

## **Audit and Standards Committee**

Tuesday 19 September 2023 at 10.00 am

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

[www.northoftyne-ca.gov.uk](http://www.northoftyne-ca.gov.uk)

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## **PRESENTATIONS AT THE MEETING**

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# **NTCA 2021/22 Draft Statement of Accounts**



# Overview of Accounts

- Legislative & accounting requirements
- Background to the delay in the Audit of the 2021/22 Accounts
- Changes to the 2021/22 Statement of Accounts
- Pension Fund - Unusable Reserves

# Legislative and Accounting Requirements

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

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

# Background to delay in the Audit of the 2021/22 Statement of Accounts

- Audit and Standards January 2022 – 2020/21 accounts being presented for approval, then to January Cabinet
- Audit substantially complete – anticipated unqualified opinion to be issued
- Delegation given for Chief Finance Officer in consultation with the Mayor and Managing Director to agree to any final amendments or changes after Cabinet meeting to approve the 2020/21 accounts
- Technical issue raised nationally in February 2022 which impacted on Authorities which had material infrastructure assets – this included North of Tyne Combined Authority (NTCA) as part of the Joint Transport Committee (JTC) in relation to the Tyne Tunnel.
- This prevented the 2020/21 audit opinion being issued.
- April 2023 – Pension Fund issue arose with more up to date information being available from the triennial revaluation of the Tyne and Wear Pension Fund as at 31 March 2022

# Changes to the 2021/22 Statement of Accounts

## Infrastructure Assets

- 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.

# Property, plant and equipment excluding Highways Infrastructure Assets

(Note 13 page 22 of the Accounts)

**2021/22**

**Cost or Valuation**

At 1 April 2021

Additions

Reclassification

Impairment recognised in the Surplus/Deficit on the Provision of Services

Other adjustments

**At 31 March 2022**

**Accumulated Depreciation & Impairments**

At 1 April 2021

Depreciation charge

**At 31 March 2022**

**Net Book Value**

At 1 April 2021

**At 31 March 2022**

Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
2,298	542	2,840	-
-	144	144	-
62	(62)	-	-
-	-	-	-
-	-	-	-
<b>2,360</b>	<b>624</b>	<b>2,984</b>	-
(728)	-	(728)	-
(135)	-	(135)	-
<b>(863)</b>	-	<b>(863)</b>	-
1,570	542	2,112	-
<b>1,497</b>	<b>624</b>	<b>2,121</b>	-



## Additional note to Property Plant and Equipment Highways Infrastructure Assets (Note 13a page 24 of the Accounts)

	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		
<b>At 31 March</b>	<b>151,022</b>	<b>150,123</b>

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

# Changes to the 2021/22 Statement of Accounts

## Pension Fund – Net Defined Liability

- 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 North of Tyne CA 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 agreed was that:

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- 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.
- NTCA obtained updated IAS19 valuation reports and embedded the changes to the updated pension figures through the 2021/22 NTCA Statement of Accounts including the Group Accounts.

# Changes to the 2021/22 Statement of Accounts

- The change in figures on the pension fund as a result of taking account of the 31 March 2022 Triennial Review is reflected in the accounts in the following statements and notes:

Statement/Note in the Statement of Account	2021/22 Pre - Triennial Review	2021/22 Post Triennial Review
	£m	£m
Movement in Reserves Statement (MIRS)	0.862	0.862
Consolidated Income and Expenditure (CIES)	2.369	2.723
Balance Sheet	4.387	4.033
Note 21. Defined Benefits Pension Scheme	4.387	4.033
Note 24. Unusable Reserves Pension Reserve	4.387	4.033

# Changes to the 2021/22 Statement of Accounts

## Pension Fund – Net Defined Liability

- The movement shown on the Consolidated Income and Expenditure, Balance Sheet which was informed from the Note 21 Net Defined Pension Scheme and Note 24 Unusable Pension Reserve as a result of the 31 March 2022 triennial valuation changes was £0.354m reduction in deficit position.
- 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.

# Pension Reserve – Unusable Reserves

- The Pension Reserve sits within Unusable Reserves within the Statement of Accounts. Unusable reserves are those reserves that cannot be used to fund expenditure and are used to hold technical accounting balances that are required in order to comply with the CIPFA Accounting Code of Practice.
- Useable Reserves by contrast are reserves that can be used to fund expenditure.

