	**(96,791)**	**(130,347)**
Financial Assets at amortised cost					
Held to Maturity investments	2	142,617	142,617	202,708	202,708
Other debtors		13,152	13,152	19,279	19,279
Total		**155,769**	**155,769**	**221,987**	**221,987**

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. Details of the nature and extent of risks arising from Financial Instruments are set out in Note 16 of the single entity accounts.

G10 Short Term Debtors

31 March 2021 £000		31 March 2022 £000
6,204	Central Government Bodies	9,226
6,719	Other Local Authorities	8,316
1	NHS Bodies	-
6,400	Other Entities and Individuals	2,708
19,324	**Total**	**20,259**

G11 Cash and Cash Equivalents

31 March 2021 £000		31 March 2022 £000
36,295	Cash	28,987
14,254	Short term deposits	12,304
50,549	**Total**	**41,291**

G12 Short Term Creditors

31 March 2021 £000		31 March 2022 £000
(2,814)	Central Government Bodies	(8,247)
(14,754)	Other Local Authorities	(8,187)
(22,940)	Other Entities and Individuals	(28,682)
(40,508)	**Total**	**(45,116)**

G13 Defined Benefit Pension Schemes

NTCA and Nexus participate in the Tyne & Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme, meaning that the authorities and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash must be generated to meet actual pension payments as they eventually fall due.

Consolidated Pension Liability

The Group pension liability of £27,125m (£50.507m in 2020/21) is the sum of the NTCA and Nexus.

The employees from Nexus were TUPE to Stadler Rail Service UK Limited on 4 October 2020, and the pension assets and liabilities in connection with active employees were transferred to Stadler. In addition, the remaining pension assets and liabilities associated with pensioners and deferred members in NEMOL were subsumed by Nexus. In the Nexus Group accounts this resulted in a one-off gain of £1.839m arising from differences in actuarial assumptions between NEMOL and Nexus (with £0.819m relating to the Combined Authority) during 2020/21. This is presented in the disclosures below.

Transactions relating to post-employment Benefits

The following transactions relating to the LGPS and Unfunded Benefits provided by the NECA Group have been included in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Comprehensive Income & Expenditure Statement	LGPS		Discretionary Benefits	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Cost of Services				
Current Service Costs	8,524	10,243	-	-
Past Service Costs	-	18	-	-
Settlement Costs	2,080	-	-	-
Exceptional loss on transfer of pension liability loss	(819)	-	-	-
Financing and Investment Income and Expenditure				
Interest Cost	3,884	4,666	27	21
Expected Return on Scheme Assets	(3,053)	(3,772)	-	-
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**10,616**	**11,155**	**27**	**21**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (excluding the amount included in the net interest expense)	(901)	(2,723)	-	(76)
Remeasurement of the net Defined Benefit Liability	11,904	(29,853)	53	(96)
Total Amount recognised in Other Comprehensive Income & Expenditure	**11,003**	**(32,576)**	**53**	**(172)**
Total amount recognised in the CIES	**21,619**	**(21,421)**	**80**	**(151)**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Reconciliation of the Fair Value of the Scheme Assets

	LGPS		Discretionary Benefits	
	2020/21 £000	**2021/22 £000**	**2020/21 £000**	**2021/22 £000**
Opening fair value of scheme assets	**153,358**	**180,116**	**-**	**-**
Interest Income	3,164	3,912	-	-
Remeasurement gain on plan assets	27,932	15,303	-	-
Employer contributions	1,912	1,851	14	143
Contributions by scheme participants	1,613	1,592	-	-
Net Benefits paid out	(5,006)	(4,749)	(14)	(143)
Net decrease in assets from Stadler Transfer	(6,882)	-	-	-
Settlements	4,025	-	-	-
Closing fair value of scheme assets	**180,116**	**198,025**	**-**	**-**

Reconciliation of present value of the scheme liabilities

	LGPS		Discretionary Benefits	
	2020/21 £000	**2021/22 £000**	**2020/21 £000**	**2021/22 £000**
Opening balance at 1 April	**(182,952)**	**(229,451)**	**(1,230)**	**(1,171)**
Current Service Cost	(8,523)	(10,243)	-	-
Interest Cost	(3,997)	(4,806)	(27)	(22)
Contributions by participants	(1,613)	(1,592)	-	-
Remeasurement of the Net Defined Liability	(39,110)	17,102	(53)	168
Net benefits paid	5,006	4,749	142	134
Past service costs	-	(18)	-	-
Net increase in liabilities from NEMOL transfer	7,839	-	-	-
Settlements	(6,105)	-	-	-
Closing balance at 31 March	**(229,455)**	**(224,259)**	**(1,168)**	**(787)**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History	**2020/21 £000**	**2021/22 £000**
Fair Value of LGPS Assets	**180,116**	**198,025**
Present value of LGPS liabilities		
- LGPS liabilities	(229,455)	(224,259)
Deficit on funded defined benefit scheme	**(49,339)**	**(26,324)**
Discretionary benefits	(1,168)	(891)
Total Deficit	**(50,507)**	**(27,125)**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

	NTCA	**Nexus**
Active members	95%	37%
Deferred pensioners	5%	13%
Pensioners	0%	50%

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years for NTCA and 19.3 years for Nexus.

The liabilities show the underlying commitments that the Combined Authority has in the long run to pay post employment (retirement) benefits. The total liability of £224.3m has an impact on the net worth of the Combined Authority recorded on the balance sheet, resulting in a negative pension balance of £27.125m. However, statutory arrangements for funding the deficit mean that the financial position of the Combined Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;

- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid;

- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2022 is £0.274m for NTCA and £3.680m for Nexus(of which £1.647m is attributed to NTCA). In addition, strain on the fund contributions may be required.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

NTCA	Local Government	
	31 March 2021	**31 March 2022**
Mortality assumptions:		
Pensioner member aged 65 at accounting date (male)	21.9	21.5
Pensioner member aged 65 at accounting date (female)	25.1	24.5
Active member aged 45 at accounting date (male)	23.6	22.8
Active member aged 45 at accounting date (female)	26.9	26.0
Rate for discounting scheme liabilities:	% p.a	% p.a
Rate of inflation – Retail Price Index	2.10	2.70
Rate of inflation – Consumer Price Index	2.60	2.80
Rate of increase in pensions	2.60	2.80
Pensions accounts revaluation rate	2.60	2.80
Rate of increase in salaries	4.10	4.30

Nexus	LGPS		Discretionary Benefits	
	2020/21	**2021/22**	**2020/21**	**2021/22**
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	21.9	21.8	21.9	21.8
Women	25.1	25.0	25.1	25.0
Longevity at 65 for future pensioners				
Men	23.6	23.5	n/a	n/a
Women	26.9	26.7	n/a	n/a
Discount rates:	%p.a.	%p.a.	%p.a.	%p.a.
Rate for discounting scheme liabilities	2.1	2.7	2.1	2.7
Rate of inflation – Retail Price Index	n/a	n/a	n/a	n/a
Rate of inflation – Consumer Price Index	2.7	3.0	2.7	3.0
Rate of increase in pensions	2.7	3.0	2.7	2.7
Pension accounts revaluation rate	2.7	3.0	n/a	n/a
Rate of increase in salaries	4.2	4.5	n/a	n/a

NEMOL (LGPS)

	2020/21
Mortality assumptions:	
Longevity at 65 for current pensioners	
Men	21.9
Women	25.1
Longevity at 65 for future pensioners	
Men	23.6
Women	26.9
Discount rates:	%p.a.
Rate for discounting scheme liabilities	1.60*
Rate of inflation – Retail Price Index	n/a
Rate of inflation – Consumer Price Index	2.20*
Rate of increase in pensions	2.20*
Pension accounts revaluation rate	2.20*
Rate of increase in salaries	3.70*

*At date of transfer (4 October 2020), therefore no comparators for 2021/22

The approximate split of assets for the Fund as a whole is shown in the table below:

	31 March 2021	**Asset Split 31 March 2022 %**		
	% Total	**Quoted**	**Unquoted**	**Total**
Equities	55.5	47.8	9.2	57.0
Property	7.9	0	8.4	8.4
Government Bonds	2.2	0	2	2.0
Corporate Bonds	19.8	18.8	0	18.8
Cash	4.0	1.8	0	1.8
Other*	10.6	4.8	7.2	12.0
Total Assets	100.0	73.2	26.8	100.0

*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

Actual Return on Assets	**Local Government**	
	2020/21 £000	**2021/22 £000**
Interest Income on Assets	3,912	3,912
Remeasurement gain on assets	33,421	8,452
Actual Return on Assets	**37,333**	**12,364**

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity of unfunded benefits has not been included on materiality grounds.