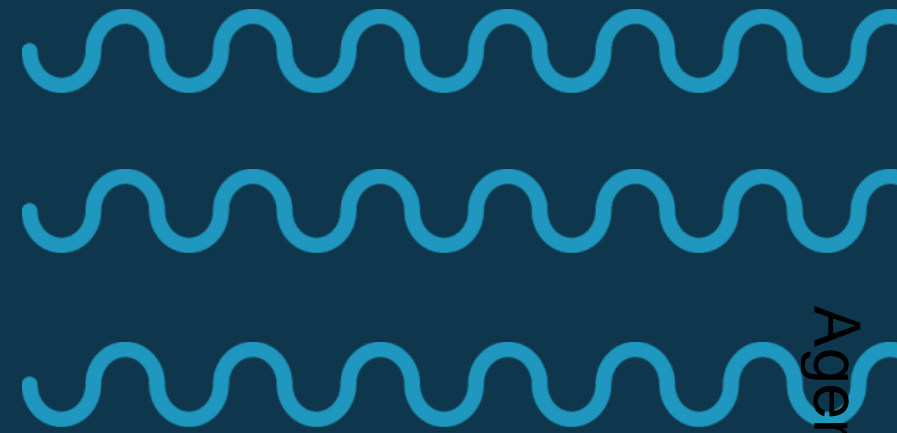
Questions?

# Devolution Update



Audit and Standards Committee 19 September 2023

George Mansbridge



# Building on previous discussions at Committee.

## Presentation by Director of Finance – 25<sup>th</sup> April 2023

1. Focus on Governance and Role of the Combined Authority Steering Group (CASG).
2. Set out inter-relationship between:
  - Operational Transition
  - Portfolio Development
  - Early Priorities
3. Highlighted people leading this work through the Operational Transition Board.
4. Provided an update on the latest position regarding the NELEP Review and Transition.
5. Described early thinking on Portfolio Development.