Discount rate assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to discount rate			
Present value of total obligation (£M)	483.36	492.88	502.42
% change in present value of total obligation	(1.93%)		1.93%
Projected service cost (£M)	18.41	19.08	19.76
Approximate % change in projected service cost	(3.52%)		3.58%

Rate of general increase in salaries	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to salary increase rate			
Present value of total obligation (£M)	494.31	492.88	491.45
% change in present value of total obligation	0.29%		(0.29%)
Projected service cost (£M)	19.08	19.08	19.08
Approximate % change in projected service cost	0.00%		0.00%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to pension increase rate			
Present value of total obligation	497.26	489.26	481.28
% change in present value of total obligation	1.63%		(1.63%)
Projected service cost (£M)	19.76	19.08	18.41
Approximate % change in projected service cost	3.58%		(3.52%)

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	506.38	489.26	472.64
% change in present value of total obligation	3.50%		(3.40%)
Projected service cost (£M)	19.84	19.08	18.32
Approximate % change in projected service cost	4.00%		(3.99%)

*a rating of + 1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

G14 Deferred Tax Liability

The movement for the year comprises:

	2020/21 £000	2021/22 £000
Capital Allowances	123	376
Tax effect of losses	(433)	252
Other timing differences	40	(2)
Total	(270)	626

The balance at the year-end comprises:

	2020/21 £000	2021/22 £000
Excess of capital allowances over depreciation	(1,386)	1,768
Roll over relief on capital gains	(549)	551
Tax effect of losses	433	-183
Other timing differences	44	-46
Total	(1,458)	2,090

G15 Usable Reserves

	31 March 2021 £000	31 March 2022 £000
General Fund Balance	(29,333)	(31,952)
Earmarked Reserves	(85,372)	(111,894)
Capital Grants Unapplied	(23,292)	(58,471)
Capital Receipts Reserve	(8,889)	(1,030)
Total Usable Reserves	**(146,886)**	**(203,347)**

G16 Unusable Reserves

	31 March 2021 £000	31 March 2022 £000
Revaluation Reserve	(4,651)	(4,603)
Capital Adjustment Account	(291,983)	(322,070)
Financial Instruments Adjustment Account	2,554	3,544
Accumulated Absences Account	556	405
Pension Reserve	50,507	27,125
Total Unusable Reserves	**(243,017)**	**(295,600)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date on which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	£000s
Balance at 1 April 2020	(4,695)
Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account	44
Revaluation gain recognised in Revaluation Reserve	-
Balance at 31 March 2021	**(4,651)**
Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account	49
Revaluation gain recognised in Revaluation Reserve	**-**
Balance at 31 March 2022	**(4,603)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	£000
Balance at 1 April 2020	(254,701)
Transfer from NECA in respect of LEP Balances	(16,282)
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation & impairment of non-current assets	14,699
Amounts of non-current assets written off on disposal or sale	1,630
Other income that cannot be credited to the General Fund	(2,268)
Revenue expenditure funded from capital under statute	47,230
Write down of long-term debtors	676
Adjusting amounts written out of the Revaluation Reserve	**(44)**
Capital financing applied in the year:	
Capital grants & contributions credited to the CIES that have been applied to capital financing	(79,850)
Statutory provision for the financing of capital investment charged against the General Fund	(1,117)
Capital expenditure charged against the General Fund	(1,280)
Debt redeemed using capital receipts	(676)
Balance at 31 March 2021	**(291,983)**

Balance at 31 March 2021	**(291,983)**
Charges for depreciation & impairment of non-current assets	15,130
Amounts of non-current assets written off on disposal or sale	496
Other income that cannot be credited to the General Fund	(2,278)
Revenue expenditure funded from capital under statute	47,989
Write down of long-term debtors	654
Adjusting amounts written out of the Revaluation Reserve	**(49)**
Capital financing applied in the year:	
Capital grants & contributions credited to the CIES that have been applied to capital financing	(81,412)
Statutory provision for the financing of capital investment charged against the General Fund	(804)
Use of Capital Receipts to fund new expenditure	(8,418)
Capital expenditure charged against the General Fund	(741)
Debt redeemed using capital receipts	(654)
Balance at 31 March 2022	**(322,070)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	2020/21 £000	2021/22 £000
Balance at 1 April	-	556
Adjustment to the accrual required	556	(151)
Adjustment to the debtor in respect of leave taken in advance	-	
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**556**	**151**
Balance at 31 March	**556**	**405**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	£000
Balance at 1 April 2020	**24,751**
Remeasurements of the net defined benefit liability	11,056
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	16,634
Employer's pension contributions and direct payments to pensioners	(1,983)
Interest expense on net defined asset	49
Balance at 31 March 2021	**50,507**
Balance at 1 April 2021	**50,507**
Remeasurements of the net defined benefit asset	(32,573)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	11,075
Employer's pension contributions and direct payments to pensioners	(1,986)
Interest expense on net defined asset	102
Balance at 31 March 2022	**27,125**

G17 Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing Activities

2020/21 £000		2021/22 £000
41,424	Surplus on the provision of services	**76,669**
	Adjustments to Surplus on Provision of Services for Non-Cash Movements:	
15,357	Depreciation, Impairment and Amortisation	15,788
1,641	Loss/(Gain) on disposal of non-current assets	(56)
40,394	Increase in Creditors	32,246
(31,118)	Increase in Debtors	(21,799)
1,201	Decrease/(Increase) in Inventories	(4)
8,452	Movement in Pension Liability	9,619
(2,147)	Other non-cash items charged to the surplus on the provision of services	(3,423)
33,780		32,371
	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities:	
(95,739)	Capital grants credited to surplus on provision of services	(125,008)
1,406	Other adjustments for items that are financing or investing activities	1,451
(19,129)	**Net cash flow from operating activities**	**(14,517)**

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
4,656	Interest Received	4,320
(7,296)	Interest Paid	(9,282)

G18 Cash Flow Statement – Investing Activities

2020/21 £000		2021/22 £000
(31,116)	Purchase of property, plant and equipment, investment property and intangible assets	(41,978)
(150,936)	Purchase of short-term and long-term investments	(258,968)
	Other payments for investing activities	
41,371	Proceeds from short-term and long-term investments	183,226
95,115	Other receipts from investing activities	124,858
(45,566)	**Net cash flows from investing activities**	**7,138**

G19 Cash Flow Statement – Financing Activities

2020/21 £000		2021/22 £000
19,430	Repayments of short and long-term borrowing	(441)
(1,368)	Other payments and receipts for financing activities	(1,438)
18,062	**Net cash flows from financing activities**	**(1,879)**

G20 Reconciliation of liabilities arising from Financing Activities

	1 April 2021 £000	Financing Cash Flows £000	Changes which are not financing cash flows £000	31 March 2022 £000
Long-term borrowings	(75,724)	(42)	-	(75,766)
Short-term borrowings	(21,023)	-	(2)	(21,025)
Total liabilities from financing activities	**(96,747)**	**(42)**	**(2)**	**(96,791)**

	1 April 2020 £000	Financing Cash Flows £000	Changes which are not financing cash flows £000	31 March 2021 £000
Long-term borrowings	(75,595)	(570)	441	(75,724)
Short-term borrowings	(1,032)	(20,000)	9	(21,023)
Total liabilities from financing activities	**(76,627)**	**(20,570)**	**450**	**(96,747)**

G21 Summary of Capital Expenditure and Sources of Finance

2020/21 £000		2021/22 £000
85,789	**Opening Capital Financing Requirement**	**80,357**
	Capital Investment	
29,625	Property, Plant & Equipment	40,824
636	Intangible Assets	467
47,230	Revenue Expenditure Funded from Capital Under Statute	47,989
	Sources of Finance	
(676)	Capital Receipts	(9,072)
(79,850)	Government Grants and other Contributions	(81,412)
	Sums set aside from Revenue	
(1,280)	Direct Revenue Contributions	(741)
(783)	Minimum Revenue Provision	(232)
(334)	Additional Voluntary Provision	(572)
80,357	**Closing Capital Financing Requirement**	**77,608**
(5,432)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(2,749)

4.0 Supplemental Information

4.1 Glossary of Terms

A

Abbreviations: The symbol 'k' followed by a figure represents £ thousand. The symbol 'm' following a figure represents £ million.

Accounting period: the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

Accounting policies: Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

Accruals: Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial gains or losses (Pensions): For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience or losses), or the actuarial assumptions themselves have changed.

Amortise: To write off gradually and systematically a given amount of money within a specific number of time periods.

Assets: Items of worth which are measurable in terms of money.

Assets Held for Sale: Those assets, primarily long-term assets, that the Authority wishes to dispose of through sale to others.

B

Bad (and doubtful) debts: debts which may be uneconomic to collect or unenforceable in law.

Balances: the reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.

Balance Sheet: a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Budgets: A statement of the Authority's forecast expenditure, that is, net revenue expenditure for the year.

C

Capital Adjustment Account: The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital expenditure: Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital receipts: Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority.

Cash and cash equivalents: this comprises cash in hand, cash overdrawn and short-term investments which are readily convertible into known amounts of cash.

Code of Practice on Local Authority Accounting (The Code): The Code specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of a local authority.

Comprehensive Income & Expenditure Statement: This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the financial year.

Consistency: The principal that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Contingent Asset: A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Contingent Liability: A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate & Democratic Core: The corporate & democratic core comprises all activities which local authorities engage in specifically because they are elected, multipurpose authorities.

Creditors: An amount owed by the Authority for work done, goods received or services rendered but for which payment has not been made.

Current assets: which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

Current liabilities: amounts that the Authority owes to other bodies and due for payment within 12 months.

Current Service Cost (Pension): The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment (Pensions): For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.

D

Debtors: Monies owed to the Authority but not received at the balance sheet date.

Defined Benefit Scheme (Pensions): A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation: The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.

E

Earmarked reserves: A sum set aside for a specific purpose.

Emoluments: Payments received in cash and benefits for employment.

Estimation Techniques: methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Balance Sheet Date: Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

Expected Rate of Return on Pensions Assets: This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.

External Audit: the independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

F

Fair Value: The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and Charges: Income arising from the provision of services, for example, charges for the use of leisure facilities.

Financial Instrument: Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.

Finance Lease: A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instruments Adjustment Account: The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance

G

General Fund: The total services of the Authority.

General Reserves and Balances: monies held by the Authority to deal with unforeseen events that might arise. The Authority must maintain a prudent level of such balances.

Going Concern: The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

I

Impairment: A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.

Intangible Assets: An asset that is not physical in nature, e.g. software licences.

Interest Costs (Pensions): For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties: Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.

L

Leasing: a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright. The two methods are:

- Operating Leases – may generally be described as those which do not provide for the property in the asset to transfer to the Authority, only the rental will be taken into account by the lessee; or
- Finance Leases – are leases that transfer substantially all of the risks and rewards of ownership of the asset to the lessee. The asset is recorded on the lessee's balance sheet.

Levies: similar to precepts, these sums are paid to other bodies. They are items of expenditure on the face of the Comprehensive Income and Expenditure Statement. The body that charges a levy on the Authority is the North East Combined Authority (transport levy).

Liabilities: Any amount owed to individuals or organisations which will have to be paid at some time in the future.

M

Materiality: An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP): An amount charged by the Authority to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.

Movement in Reserves Statement: The statement shows the movement in the year on the different reserves held by the Authority.

N

Net Book Value: The amount at which fixed assets are included in the balance sheet, being their historical cost or current value less the cumulative amounts provided by depreciation.

Net Debt: The Authority's borrowings less cash and liquid resources.

P

Private Finance Initiative (PFI): public authority/private sector partnerships designed to procure new major capital investment resources for local authorities.

Property, Plant and Equipment (PPE): Assets that yield benefits to the Authority and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.

Provisions: These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.

Prudence: This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Public Works Loan Board (PWLB): This is a Government agency which provides loans to local authorities at favourable rates.

R

Related Parties: A related party transaction is the transfer of asset or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.

Remuneration: defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserves: These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.

Residual Value: The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Revaluation Reserve: The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.

Revenue Expenditure: Expenditure on providing day-to-day services, for example employee costs and premises costs.

Revenue Expenditure Funded from Capital under Statute: Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority e.g. grants to other organisations for capital purposes.

S

Section 73 Officer: the Council officer designated under Section 73 of the Local Government Act 1972 to take overall responsibility for the financial administration of the Authority.

T

Treasury Management: this is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS): a strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Authority.

U

Unusable Reserves: The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'adjustments between accounting basis and funding basis under regulation.'

Usable Reserves: Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

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

TO BE INSERTED AFTER THE COMPLETION OF THE AUDIT

NORTH OF TYNE COMBINED AUTHORITY

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.