**This presentation builds on this and concentrates on the seven Portfolio areas set out in the Devolution Deal.**

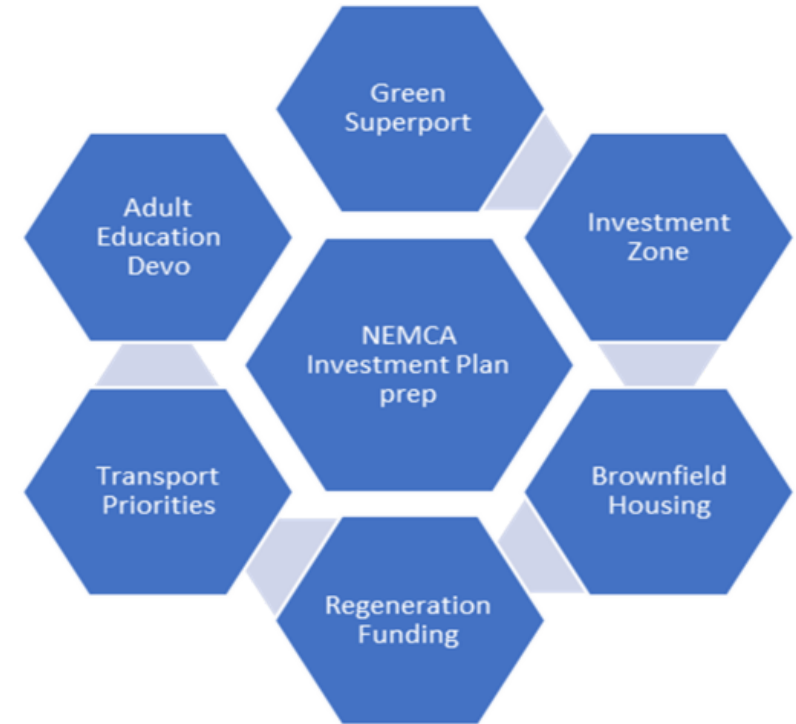
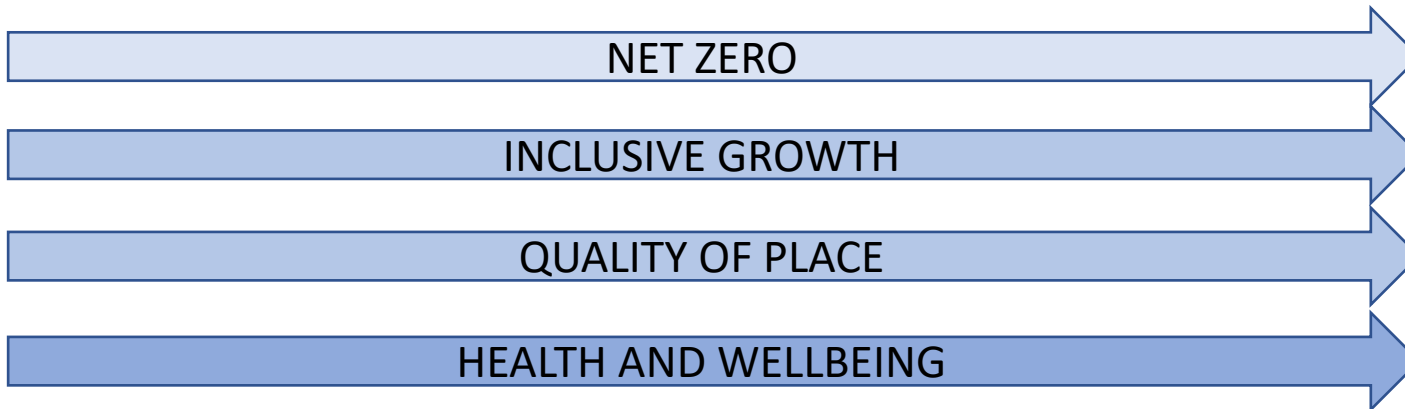
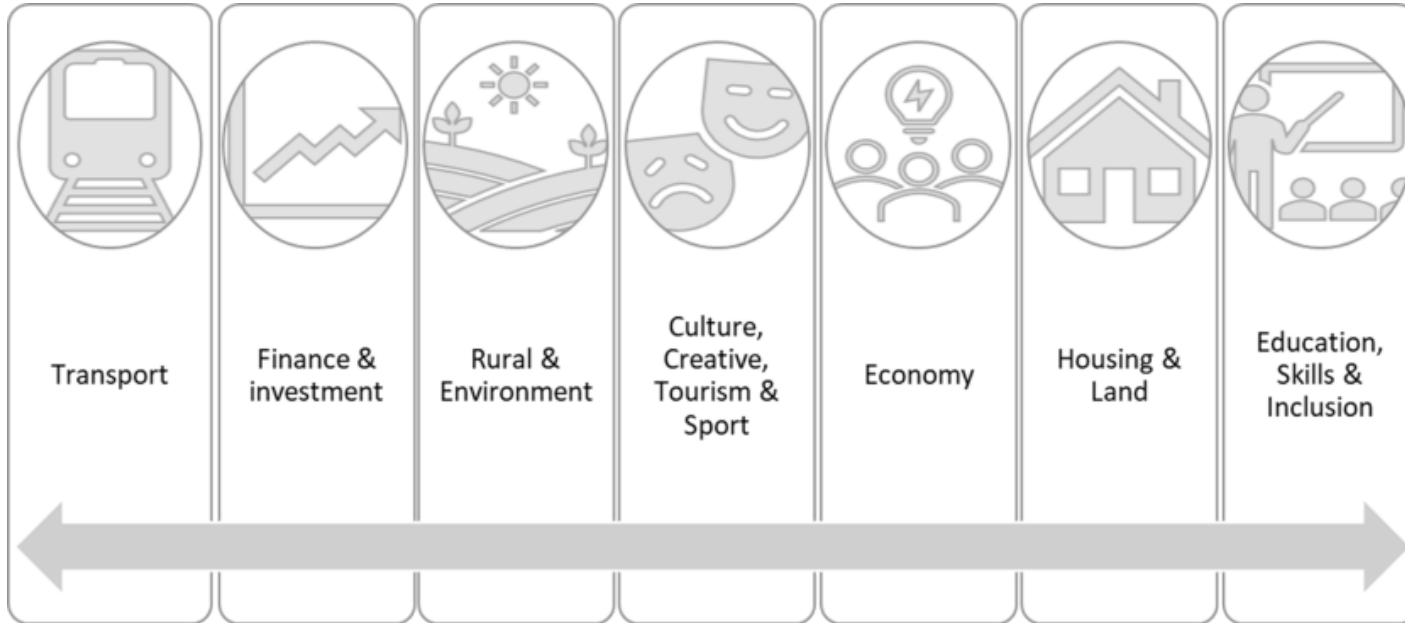