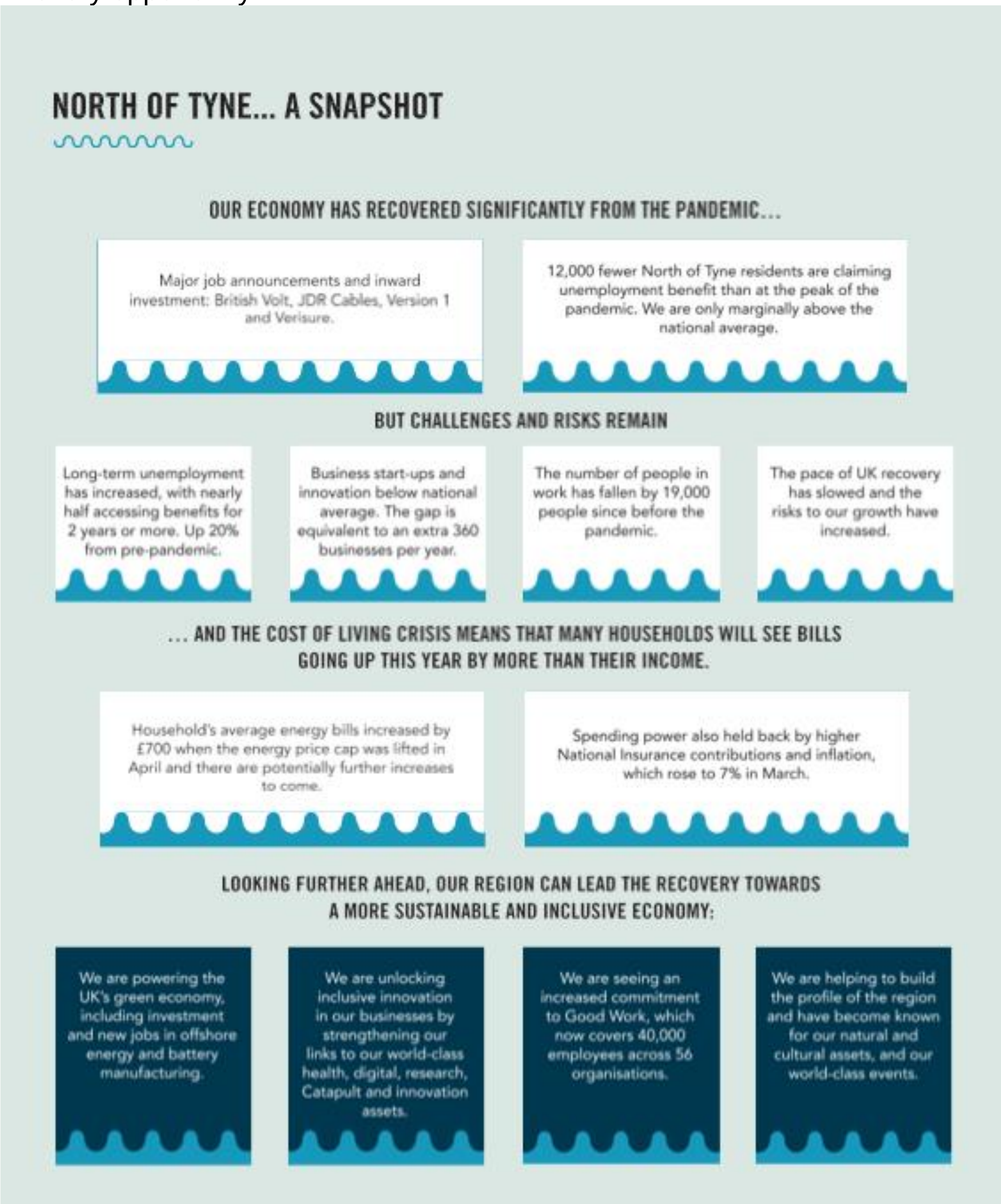
The Combined Authority has grown to 62 employees during 2021/22 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

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

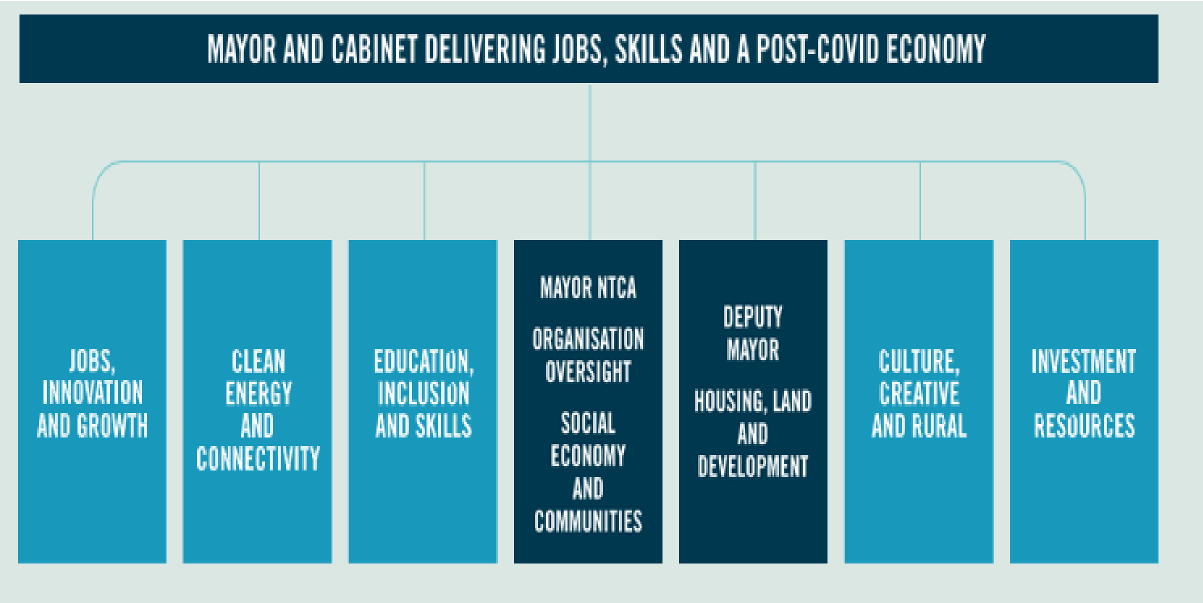
The North of Tyne vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

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.

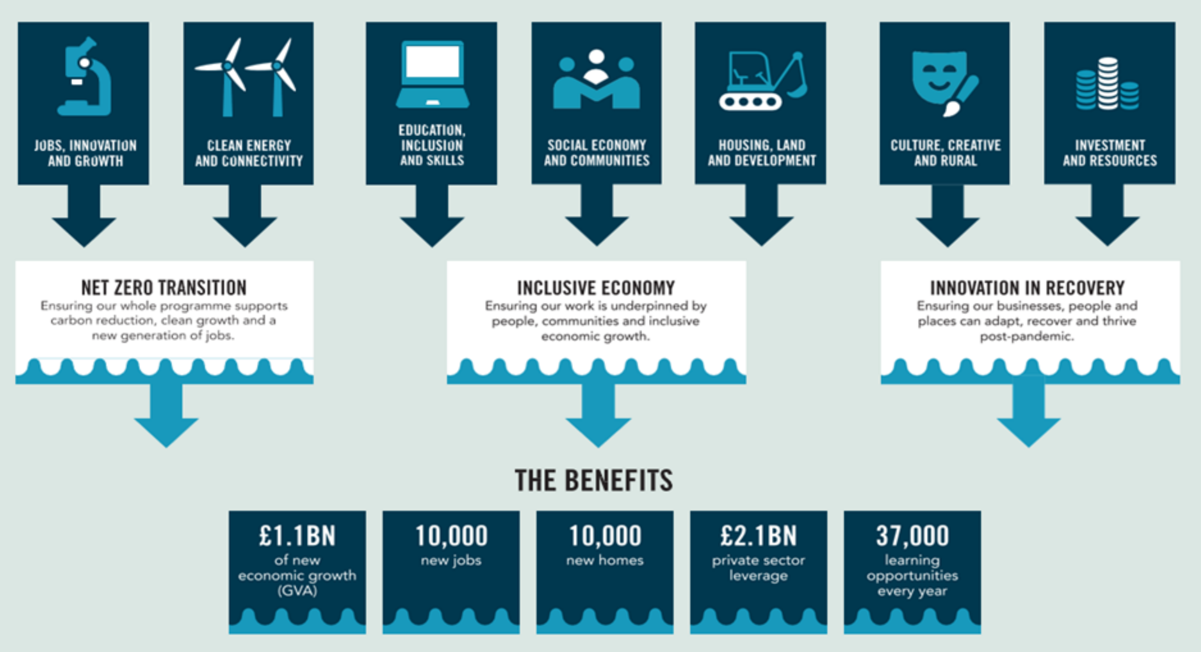


Cabinet Members lead specific portfolios and give collective strategic direction and oversight of NTCA work. This also ensures that local priorities are reflected, and that the connection is maximised between our urban, rural, and coastal geographies and our unique local assets and strengths.

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 2020/21unallocated 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**	**Movement (from)/to Reserves**	**2021/22**
	£m	**£m**	**£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 Renummeration	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
ROUND 1 EZ SCHEMES	**£000**	**£000**	**£000**	**£000**
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
ROUND 2 EZ SCHEMES				
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)**
Expenditure				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

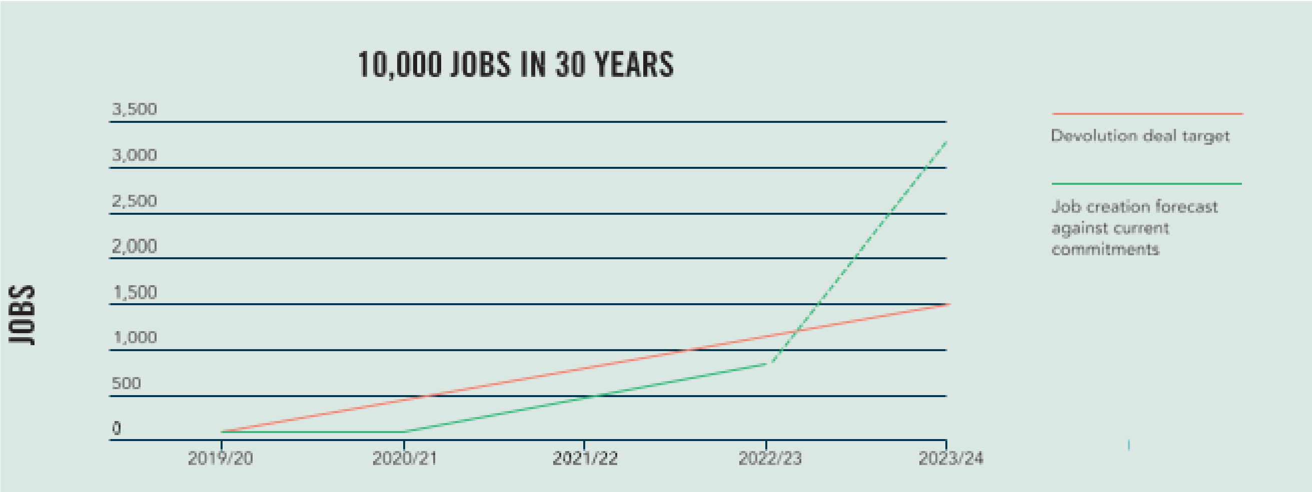
Investment Fund non-financial performance

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.

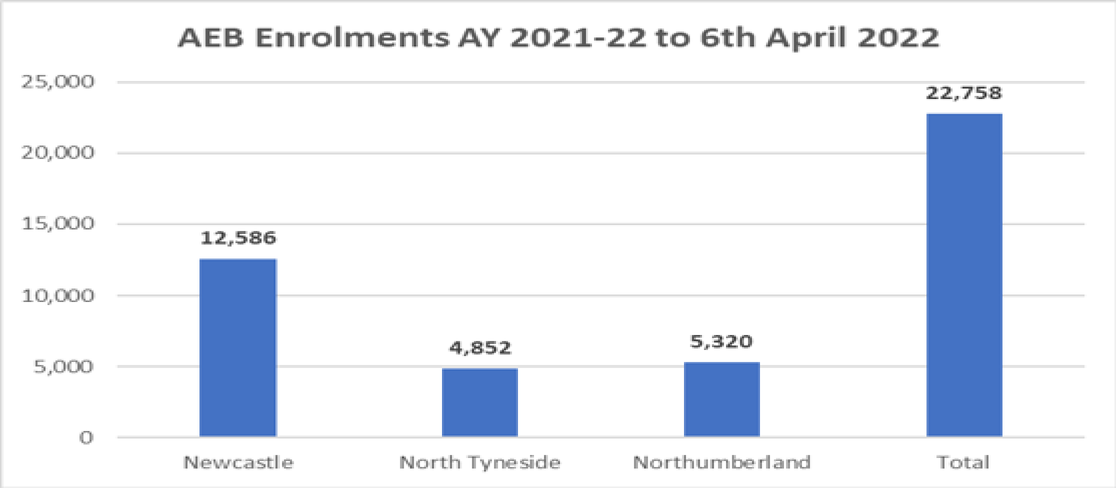
Contracted projects will remediate 25.28 hectares of Brownfield land which will be either reclaimed, re-developed, or resembled.

Adult Education Budget

Non-financial Performance

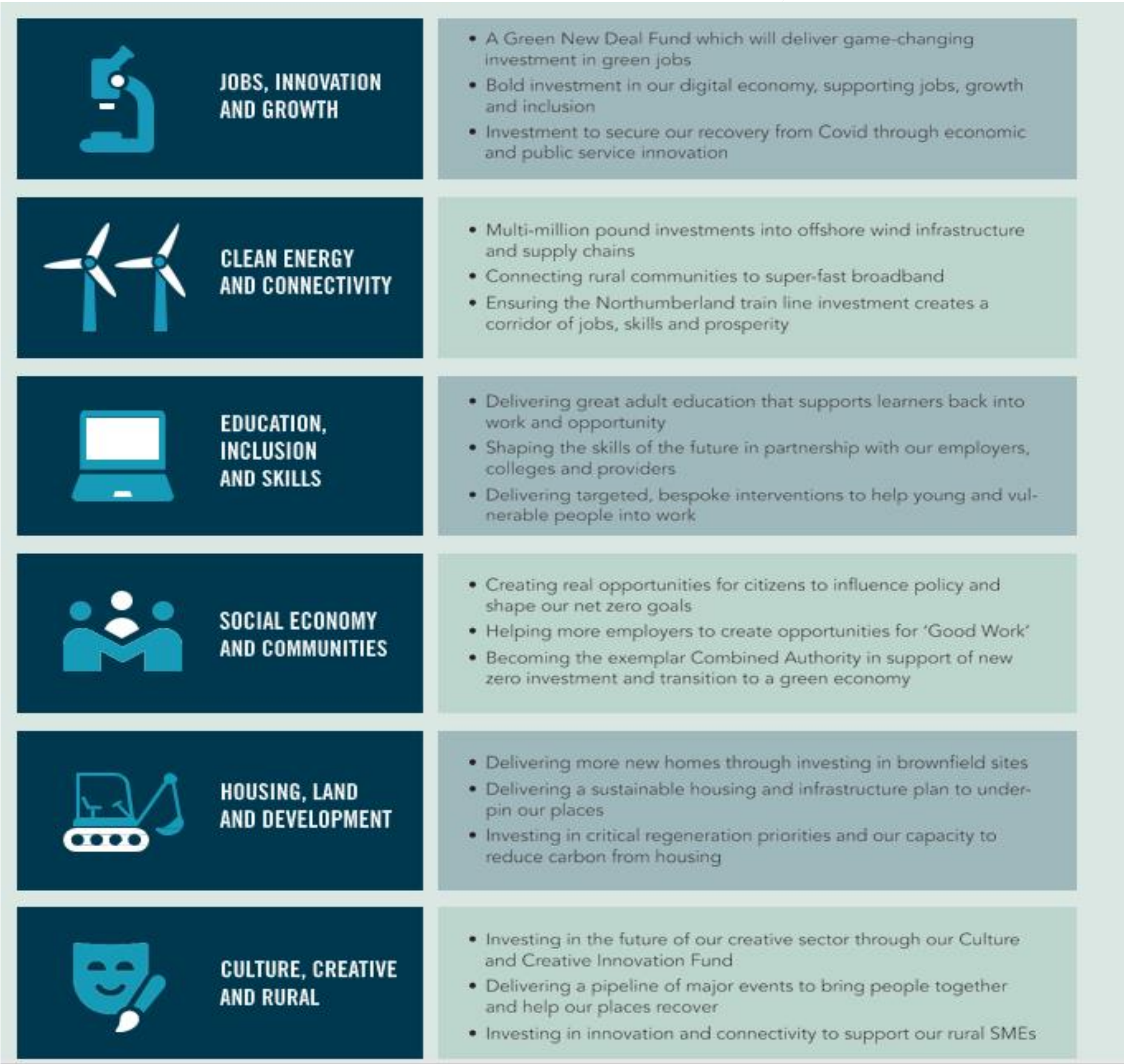
From 1 August 2021 to 31 March 2022, over 22,758 enrolment opportunities have been delivered or are being undertaken, an increase of 2,700 enrolment opportunities on the previous year.