# NEMCA – Reminder of Breadth and Scope of the Deal.

Transport	a c£900m initial package of strategic investment in bus, metro, active travel and infra with full powers to oversee integrated transport and better connectivity for our communities and businesses.
Economy & Investment Fund	a scaled up fund underpinned by an investment plan driving inclusive economic growth, net zero and addressing inequalities – (£48m/year) – with substantial leverage effect.
Skills, Education & Inclusion	scaling up devolved skills package (over £64m/year), strong collaboration around education and continuing focus on inclusion, careers & employability by scaling up current progress – plus early wins on Skills Bootcamps.
Housing, Land & Digital Infrastructure	full housing powers & expansion of brownfield funding (over £60m) to support place-based regen and get more sustainable housing & digital infrastructure built – all in collaboration with local authorities.
Clean Energy & Net Zero	measures to unlock potential and increased investment in our major industries, businesses and infra to support clean energy & net zero transition.
Rural Economy & Sustainability	clear focus on rural growth and stewardship, including a specific rural investment plan and focus on food security, biodiversity and nature gain.
Culture, Tourism and Place	scale-up of cross-regional activity and endorsement of major NE opportunities – eg Screen partnership, Quays, sport, major events, strong cultural partnership with DCMS and build on outcomes of the Destination Management Organisation review.
Business Growth & Inward Investment	provisions to join-up regional assets to strengthen investment potential.
Health & Public Service Reform	including measures to drive innovation in prevention, healthy housing, social care collaboration, Future Public Services Commission and Prevention Fund.
Trailblazer Negotiations and Future Funding	allowing us to ‘fast track’ the new CA into further powers and investment... and maximise future funding to the region.

# Portfolio Plans

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# Transport Portfolio

- Building on the work of Transport North East and the Joint Transport Committee through ongoing, wide-ranging collaboration.
- Continuing work on the City Region Sustainable Transport Fund, Bus Services Improvement Plan and Electric Vehicle Infrastructure Roll Out.
- Ambition is for a transformational uplift in the quality of the North East transport network particularly metro and bus services.
- Publish a refreshed Regional Transport Plan that actively supports NEMCA's vision and priorities.



# Finance and investment Portfolio

- Publish a clear Investment Strategy that enables targeted public and private sector investment in the region.
- Ensure the region increasingly (and proactively) attracts the right investment through effective inward investment practice and incentives.
- Ensure that all our places see the benefits of the NEMCA in terms of investment in key strategic regional and local inclusive growth priorities.
- Establish a robust framework for monitoring, evaluating and reviewing the effectiveness of NEMCA strategies, policies and practices.

# Rural and Environment Portfolio

- Placing rural growth at the heart of the regional economic strategy.
- Establishing effective investment models to deliver transformational change in the North East's natural capital and economy.
- Develop plans for tackling, head-on, the specific social, environmental and economic challenges of our coastal areas and communities, increasing urban-rural-coastal connectivity.
- Establish a blueprint for collaboration along the North East corridor connecting Scotland and England building on the Borderlands initiative.

# Culture, Creative, Tourism and Sport Portfolio

- Economic growth through investment in the regions distinctive cultural assets that has positive impacts across all our areas.
- Leading the UK for promoting physical activity through sport and in turn, improving health and wellbeing.
- The North East is established as a key location for screen and film productions and has the commercial, skills and locational assets to sustain this.
- Establishing a region-wide Destination Development Partnership to market the whole North East and promote tourism and the visitor economy.

# Economy Portfolio

- Develop an Industrial Strategy for the North East that sets out a clear evidence-based pathway to delivering the economic growth we want to support new and existing businesses.
- Establish a detailed evidence and insight hub that feeds into and informs NEMCA decision making and strategic policy.
- Develop cross-cutting policy and influencing positions to support the regional economic priorities and strategy of the Mayoral Combined Authority.
- Develop an Innovation Strategy that promotes entrepreneurship, builds R&D capacity and allows for a just economic transition.

# Housing and Land Portfolio

- Accelerating the delivery of new homes including strategic sites and affordable housing.
- Utilising our powers and finance to unlock Housing-led investment including brownfield land remediation.
- Driving place based economic regeneration.
- Taking a collaborative approach to infrastructure investment and place shaping.
- Investing in our High streets, town, and city centres.
- Publishing a North East Housing Strategy drawing from the region's evidence base, including setting out our collective efforts to reduce homelessness, de-carbonising our housing stock and tackle poor quality private rented homes.



# Education, Skills and Inclusion Portfolio

- A joined up education, skills and employment system linked to the current and future opportunities being created in our region.
- A collaborative programme of work shaped by a deep understanding of, and commitment to addressing economic inequalities and poverty.
- All children and young people have equitable opportunities to realise their potential and be part of the region's future success.
- A wellbeing economy approach that embeds inclusion and sustainability into all combined authority decisions.
- Building a bold and agile skills programme that drives improved productivity and inclusive economic growth.

# Next Steps – From Ambition to Action

## From Portfolio Plans to NEMCA Corporate Plan

- Detailed portfolio plans being developed that identify key actions, milestones and dependencies.
- Work ongoing to build on links between portfolios and ensure that are not developed in silos.

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The Vision of NEMCA – what success looks like?

- Linked to the development of a Draft NEMCA Medium Term Financial Plan and Corporate Plan.



**ANY  
QUESTIONS?**

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