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.



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.

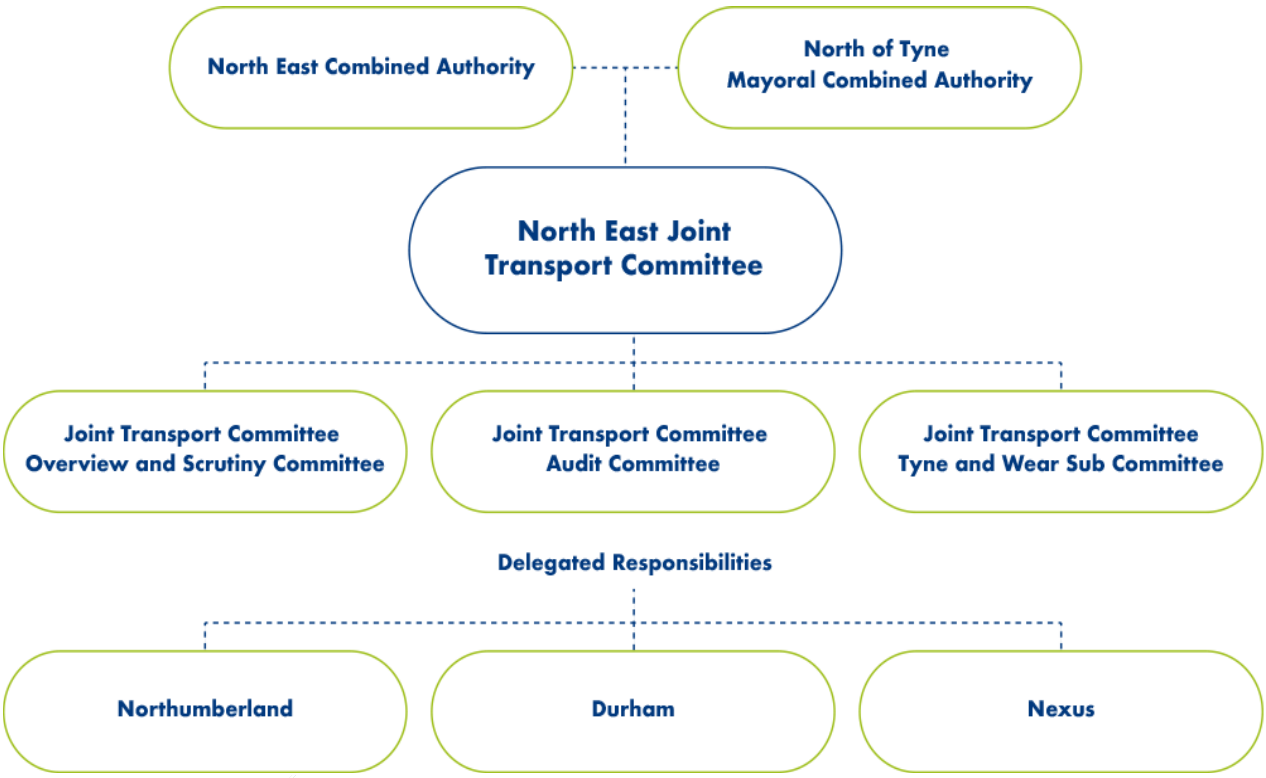
Table 11: Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	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)

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NORTH OF TYNE COMBINED AUTHORITY

Audit and Standards Committee

19 September 2023

Subject: Risk Management Policy and Strategy
Report of: Risk Advisor to North of Tyne Combined Authority (NTCA)

Report Summary

The aim of the report is to present the NTCA Risk Management Policy and Strategy.

In line with the regular review of the Authority's Risk Management Policy and Strategy, the documents have been reviewed to ensure they continue to support NTCA's approach to the identification and management of risks and opportunities.

NTCA's approach to the management of risks and opportunities continues to be delivered as outlined in the documents and therefore both documents remain relatively unchanged.

The Risk Management Policy and Strategy is attached at Appendix A

Recommendations

The Audit and Standards Committee is recommended to:

1. Endorse the 2023/24 Risk Management Policy and Strategy

1. Background Information, Proposals and Timetable for Implementation

In line with the annual review of the Council's Risk Management Policy and Strategy both documents have been reviewed and are attached for approval at Appendix A.

2. Risk Management Policy and Strategy

2.1 In line with the regular review of the Authority's Risk Management Policy and Strategy, the documents have been reviewed to ensure they continue to support NTCA's approach to the identification and management of risks and opportunities.

NTCA's approach to the management of risks and opportunities continues to be delivered as outlined in the documents and therefore both documents remain relatively unchanged.

The Risk Management Policy and Strategy is attached at Appendix A

6. Potential Impact on Objectives

6.1 The Risk Management Policy and Strategy will not impact directly on the objectives of NTCA, however the approach to strategic risk management will support delivery of its aims and ambitions by providing the framework to the management of the biggest threats and putting plans in place to manage them.

7. Key Risks

7.1 There are no direct risk management implications from this report.

8. Financial and Other Resources Implications

8.1 There are no direct financial implications arising from this report.

9. Legal Implications

9.1 There are no legal implications arising specifically from this report.

10. Equalities Implications

10.1 There are no direct equality and diversity implications arising from this report

11. Inclusive Economy Implications

11.1 There are no direct inclusive economy implications arising out of the recommendations in this report

12. Climate Change Implications

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

13. Consultation and Engagement

13.1 The Chief Executive, Monitoring Officer, Chief Finance Officer and NTCA Senior Management Team have been consulted on the updated Risk Management Policy and Strategy.

14. Appendices

14.1 Appendix A – Risk Management Policy and Strategy.

15. Background Papers

15.1 None.

16. Contact Officers

16.1 Philip Slater – Chief Internal Auditor – Newcastle City Council. (Acting as Risk Advisor to NTCA)

E-mail: Philip.slater@newcastle.gov.uk

Telephone – 0191 2116511

18. Sign-off

1) Chief Executive: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes

Appendix A

Risk and Opportunity Management Policy Statement

Policy Statement:
We are the North of Tyne Combined Authority – A strong cross-party, cross-regional collaboration led by a Mayor and Cabinet working hard to create inclusive, sustainable growth through devolution.

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

We work in partnership - We create connections between programmes and projects, and we are inclusive. Devolution has given us the chance to make our own decisions about our own future, so we are targeting investment where we know we need it most, making a strong connection between economic growth and providing people with the skills, education and confidence to benefit from every opportunity.

The organisation has evolved since it was first established, with the number of its partnerships increasing significantly. Therefore, it is recognised that the identification and management of risks must be inclusive, encouraging dialogue with a range of our partners and stakeholders as they play a big part in our delivery plans.

This collaborative approach to exploring risks and opportunities with our partners will ensure we are focussed on the partnership working and opportunities which when managed effectively will produce better outcomes for our citizens, recognising the challenges they face.

Together with a Cabinet drawn from the constituent local authorities and Elected Mayor, we will work together to identify and communicate the risks and opportunities that could impact upon the Authority’s strategic priorities.

Our risk processes make clear our ability to tolerate risk or enhance opportunities by considering how they could enable or prevent us delivering our strategic plan or affect our finances and our reputation.

To ensure accountability, integrity and transparency, risk will form an integral part of our decision making, management and improvement at all levels of NTCA activities.

Principles:
- NTCA will have an effective risk management system in place which delivers outcomes and provides value for money
- Risk and Opportunity Management is an integral part of our decision-making processes
- Officers will ensure that risks and opportunities are identified, which underpin successful delivery of their plans and objectives, are supported by robust and measurable mitigation plans that include specific actions and clear ownership
- Officers will make decisions collectively to ensure the correct activities are identified and implemented to mitigate risks and where appropriate develop contingency plans
- Officers will have agreed, clear roles and responsibilities demanding personal accountability for the management, communication, reporting and escalation of risks
- All Officers will embrace and encourage a culture that is open, honest and encourages transparent risk reporting and escalation. It will support well-judged

decisions about risks and opportunities, enabling innovation to be handled with confidence

- We will promote an environment where effective communication, management of interdependencies and professional relationships with internal/external partners is maintained to ensure risk management achieves results

Risk and Opportunity Management Strategy 2022/23 – 2023/24

1. Strategy Statement

Risk Management is defined as:
'The planned and systematic approach used to identify, evaluate and manage the whole range of risks and opportunities facing the Authority.

The Authority's Risk Management Strategy is to:
"Strengthen the existing partnership arrangements with our stakeholders, partners and delivery agencies, responding to threats and manage significant sources of uncertainty to achieve our ambitions for a more inclusive economy - that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities - ensuring that all residents have a stake in our region's future".

2. Why do we manage Risk and Opportunities?

Risk Management is an effective way of ensuring risk exposure is kept to an acceptable level in a cost-effective way and opportunities are identified and promoted.

It is a combination of attitudes, behaviours and activities which together form an environment in which risk considerations are part of business as usual.

The shared understanding and communication of risk information will lead to informed decision making, which will lead to fewer unanticipated problems and crises for the Authority.

By managing risks and opportunities effectively the Authority is in a stronger position to access more devolved powers and resources from government in the future, to improve the economic outcomes for the region.

3. Roles

The Combined Authority's Audit and Standards Committee, is an important source of assurance regarding the Authority's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance issues.

Newcastle City Council will support the NTCA Chief Executive in their role as ultimate risk owner and their Senior Management Team, who on behalf of Cabinet and the Mayor own the risk management process. We will also support the Audit and Standards Committee and Monitoring Officer to effectively discharge their risk duties, to facilitate and coordinate the identification, reporting and escalation of risks, which may impact upon the decision making of Cabinet and ultimately the successfully delivery of the Authority's strategic plans. (Escalation template at Appendix C).

4. Objectives

The Risk and Opportunity Management Strategy describes the approach to the identification and management of risks and opportunities and its objectives are to:

- Ensure risk management is clearly and consistently integrated and evidenced in the culture of the Authority

- Communicate and share risk information
- Ensure cost effective controls are in place which respond to the changing environment in which the Authority operates
- Ensure losses, penalties and fraud are minimised
- Ensure opportunities are identified and managed alongside risks
- Inform policy and operational decision making by identifying potential risk and impact
- Ensure risk is managed in accordance with best practice

These objectives will be achieved by:

- Clearly defining individual accountabilities, responsibilities and reporting lines within the Authority for risk and opportunity management
- Including risk management issues when writing reports and considering decisions
- Developing a clear and consistent approach to support the communication and escalation of risks
- The Senior Management Team providing leadership and support on risk and opportunity management
- Maintaining a register of strategic risks and opportunities linked to the Authority's strategic plans
- Monitor arrangements continually and seek continuous improvement

5. Our Approach

The NTCA is committed to considering the risks inherent in all its activities. The scope of risks and the process for escalation shall also be clear. There will be continued collaboration with stakeholders and the wide range of partners including education institutions, businesses and voluntary sector partners, to ensure Cabinet has an awareness of the most significant risks to support their decision making and to ensure successful delivery of the strategic plans for the region.

The risk management process, which is summarised in Appendix A, enables those involved to systematically assess what may affect their ability to achieve objectives through a continuous 4 stage process of risk identification, analysis, control and monitoring. The Risk Analysis Toolkit at Appendix B will assist in the analysis of the risk to determine the risk priority (RAG).

6. Delivery of Risk Management

NTCA Senior Management Team are responsible for overseeing the risk management process. The most significant risks and opportunities will be communicated to Audit and Standards Committee for information or decision making.

Newcastle City Council's Chief Internal Auditor (Risk Advisor to NTCA) will report strategic risks and opportunities to the NTCA Audit and Standards Committee, on a quarterly cycle alongside performance and financial information (Reporting template at Appendix D).

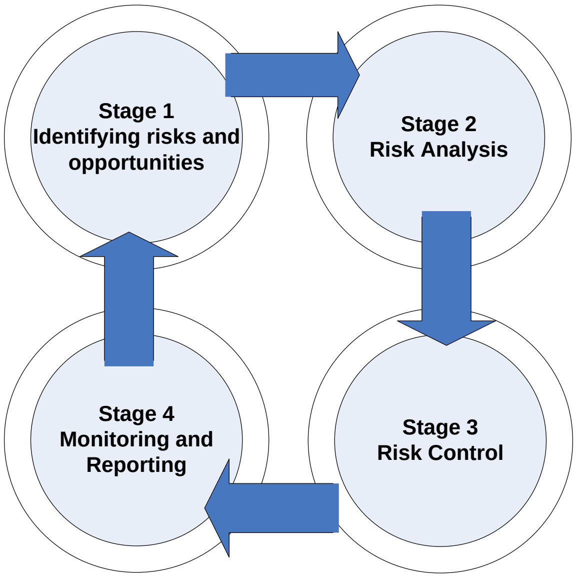
7. Review of the Risk Management Policy and Strategy

The Policy and Strategy will be reviewed annually by the Senior Management Team and Audit and Standards Committee.

Appendix A of Risk & Opportunity Management Strategy

Risk & Opportunity Management at a Glance

Risks and opportunity cycle



Stage 1 – identifying risks & opportunities

- Identify risks and opportunities to the achievement of strategic and/or business delivery aims, objectives, targets, governance and regulatory requirements
- Risk descriptions to consider cause(s) and impact(s)
- Risks assigned to a named owner
- Risks linked to corporate plan cross cutting themes

Stage 2 – Risk & Opportunity analysis

- Consider issues to be aware of and potential impact
- Consider existing controls and mitigation plans
- Consistent scoring system
- Quantify risk – consider priority (RAG)

Stage 3 – Risk & Opportunity control

- Consider most appropriate response to risk (Treat, Tolerate, Transfer, Terminate, or Take opportunity)
- Identify additional mitigation plans
- Evaluate mitigation plans and consider target/review date
- Risk register

Stage 4 – Monitoring and reporting

- Regular review of risks & opportunities
- Identification of new risks & opportunities
- Monitoring of mitigation plans
- Updating of risk & opportunity registers
- Information sharing to inform decision making
- Escalation/de-escalation

Risk Management Toolkit

Appendix B of Risk and Opportunity Management Strategy

Action plans must be developed for Red and Amber risks

Determine the risk priority

Likelihood \ Impact	Insignificant	Minor	Significant	Critical
High (4)	4	8	12	16
Medium (3)	3	6	9	12
Low (2)	2	4	6	8
Negligible (1)	1	2	3	4

Assess the likelihood of the risk occurring

High (4)	Risk will almost certainly occur or is occurring at present
Medium (3)	Risk is likely to occur in most circumstances
Low (2)	Risk may occur
Negligible (1)	Risk is unlikely to occur

Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper	• Over half the objectives/programmes affected • More than one critical objective affected • Partners do not commit to the Shared vision	• Significant change in partner services • Relationship breakdown between major partners and stakeholders • Serious impact on delivery of objectives • Unplanned major re-prioritisation of resources and/or services in partner organisations • Failure of a delivery programme/major project	• Inability to secure or loss of significant funding opportunity(£5m) • Significant financial loss in one or more partners (£2m) • Significant adverse impact on budgets (£3m – Transport; £0.2m Central Budget)	• Adverse national media attention • External criticism (press) • Significant change in confidence or satisfaction of stakeholders • Significant loss of community confidence
Significant	• One or more objectives/programmes affected • One or more partners do not committee to shared vision • Significant environmental impact	• Partner unable to committee to joint arrangements • Recoverable impact on delivery of objectives • Major project failure	• Prosecution • Change in notable funding or loss of major funding opportunity (£2m) • Notable change in a Partners contribution • Notable adverse impact on budget (£0.5m-£1.5m Transport budgets)	• Notable external criticism • Notable change in confidence or satisfaction • Internal dispute between partners • Adverse national/regional media attention • Lack of partner consultation • Significant change in community confidence
Minor	• Less than 2 priority outcomes adversely affected • Isolated serious injury/ill health • Minor environmental impact	• Threatened loss of partner's commitment	• Minor financial loss in more than one partner • Some/loss of funding or funding opportunity threatened	• Failure to reach agreement with individual partner • Change in confidence or satisfaction • Minor change in community confidence
Insignifica	• Minor effect on priorities/service objectives • Isolated minor injury/ill health • No environmental impact		• Isolated/minor financial impact in a partner organisation Financial limits are to be reviewed	

Appendix C

<u>Risk Escalation/Communication Template</u>

a) Risk Owner	**a**)
b) Origin of risk (Programme/Project/Partner organisation etc)	**b)**

Risk Description	**RAG Score**

Controls in place (and working well)
•   •

Summary of why risk has been escalated and areas requiring attention by SMT/Audit and Standards Committee/Cabinet

SMT/Audit & Standards Committee/Cabinet decisions/next steps	**Action Owner**	**Timescale**

Appendix D

Risk/Opportunity Reporting Templates

This will form a separate appendix in the NTCA Audit & Standards Risk Report.

A	**Internal/External Risks**						
1. Cross-Cutting Themes (Net Zero Transition/Inclusive Economy/ Innovation In Recovery							
Aim							
Risk							
Risk Owner		**Risk Priority**	**Static/Improving/Deteriorating**	**Previous RAG**		**Current RAG**	
Reason for change/current RAG rating: N/A							

Issues to be aware of & potential impact	**Existing Controls & Mitigation Plans**	**Additional Mitigation Plans**	**Review date**
	•	•	
	•	•	

B	**Internal/External Opportunity**						
Aim							
Opportunity							
Opportunity Owner(s)		**Opportunity Priority**	Static/Improving/Deteriorating	**Previous RAG**		**Current RAG**	
Reason for change/current RAG rating:							

Benefits	
a) b)	

Barriers
•

Strategies to enhance the opportunity	**Action Taken**	**Review date**
a)		

b)		

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NORTH OF TYNE COMBINED AUTHORITY

Audit and Standards Committee

19 September 2023

Subject: **Internal Audit - Second Quarter Update on 2023/34 Audit Plan**

Report of: **Richard Dunlop, Interim Chief Internal Auditor**

Report Summary

The Work Programme for the Audit and Standards Committee was approved at its meeting on 25 April 2023. The programme includes quarterly updates from Internal Audit at each of the four scheduled meetings during the year. This report provides Audit and Standards Committee with the second quarterly progress update against the 2023/24 Audit Plan. The four quarterly reports will be used as a basis of the Chief Internal Auditor's Annual Opinion on the Framework of Governance, Risk Management and Control (2023/24). The 2022/23 Audit Plan was completed and reported to Audit and Standards Committee on 4 July 2023.

Recommendations

The Audit and Standards Committee is recommended to consider and note Internal Audit's report.

1. Background Information, Proposals and Timetable for Implementation

1.1 The 2023/24 Internal Audit Plan approved by Audit and Standards Committee on 25 April 2023 set out a number of assignments selected on a risk-based approach. The Plan also included programme assurance work and a contingency for advice & guidance. A summary of each of these areas of internal audit's work programme is provided below. In the context of the resources available to the Authority, Internal Audit seek to spread the audits during the year and spread the workload of the Authority officers.

Summary and Indicative Timetable of all work items in the 2023/24 Audit Plan

Audit Assignment	Status	Opinion
Net Zero Transition	Draft Issued	N/A
Information Governance	Commenced	N/A
Risk Management	Q3	N/A
Key Financial Systems – Creditors Purchasing & Payments	Q3/Q4	N/A
Key Financial Systems – Payroll	Q3/Q4	N/A
Key Financial Systems – Budget Monitoring and Reporting	Q3/Q4	N/A
Other Areas of Work		**Status**
Performance Management – Programme Assurance		Complete
Adult Education Budget Steering Group – Programme Assurance		Ongoing
Transition to new North-East Mayoral Combined Authority (NEMCA)		Commenced

Work In Progress

Area of Review	Description of Assignment and Current Status
Evidence Checking of Recommendations (Corporate and Cross Cutting)	In accordance with Internal Audit's established processes, evidence checking is undertaken in relation to the implementation of medium and high priority recommendations that have passed their agreed implementation date. Internal Audit are currently in the process of following up and checking on the progress of three medium priority recommendations.
Net Zero Transition (Governance Review)	Audit Objective: to review the plans in place to deliver the Authority's Net Zero Transition priorities, to assess the extent to which planned actions will support achievement of the Authority's objectives in this area. A draft report has been issued to clients for consideration.
Information Governance (Governance Review)	Audit Objective: to determine whether the information governance framework is satisfactory and enables the Authority to comply with all relevant data protection legislation.
Adult Education Budget (AEB) Steering Group (Advice and Programme Assurance)	One aspect of Internal Audit's work is to periodically attend the AEB steering group and provide support in a programme assurance capacity. Recent work has included advice and guidance on payment processes to improve management information for funding body assurance returns.
Transition to new North-East Mayoral Combined Authority (Advice and Programme Assurance)	Work in this area will primarily be focussed on providing assurance over business as usual (BAU) activity as the NTCA transitions to the new NEMCA. Initial information has been provided and Internal Audit are currently working through it.

2. Potential Impact on Objectives

2.1 The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives and priorities.

3. Key Risks

3.1 Internal Audit coverage is based on an assessment of audit risk, both that inherent in organisational service delivery and also those risks and opportunities associated with the North of Tyne Combined Authority's main aims. As such, Internal Audit is a key strand in the governance arrangements of the North of Tyne Combined Authority and an integral tool in managing risk.

4. Financial and Other Resources Implications

4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

5. Legal Implications

5.1 The Cities and Local Government Devolution Act 2016 established that Combined Authorities must arrange for the appointment of an Audit Committee and sets out the functions of the Audit Committee. This includes reviewing and assessing the authority's risk management, internal control and corporate governance arrangements.

5.2 The Accounts and Audit Regulations 2015, as amended, are a statutory instrument and require the Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

5.3 The Public Sector Internal Audit Standards and related Local Government Application Note establish the professional standards Internal Audit must apply when planning the use of its resources. This report and the Internal Audit Strategic Plan 2022/23 have been prepared in accordance with both the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

6. Equalities and Implications

6.1 There are no direct equalities implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

7. Inclusive Economy Implications

7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability.

8. Climate Change Implications

8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful that the NTCA and the three constituent Local Authorities have each declared a Climate Emergency.

9. Consultation and Engagement

9.1 The Chief Executive, Chief Finance Officer and Director of Policy and Performance were consulted in preparation of Internal Audit's 2023/24 audit coverage.

10. Appendices

There are no appendices.

11. Background Papers

(a) Internal Audit Strategic Audit Plan 2023/24
(b) Cities and Local Government Devolution Act 2016
(c) Accounts and Audit Regulations 2015
(d) Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017
(e) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019

12. Contact Officers

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Marc Oldham, Acting Group Assurance Manager
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0191 6435711

13. Glossary

Abbreviation	Description
N/A	N/A

14. Sign-off

1) Chief Executive: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes