NORTH OF TYNE COMBINED AUTHORITY

Cabinet

Tuesday, 19 July 2022 at 2.00 pm

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

Notice to the public: This meeting will be streamed live on YouTube at https://youtu.be/zIH5OuuiERs and we encourage you to watch online.

www.northoftyne-ca.gov.uk

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

   Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be submitted to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

   Note: Members of Cabinet have been granted dispensations so that they may participate in decisions which relate to the constituent authority which appointed them.

3. **Any announcements from the Mayor and/or the Chief Executive**

4. **Minutes of the Previous Meeting** **1 - 8**

Tuesday, 20 September 2022 at 2pm.

Contact Officer: Victoria Miller
Tel: 0191 211 5118
Email: Victoria.Miller@northoftyne-ca.gov.uk

Newcastle City Council

North Tyneside Council

Northumberland County Council

NORTH OF TYNE COMBINED AUTHORITY

Cabinet (Annual Meeting)

7 June 2022

(2.07 - 2.58 pm)

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

Minutes

Present:

Chair: Mayor J Driscoll

Councillors A Hay, C Johnson, N Kemp, G Sanderson and R Wearmouth, Mayor N Redfearn and Ms L Winskell.

Also: Mr R Fry (Observer)

1 **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor K Kilgour.

2 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3 **ANY ANNOUNCEMENTS FROM THE MAYOR AND/OR THE MANAGING DIRECTOR**

The Mayor opened the meeting and introductions were made. A particular welcome was extended to the new members: Councillors N Kemp and A Hay.

4 **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 22 March 2022 were approved as a correct record and signed by the Chair.

5 CABINET MEMBERSHIP, APPOINTMENTS TO COMMITTEES AND OTHER BODIES AND PROGRAMME OF MEETINGS

Submitted: A report of the Monitoring Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report, which invited it to note its membership and confirm the proposed appointments to the NTCA committees and other bodies, for the municipal year 2022-2023.

RESOLVED – That, for the purpose of the municipal year 2022-2023:

i. the Cabinet membership set out at Appendix 1(a) of the report be noted; and the Cabinet noted that the Mayor had appointed Mayor Norma Redfearn as Deputy Mayor;

ii. the allocation of Cabinet portfolios set out at Appendix 1(b) of the report be noted; and the schedule of meetings for the municipal year 2022/23 set out at Appendix 2 of the report be noted;

iii. the membership of the Overview and Scrutiny Committee, the Audit and Standards Committee, the Housing and Land Board and the Inclusive Economy Board as set out in Appendix 3 of the report be agreed;

iv. the appointment of Chair of the Overview and Scrutiny Committee be delegated to the Overview and Scrutiny Committee;

v. the appointment of members and substitute members to the Joint Transport Committee and its Tyne and Wear Sub-committee as set out in paragraphs 1.5.1 and 1.5.2 of the report be agreed;

vi. the appointment of members and substitute members to the board of Transport for the North (TfN) and TfN's Overview and Scrutiny Committee as set out in paragraphs 1.6.1 and 1.6.2 of the report be agreed;

vii. the appointment of the NTCA members to the North East Local Enterprise Partnership boards and panels as set out in in paragraph 1.7.1 of the report be agreed;

viii. Mr Robin Fry be appointed as Mayoral Ambassador for the Voluntary, Community and Social Enterprise (VCSE) sector for the municipal year 2022/23 as set out in paragraph 1.8 of the report;

ix. the creation of the NTCA Strategic Partnership Group be agreed; and delegated to the Managing Director, in consultation with the Mayor, the final agreement of its terms of reference and membership as set out in paragraph 1.9 of the report.

6 **NTCA CORPORATE PLAN**

Submitted: A report of the Managing Director (previously circulated and copy attached to Official Minutes).

The Cabinet considered the NTCA's updated Corporate Plan for the municipal year 2022-2023 municipal year, which built on the progress made against the priorities set out in the earlier issue of the Plan. The Mayor introduced the report.

A short video was played at the meeting to illustrate the breadth of the NTCA activities.

The Managing Director delivered a presentation, providing an overview of the updated Corporate Plan and outlining ambitions and delivery priorities within the portfolios and cross-cutting themes.

The Cabinet welcomed the report. The Cabinet welcomed the joined-up approach to the ambitions and congratulated the Combined Authority for its achievements to date, which had been enabled by the creation and work of the Combined Authority.

Thanks were offered to teams across the North of Tyne area, including in constituent local authorities and in partner organisations, in particular the North East Local Enterprise Partnership and also the Voluntary, Community and Social Enterprise sector for their work and support.

Ms L Winskell of the North East Local Enterprise Partnership commended the strong collaboration between the partners on joint targets; she thanked the Combined Authority for its support.

Mr R Fry welcomed the involvement of the Voluntary, Community and Social Enterprise sector into the Combined Authority's work and the inclusion of the Wellbeing agenda into the Corporate Plan. He called for the North of Tyne area to become a centre of excellence for volunteering. Thanks were offered to Mr Fry for his work.

RESOLVED – That the Corporate Plan for the municipal year 2022-2023, including its ambitions and delivery priorities, be acknowledged and endorsed.

7 **EQUALITY OBJECTIVES UPDATE**

Submitted: A report of the Director of Policy and Performance (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report, which provided the first annual update on NTCA's performance against
its Equality Objectives 2021-2025. The report was introduced by the Mayor Driscoll and Councillor A Hay.

The Cabinet welcomed the report.

RESOLVED – That the progress made on NTCA's Equality Objectives and wider equality and diversity ambitions be noted.

8 SCRUTINY ANNUAL REPORT

Submitted: A report of the Overview and Scrutiny Committee (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report, which set out information on the work of the North of Tyne Combined Authority's Overview and Scrutiny Committee in the municipal year 2021-2022. The report was introduced by Councillor C Seymour, the Chair of the Overview and Scrutiny Committee.

Councillor Seymour thanked the Vice-Chair of the committee, Councillor L Wright, and also the committee's members and officers for their work and support. Thanks were offered to the Cabinet members and the Mayor for their cooperation and support.

The Mayor, on behalf of Cabinet, welcomed the successful relationship with the Overview and Scrutiny Committee and offered thanks to the committee's Chair and members.

RESOLVED – That:

i. the Annual Scrutiny Report be noted; and

ii. the Cabinet noted that the use of the urgent decision power had not been required in the municipal year 2021-2022.

9 2021/22 NTCA PROVISIONAL OUTTURN REPORT, INCLUDING NORTH EAST LEP AND INVEST NORTH EAST ENGLAND

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report, which advised it on the provisional 2021-2022 financial outturn position of the North of Tyne Combined Authority (NTCA).

It was noted that the outturn position would be subject to external audit as part of the Audit of the 2021-2022 Statutory Accounts and therefore the figures set out in the report would remain provisional until the completion of the accounts.

The report also included the 2021-2022 outturn position for the North East LEP and Invest North East England, the organisations for which the Combined Authority was the Accountable Body.

The Mayor, on behalf of Cabinet, welcomed the report and congratulated the Authority for its efficiency despite all the challenges it had faced during this period.

Thanks were offered to H Kippin, the Managing Director, R Redfern, the Director of Policy and Performance, J Gillespie, the Chief Finance Officer, for the successful management of the Authority and also to their teams for their work.

RESOLVED – That:

i. the NTCA provisional 2021/22 Outturn position for the Corporate Fund (as set out in section 2 of the report), Investment Fund (as set out in section 3 of the report) be noted;

ii. the performance against the Brownfield Housing Capital Budget and Investment Fund Capital Budgets (as set out in section 4 of the report) be noted;

iii. the performance against the Adult Education Budget (as set out in section 5 of the report) be noted;

iv. the position on Reserves (as set out in section 6 of the report) be noted;

v. The Accountable Body Budget Outturn position and the funding position (as set out in section 7 of the report) be noted;

vi. The Combined Authority's Treasury Management performance (as set out in section 8 of the report) be noted;

vii. The North East LEP 2021/22 Outturn position and 2-year Outline Budget position (as set out in Appendix A) be noted;

viii. The Invest North East England 2021/22 Outturn position (as set out in Appendix B) be noted.

10 **NTCA PAY POLICY STATEMENT**

Submitted: A report of the Director of Policy and Performance (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which sought approval of the Combined Authority's Pay Policy Statement. The report set out relevant information to inform the Cabinet, including on the Statutory Officer roles and positions at the Authority.

The report was introduced by the Mayor who welcomed the Authority's position, which compared favourably against other combined authorities in the country.

RESOLVED – That:

i. the NTCA Pay Policy Statement attached at Appendix A to the report be approved; and

ii. the confirmation of NTCA's Statutory Officers as set out in paragraphs 2.2 to 2.5 of the report be noted.

11 **INVESTMENT FUND UPDATE AND FUNDING APPROVALS**

Submitted: A report of the Chief Economist (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report, which provided an update on progress with the North of Tyne Investment Fund and sought associated approvals.

Approval was also sought for a confidential project set out in an appendix to the report, as listed elsewhere on the agenda for the meeting.

The report was introduced by Councillor C Johnson, Cabinet Member for Investment and Resources.

The Cabinet welcomed the report. Thanks were offered to all teams involved in this work.

In discussion, it was noted that:

- In the context of forthcoming changes as a result of the Shared Prosperity Fund, the Voluntary, Community and Social Enterprise (VCSE) sector representative addressed the Cabinet about the importance of working to protect and support the VCSE sector to enable the VCSE organisations to continue their work.

- It was emphasised that the Combined Authority considered the VCSE sector as a critical partner.

- Regarding the Shared Prosperity Fund, a further comment was made about the Authority's intention to do its best despite the challenges involved, and that consultations and discussions were already being held on this with organisations across the NTCA area.

RESOLVED – That:

i. the progress to date on the Investment Fund, achievement of key milestones and ongoing project development work, particularly in respect of the creation of new jobs for residents as a direct result of the NTCA investments, be noted;

ii. the progress on the NTCA's Skills For Growth Programme, the North East Screen Industries Partnership and the Discovery Museum Business Case Development projects be noted;

iii. an allocation of £0.9m from the North of Tyne Investment Fund to enable the delivery of three Employment Partnerships be agreed and the Manging Director be authorised, in consultation with Investment Panel, the Mayor and the appropriate Cabinet Member, to consider and approve the business case and finalise delivery arrangements;

iv. the recommendation and funding award set out in the confidential Appendix 1 to the report be approved;

v. authority be delegated to the Managing Director, in consultation with the Mayor and Cabinet Members, to submit the Shared Prosperity Fund and Multiply Investment Plans to Government.

12 DATE AND TIME OF THE NEXT MEETING

Tuesday, 19 July 2022 at 2pm.

The Mayor reminded everyone present that it was the intention of the Authority to rotate its meetings across the publicly accessibly venues of the constituent local authorities and partners. He thanked the North Tyneside Council for hosting this meeting.

13 EXCLUSION OF PRESS AND PUBLIC

There was no exclusion of press and public.

14 INVESTMENT FUND UPDATE AND FUNDING APPROVALS - APPENDIX

The Cabinet approved the recommendations set out in the document.

This page is intentionally left blank

NORTH OF TYNE COMBINED AUTHORITY

Cabinet

19 July 2022

Subject: **North of Tyne Employability Plan**
Report of: **Head of Inclusive Growth**
Portfolio: **Education, Inclusion and Skills**

Report Summary
NTCA is committed to creating a region where all residents can receive high quality education and skills, with good jobs for all and where businesses can thrive in a net zero economy that champions fairness, equality, and wellbeing. The purpose of this report is to seek Cabinet's endorsement of the North of Tyne Employability Plan; a plan that will signal clear investment and policy priorities to those most in need and sharpen our delivery tools with partners and stakeholders across the North of Tyne.

Recommendations

The Cabinet is recommended to endorse the contents of the North of Tyne Employability Plan.

1. Background Information, Proposals and Timetable for Implementation

Background

1.1 The North of Tyne Devolution Agreement was published on the 8th of November 2018 and built the foundations for tackling employment, skills, and opportunities in our region collaboratively. Devolution has given us the chance to make our own decisions about our own future. 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 the opportunities that follow

1.2 Within the Agreement there is a commitment for NTCA and DWP to jointly develop and adopt an Employment Support Framework - to drive the better coordination of employment, skills and health services across the North of Tyne area in order to increase the number of residents moving into work. In September 2021 a report outlining progress to date regarding the delivery of this Framework and emerging priorities for future activity was taken to the Inclusive Economy Board. To enable a more co-ordinated and inclusive approach to employability it was recommended that an Employability Plan was developed.

Priorities

1.3 The Plan provides an opportunity for NTCA to convene stakeholders with the primary aim to develop and agree shared goals. This will enable a more collaborative approach across North of Tyne to address the barriers to employment and the challenges employers are currently facing to support economic recovery and growth. Stakeholders across North of Tyne will be encouraged to refer to this strategy within their own plans knowing that collectively we will be working towards the same shared goals.

1.4 The content includes an overview of the priorities and employability interventions required to support our inclusive economy, and which are likely to have the greatest impact in terms of addressing the barriers to employment residents face. These priorities support the delivery of our Corporate Plan specifically the Education, Inclusion and Skills Portfolio providing a mechanism for NTCA to strengthen our role to develop innovative employment support programmes.

1.5 Over the next 2 years we will, along with our partners, focus our efforts on the following priorities - which have been informed by data and lessons learned from previous employability programmes:

- Provide employment support for the most disadvantaged
- Develop local community-led and place-based approaches

- Support people with long-term health conditions, through the development of integrated employment programmes
- Provide good quality jobs

1.6 Progress of this Employability Plan will be reported biannually to the NTCA Inclusive Economy Board. Several measures have been developed to provide a way to understand and measure the extent to which this Plan makes a positive difference to the North of Tyne economy and to people's lives; it will also evidence what is working well. These indicators will identify where improvements have been achieved or where further work is needed together with a statement around risk where external factors may affect progress.

1.7 It is also proposed that a Strategic Employment Group is established, which will feed directly into the Inclusive Economy Board. The role of this group will be to provide a more strategic approach to employment support across North of Tyne. The Group will assume an overview of current/future provision, identify and address gaps in duplication and oversee the delivery of the joint DWP/NTCA Employment Framework.

Current Labour Market Challenges – CBI Economics

1.8 To support the development of the North of Tyne Employability Plan, CBI Economics was commissioned by the Inclusive Growth Network (a network established to equip those organisations who want to lead inclusive growth in their places with the practical 'know how' through evidence, knowledge, and shared expertise) to interview businesses in the region on labour market challenges. A total of 17 businesses across North of Tyne were interviewed between April-May 2022 across retail/hospitality, digital/technology, health/social care, green economy and professional services and feedback has been taken into consideration within the plan.

1.9 The interviews uncovered a range of labour market challenges facing businesses in the region including: a high churn of employees, exacerbated by the rise of remote/hybrid working; more older workers retiring or seeking flexible work, in part due to changing preferences driven by the COVID-19 pandemic; and low salaries in the NTCA region making it difficult for businesses to compete with other regions when it comes to hiring and retaining workers.

1.10 A range of solutions were highlighted by these businesses, such as: more collaboration between businesses and the education sector to ensure young people are 'work-ready' and have awareness of job roles; more training and development assistance for SMEs and ensuring greater availability of external training opportunities outside of Newcastle; and workers being supported to easily move between sectors when they have transferable skills.

Next Steps

1.11 The North of Tyne Employability Plan is attached as Appendix 1 and if approved/endorsed by Cabinet, will be transformed into a public front-facing document for publication in the next few weeks. A comprehensive Delivery Plan will also be produced, and responsibility of the delivery plan will lie with the Strategic Employment Group.

2. Potential Impact on Objectives

2.1 The Employability Plan links directly to NTCA's strategic priorities and supports the Education, Inclusion and Skills delivery theme of NTCA's Corporate Plan. We want everyone to have the opportunity to thrive, with access to good employment and progression. Supporting the availability of good quality, well paid work, whilst providing the right support for people to access these jobs and further training is crucial to our economic and social success. The North of Tyne Employability Plan will support this by delivering priorities that will enable our residents to access the most appropriate, timely support and our employers to create good, sustainable jobs.

3. Key Risks

3.1 There are no risks relating directly to the North of Tyne Employability Plan, however there are several risks within the related Employment Partnerships project which have been mitigated within a comprehensive project risk register.

4. Financial and Other Resources Implications

4.1 There are no funding implications relating directly to the North of Tyne Employability Plan, however the priorities identified will require future investment. A programme of activity will be developed which will require funding from a range of sources including NTCA Investment.

5. Legal Implications

5.1 The comments of the Monitoring Officer have been incorporated in this report.

6. Equalities Implications

6.1 As required by Section 149 of the Equality Act 2010, NTCA has considered its obligations regarding the Public Sector Equality Duty and there will be no anticipated negative impact on groups with protected characteristics from these proposals.

6.2 We will encourage all partners and delivery organisations involved in the plan and its infrastructure to be mindful of our commitment to equalities and direct them to guidance provided by the Equalities and Human Rights Commission. https://www.equalityhumanrights.com/en/advice-and-guidance/guidance-businesses.

7. Inclusive Economy Implications

7.1 NTCA believe the approach taken will positively contribute to creating a more inclusive economy in the North of Tyne with specific positive impact on addressing inequalities in employment and skills across the area.

8. Climate Change Implications

8.1 NTCA has considered the implications relating to climate change in the development of the North of Tyne Employability Plan and believe there will be no negative impact as a result.

9. Consultation and Engagement

9.1 The Employability Plan has been co-written with the three constituent Local Authorities and with input from DWP. In addition, a wide range of stakeholders (including current NTCA employment support providers) have been consulted regarding the content and support the four priorities set out in the Plan.

10. Appendices

NTCA Employability Plan – Appendix 1

11. Background Papers

CBI Economics Labour Market Challenges Report

12. Contact Officers

Leigh Mills, Head of Inclusive Growth, leigh.mills@northoftyne-ca.gov.uk 07855 100179
Ruth Gaul, Senior Programme Manager ruth.gaul@northoftyne-ca.gov.uk 07500 997539

13. Glossary

DWP	Department of Work and Pensions

This page is intentionally left blank

North of Tyne Employability Plan

Strengthening our Labour Market

Contents Page

Section A

1. Foreword by Councillor Kilgour

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.

The North of Tyne Employability Plan sets out our ambitions for a thriving economy which provides opportunities for all of our residents to achieve their aspirations. The Plan has been developed with the input of partners and outlines how we will work together to co-design solutions that underpin productivity, innovation, entrepreneurialism and pride within our workforce and economy.

This plan provides a clear framework for how we ensure that across North of Tyne the barriers to employment and the challenges employers are currently facing are addressed to support economic recovery and growth. Partner and delivery organisations across North of Tyne will be encouraged to refer to the plan and reflect it in their own plans knowing that collectively we will be working towards the same strategic aims.

A North of Tyne approach to employment support provides key stakeholders with a common platform against which to align their own strategies, strengthen justification and evidence for securing future funding and provides a dynamic overview of the high-level intervention required to support the economy and residents across North of Tyne.

We acknowledge that the impact of COVID-19 has been felt unevenly across North of Tyne and there is a risk that that it will deepen existing inequalities. Job losses across our area have disproportionately affected young people, women and the lowest paid. Therefore, the need for collective leadership to address the barriers that our residents face is essential, and we will strengthen our partnerships to develop and implement this Plan. The Covid-19 pandemic has brought unprecedented economic upheaval and understanding the nature of the impact on our local economy and labour market is vital. We recognise the importance of getting the employment and skills offer right across the North of Tyne and this needs to be at the heart of recovery from the pandemic.

As the economy recovers from a period of great instability because of COVID-19 and other factors, there are notable issues emerging that are constraining the shape and the pace of the recovery. Several industries and sectors across our areas are facing widespread recruitment shortages, including but not limited to the hospitality, culture, tourism, and retail industries. We will all need to learn to adapt to a fast-changing world which is being confronted with radical social, economic, technological, and demographical challenges.

Over the next 2 years we will, along with our partners, focus our efforts on the following priorities:

- Provide employment support for the most disadvantaged
- Develop local community-led and place-based approaches
- Support people with long-term health conditions, through the development of integrated employment programmes
- Provide good quality jobs

By delivering these priorities we believe that our residents will be able to access the most appropriate, timely support and we will encourage our employers to create good, sustainable work opportunities.

2. Background

The North of Tyne Devolution Agreement was published on the 8th of November 2018 and built the foundations for tackling employment, skills, and opportunities in our region collaboratively. Devolution has given us the chance to make our own decisions about our own future. 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 the opportunities that follow.

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. This also includes our ambition to 'deliver targeted, bespoke interventions to help young and vulnerable people into work'.

Some of our communities and people face barriers to opportunities for good health, good jobs and financial security. That is why actions to address inequality, poverty and poor educational attainment are at the centre of our work; this work is delivered via our Inclusive Economy Statement *Working Together for You: A more inclusive North of Tyne.*

We are proud of our achievements and in particular our joint Employment Framework Agreement with the Department of Work and Pensions (DWP). The Framework Agreement, supported by a delivery plan, demonstrates how NTCA, DWP and our constituent local authorities will work together to align and complement local employment support programmes with activities delivered by DWP, including national programmes such as Restart. The Framework is a conduit to develop closer working relationships with DWP and Jobcentre Plus to drive forward local growth and sustained recovery.

The Employability Plan builds upon the joint Framework and in addition provides NTCA and our partners the opportunity to develop a cohesive approach to employment support across North of Tyne. The Plan provides an overview of the priorities and employability interventions required to support our inclusive economy, and which are likely to have the greatest impact in terms of addressing the barriers to employment residents face and supporting growth. The Plan includes several specific local objectives and actions which NTCA and partners will deliver locally.

The purpose of the North of Tyne Employability Plan is to:

- Drive greater collaboration, innovation, and co-ordination across the totality of services and investment to support employability in the area
- Influence the future design and delivery of employment support services across North of Tyne, including through NTCAs Framework Agreement with DWP
- Provide the basis for prioritisation of future resources including UK Shared Prosperity and Levelling Up Funds
- Increase the prevalence of good work and improve employment conditions through adoption of the NTCA Good Work Pledge

3. Our ambition

Our ambition is to provide sustainable opportunities to create resilient individuals who have the skills, enthusiasm, drive and creativity to fulfil their potential irrespective of ability, background, gender, disability, or ethnicity. Working with our partners we will upskill, train and prepare people for the world of work, and remove barriers which prevent people from accessing work so that they can make a contribution to society.

In the increasingly complex world, we also need to provide employers with enthusiastic, capable and flexible people who can adapt to a fast-changing world. We will encourage employers to invest in the workforce and to plan for the long-term future of their companies and the future of their staff.

Section B

4. Our Area Economic Context

Table 1 suggests that the NTCA labour market is stronger overall than the wider North East region with lower rates of economic inactivity, workless households, claimant count, and a higher level of education and jobs density. Qualification levels are also higher than the rest of the region while the proportion with no qualifications is lower. Despite this, the NTCA compares poorly to the rest of Great Britain on the metrics listed above and compared to the North East the unemployment rate is also slightly higher.

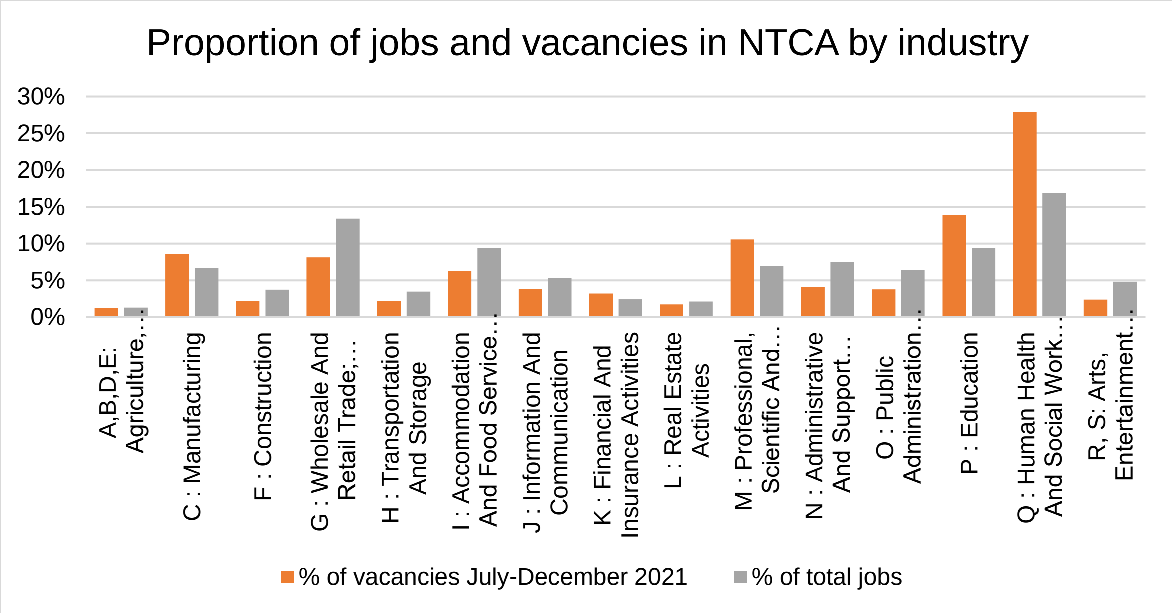
Table 1. Labour Market Snapshot: Latest Data (NOMIS)			
Metric1	**North of Tyne**	**North East**	**Great Britain**
Total Population	839,500	2,680,800	65,185,700
Working Age Population (%)	63	62.1	62.4
Economic Inactivity (%)	24.7	25.3	21.6
Economically Inactive – Long Term Sick	23.9	30.0	24.6
Employment Rate	70.1	70.2	74.8
Unemployment Rate	4.6	6.0	4.4
Workless Households (%)	16.1	17.8	13.6
Retirement Rate	15.4	13.6	13.8
NVQ4+ (%)	40.2	34.4	43.5
NVQ2+ (%)	76.7	75.0	78.2
No Qualifications	8.6	8.1	6.6
Claimant Count (%)	4.4	4.8	4.2
Jobs Density	0.78	0.71	0.84
Change over the Pandemic (Percentage Point Difference) 2			
Unemployment	0.5	0.3	0.5
Economic Activity	-0.5	-0.8	-0.7
Retirement Rate	1.7	0.6	1
Claimant Count	0.4	0.2	1.2

When looking at changes during the pandemic, the NTCA has experienced a concerning increase in unemployment and retirement rate, and it is clear from these figures that the increases in unemployment and retirement defy both the wider regional (North East) and national rates of change.

While rising unemployment is indicative of damage to the labour market at a general level, such a sharp increase in the retirement rate is potentially indicative of a greater share of the workforce being pushed into early retirement as a result of the pandemic. A similar trend has been seen across the UK but not as acutely as this. The recruitment and retention of older workers may therefore be a particularly significant challenge for NTCA businesses.

Over the last 10 years, the availability of work in the North of Tyne has improved with the number of jobs increasing faster than population growth. With 78 jobs per 100 people, there are more opportunities for work in the North of Tyne than the rest of the North East and comparable MCA areas like Liverpool City Region, Sheffield City Region and the West Midlands.

While COVID-19 has impacted our economy, our industries have proved resilient and the number of vacancies in the North of Tyne has rebounded providing a range of employment opportunities for our residents to return to work quickly.



The current composition of vacancies reflects our existing economy, with a weighting towards careers in health and social care, retail and hospitality, and leisure. At the same time COVID-19 has accelerated trends towards digital services and we've seen an increase in IT related roles.

Wider economic trends will continue to influence the types of jobs available in the North of Tyne. With assets such as the National Innovation Centre for Data, the Off-shore Renewable Energy Catapult, and Centre for Aging and Vitality located in the North of Tyne, our economy is at the forefront of evolving industrial opportunities that have the potential to deliver jobs for our residents.

Alongside the NTCA Skills Plan, this Employability Plan will ensure our stakeholders and residents have a shared understanding of the types of jobs on offer.

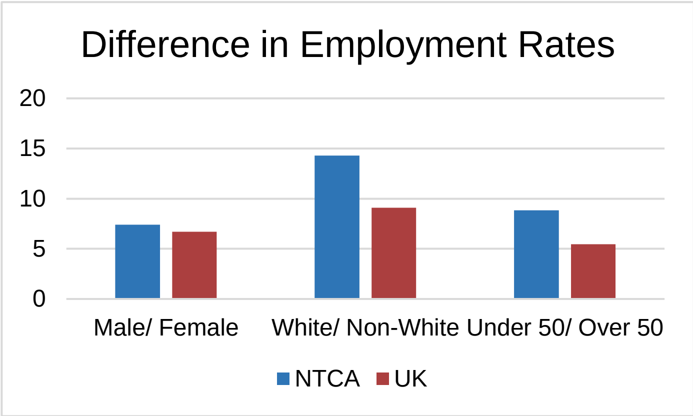
Our Labour Market

The North of Tyne has long suffered from levels of unemployment higher than the national average and consistently high numbers of residents claiming in-work and out-of-work benefits. Despite high levels of vacancies, approximately 24,000 people find themselves looking for work.

The pattern of unemployment is not equally distributed across North of Tyne; rates of employment differ between and within Local Authority boundaries. Throughout the pandemic, wards with existing high proportions of benefits claimants saw some of the greatest rises in new Universal Credit applications, and these areas are taking longer to recover. The unique characteristics of communities must be considered in the design and implementation of any local responses. However, there are some cross-cutting themes that impact residents across the North of Tyne

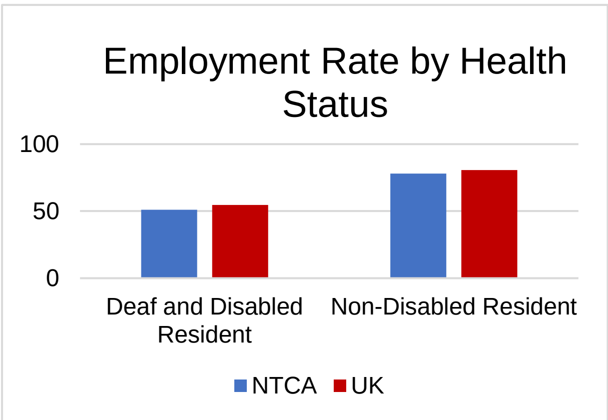
Multiple barriers to employment

Unfortunately, this issue is exacerbated for certain residents that are more likely to be out of work than their neighbours. Women, ethnic minority groups and residents over the age of 50 are more likely to find themselves unemployed or economically inactive anywhere in the UK, but the differences for residents in the North of Tyne are more pronounced. These issues are visible in economic inactivity too; 10,000 more women than men look after family and home in the North of Tyne.



Inequality in employment between genders and ethnicities appear entrenched, but inequality from the perspective of age is more fluid. The North East has long suffered from one of the highest rates of youth unemployment but is recently experiencing a rise in the number of residents retiring before turning 65. The causes of earlier retirement will be as diverse as the individuals affected and our provision should reflect this to ensure residents who could benefit from staying in work, do so. Supporting residents to access and maintain employment over the age of 50 can support better quality of life as well as sustaining regional productivity.

Health and employment



By far the single, biggest inequality in employment statistics is the status of health. Only half of Deaf and disabled residents, and those with long-lasting health issues are in employment compared to 4 in 5 for residents without health needs.

Of those who are unemployed and have a health condition, two thirds cite mental ill-health or a condition related to the nervous system, which is approximately 15% higher than the national average.

The issue of health inequality is not confined to those looking for work. Research shows disabled residents and those with health conditions are more likely to retire early, resulting in lost earnings and productivity.

Supporting residents to overcome challenges related to health and disability and to access and stay in employment has the potential to provide significant social and economic benefits, and tackle inequality in the North of Tyne.

Availability of Good Work

Opportunities for work must be appealing to residents, and the terms and conditions of employment must support our aspirations for inclusive growth and shared prosperity.

The North of Tyne's key employment industries are based around consumption or service roles and can be seasonal in nature. This has resulted in high levels of insecure and low paid roles.

Almost 1 in 5 jobs in the North of Tyne are paid below the Real Living Wage, and the rates double for those in part time work. At the same time, the North of Tyne has one of the highest rates of zero hour and temporary contracts in the country.

The cycle between low pay and unemployment is proven to have long—term scarring effects on employment prospects and earnings as well as increasing the number of people reliant on in-work benefits to be able to afford to live.

By embedding good work in the Employability Plan, we aim to enable our residents to access more sustainable employment which reduces the need to access employment support again in the future.

5. Our Business Community

To support the development of the North of Tyne Employability Plan, CBI Economics was commissioned by the Inclusive Growth Network (a network established to equip those organisations who want to lead inclusive growth in their places with the practical 'know how' through evidence, knowledge, and shared expertise) to interview businesses in the region on labour market challenges. A total of 17 businesses across North of Tyne were interviewed between April-May 2022, across the retail/hospitality, digital/technology, health/social care, green economy and professional services sectors.

The interviews uncovered a range of labour market challenges facing businesses in the region including:

- A high churn of employees, exacerbated by the rise of remote/hybrid working.
- Businesses having to pay higher salaries to attract and retain workers, as well as having to widen their offer to employees to include more flexibility and progression.
- More older workers retiring or seeking flexible work, in part due to changing preferences driven by the COVID-19 pandemic.
- A lack of essential work skills in younger workers, including softer skills, vocational skills, and awareness of what roles in the working world entail.
- Low salaries in the NTCA region making it difficult for businesses to compete with other regions when it comes to hiring and retaining workers.
- A lack of external training and development opportunities in the NTCA region, with those that exist concentrated in Newcastle.

A range of solutions were highlighted by these businesses, such as: more collaboration between businesses and the education sector to ensure young people are 'work-ready' and have awareness of job roles; more training and development assistance for SMEs and ensuring greater availability of external training opportunities outside of Newcastle; and workers being supported to easily move between sectors when they have transferable skills.

The full report is attached as Appendix 2.

6. Current employment support provision

Current employment support across North of Tyne includes a wide and diverse range of activity with a specific focus on those economically excluded from the labour market, for example:

1. National Building Better Opportunity Programmes, supporting the most disadvantaged individuals.
2. Tailored programmes supporting young people and those with caring responsibilities.
3. Employment support programmes with a place base focus delivering activities within our most deprived areas.

However, we recognise that the current employability support eco-system across North of Tyne is complex with multiple time bound programmes, operating alongside mainstream provision provided by DWP.

We want to provide a more coherent and integrated employability and skills system to reduce confusion for our residents, streamline recruitment and engagement activity with our employers and enhance collaboration.

Section C

7. Our Priorities 2022 - 2024

Our priorities within this plan have been informed by data. Our analysis has found that COVID-19 has had a disproportionate impact on many of our residents, often those with the most complex needs and who require a range tailored support. We also want to learn and act upon lessons learned from previous and current programmes, enabling NTCA and our partners to improve on support.

Priority 1
Provide employment support for the most disadvantaged

The needs of groups differ and vary over time, and we will develop provision that addresses any gaps that are identified. This might include targeted provision for young people, for older workers, for ethnic minority groups, ex-offenders or other priority groups. We want to increase employment rates of groups who are proportionally under-represented in the labour market, such as: women, people aged over 50, those from ethnic minority groups, ex-offenders and those who face multiple barriers to employment such as financial, health or housing related challenges.

Priority 2
Develop local community-led and place-based approaches

Develop locally driven place-based actions to join up regeneration, investment and employment and skills support. We will seek to work with local communities and the organisations that work with them to develop and implement holistic, targeted solutions that address specific local needs and opportunities. This will build on approaches such as LEADER and Community Led Local Development (CLLD) the Chirton and Riverside and Howden and Wallsend partnerships in North Tyneside and the Lifting Neighbourhoods Together approach being delivered by Community Renewal and Buildlng Futures East in Walker.

Priority 3
Support people with long-term health conditions, through the development of integrated employment programmes

We know that poor health, physical or mental, is one of the main barriers to employment, and that securing good employment for those without it is one of the best ways to improve public health. We will work with partner organisations to better integrate health and employment services such as joint approaches with NHS and Public Health teams to fully integrate employment advice and support into primary health and secondary care services, and to fully align employment support with health services.

We want to invest in ‘test and learn’ initiatives that will build on the evidence base on what works to increase employment for disabled people. For UK employment purposes disability is defined as a physical or mental impairment which has a substantial and long term adverse effect on a person's ability to carry out normal day-to-day activities. It covers physical and mental conditions and through our approach we want to ensure everyone has fair access and opportunity to gain work and progress in work.

Priority 4
Create good quality jobs

We will work with employers to develop an increased understanding of the needs of the labour market.
Supporting inclusive recruitment practices for those furthest away from the labour market and creating pathways to good jobs requires partners from across the private, public and third sector to work together. We will:

- Encourage and support employers to provide quality employment opportunities with scope for progression, particularly through the NTCA Good Work Pledge
- Ensure that there is accessible, relevant, flexible and affordable training provision so that people can develop the skills they need to progress, and that they receive appropriate advice and guidance to access this
- Provide support to those in low-skilled and/or insecure employment to enable them to address any barriers to progression

8. Employability Support Infrastructure

NTCA, our constituent Local Authorities and stakeholders will establish a supporting infrastructure, including an impartial advice and guidance service, partnership coordination, and a labour market intelligence hub. This approach will build on the experience in the Youth Employment Partnerships which has clearly demonstrated that young job seekers, employers and providers want to see more co-ordination, better joining up and more collaborative approaches to employment support. This infrastructure will ensure that there is effective collaboration and partnership working which will bring strategic and operational and added value to the North of Tyne employment support eco-system.

This will establish a basis on which to build other delivery activity, which may be commissioned or funded from other sources and will be delivered by a range of statutory and VCSE organisations.

Aspire – Triage Approach

Specifically learning from previous projects, the development of a North of Tyne triage approach 'Aspire' which will sit at the heart of our plan. This will provide an initial engagement and triage service, where immediate issues can be dealt with quickly and where additional support is required signposting and referrals are made to mainstream support. For employers this might include signposting to wider training, business support of source of advice.

Labour Market Intelligence Hub

The development of an effective Labour Market Intelligence Hub at North of Tyne level will be essential to efficiently collate, analyse and share intelligence to shape and direct employability provision. This will include at least the following elements:

- Regular and timely information on employers' recruitment activity and plans, including skills shortages and hard to fill vacancies
- Up to date information on the characteristics of jobseekers, including age, gender, ethnicity, disability, health, language, skills and other characteristics as far as possible, at North of Tyne, LA and sub-LA levels where possible to enable provision to be targeted appropriately

- Management information on the level of take up and outcomes of employability provision – including JCP, DWP contracted-out, National Careers Service and other nationally-commissioned services impacting on North of Tyne residents as well as the performance of locally-commissioned or managed provision
- Qualitative intelligence on the experience of jobseekers and employers

9. Governance and Monitoring arrangements

The progress of the Employability Plan will be reported biannually to the NTCA Inclusive Economy Board. The Inclusive Economy Board brings together organisations and individuals who support the North of Tyne to better integrate and strengthen education, skills and employment interventions in order to improve local education and employment outcomes for North of Tyne residents.

A comprehensive delivery plan will enable the Inclusive Economy Board to understand and monitor the plan and the positive impact it will have on the North of Tyne economy and our residents' lives.

The delivery plan will also include a statement around risk where external factors may affect progress and this, along with the metrics noted above, will ensure all partners are working together towards a coherent set of objectives, prioritising resources and delivery where appropriate.

Appendix 1

Framework Agreement between the North of Tyne Combined Authority and the Department for Work and Pensions

This Framework Agreement addresses the commitment set out in the North of Tyne Devolution Agreement published on 8th November 2018, to jointly develop and adopt an Employment Support Framework Agreement to drive the better coordination of employment, skills and health services across the North of Tyne area in order to increase the number of residents moving into work.

The framework will make a significant contribution to the North of Tyne Combined Authority aim to create a growing, more inclusive economy, by delivering our shared strategic ambitions to:

- Achieve a better balance between skills supply and local labour market demand in the North of Tyne area to enable its residents to realise their potential in full;
- Increase employment rates of groups who are proportionally under-represented in the labour market, such as: women (including those returning to work after looking after children), people who are disabled or have a health condition, people aged over 50, those from ethnic minority groups, carers, and people with multiple complex issues;
- Support people to remain in employment if they are at risk of losing it due to age, health conditions, automation, or other barriers to retention;
- Support people to find new employment opportunities or retain employment where they have been displaced due to CV19, including re-skilling, boosting confidence and local networks;
- Develop closer regional working via the Jobcentre Plus network using tools such as co-location, outreach and youth hubs to help drive local growth and sustained recovery;
- Support in-work progression for those in low paid employment, to enable more people to achieve financial security and stability through sustainable employment.

The North of Tyne Inclusive Economy Board, of which the Department for Work and Pensions will continue to be an active member, will provide oversight of the Framework and be the key governance through which it is delivered. The Inclusive Economy Board will agree and oversee an Action Plan setting out how the shared ambitions are to be delivered in the North of Tyne area.

The Department for Work and Pensions and the North of Tyne Combined Authority will aim to deliver these ambitions by working together in partnership with the North East Local Enterprise Partnership and local employment and skills stakeholders and in the context of the Skills Advisory Panel.

Appendix 2

CBI Economics: Labour Market Challenges Report

Interviewing
businesses on labour

NORTH OF TYNE COMBINED AUTHORITY

Cabinet

19 July 2022

Subject: **Investment Fund Update**
Report of: **Chief Economist**
Portfolio: **Economic Growth**

Report Summary

The purpose of this report is to update Cabinet on progress with the North of Tyne Investment Fund. This includes £8m of new projects and a bold package of investment to support our towns and high streets:

- **£4.6m** to unlock the next phase of housing development at Scotswood's The Rise. Site remediation and infrastructure works will enable the construction of 231 additional residential units.
- **£0.5m** of new funding to help address skills shortages in the construction sector. Almost 500 residents will receive training in the green construction skills needed for employment in the domestic retrofit sector.
- **£0.87m** to form three new Employment Partnerships. This bespoke arrangement with DWP will help coordinate existing capacity and commission activity to fill gaps. By maximising the impact of current provision, and through strong employer engagement, more people will be helped into sustained, high-quality, employment.
- **£2m** towards the cost of building a Technology Development Centre at the Offshore Renewable Energy Catapult – helping ensure that the facilities remain at the forefront of addressing challenges faced by the offshore wind sector, including extending the operating life and efficiency of components through novel designs and changes in materials.

This report also provides an update on NTCA's **£6m** Towns and High Streets Programme, where the delivery arrangements for the projects in Ashington, the Inner East of Newcastle and Wallsend are expected to be finalised over the Summer. Collectively, these projects will help develop and test new models for high street transformation and stimulate long-term investment. In addition, an update is provided on the Shared Prosperity Fund programme, where good progress is being made in the development of the Investment Plan, ahead of submission to Government by 1st August.

The projects discussed in this report build on previous Investment Fund commitments of **£100.2m,** which are expected to create **4586 jobs**, almost half the NTCA's 30-year target. Over 937 of these jobs have already been established, while 61 organisations have signed up to the NTCA's Good Work Pledge with another 38 applications in progress.

Recommendations

Cabinet is recommended to:

1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing project development work, particularly in respect of the creation of new jobs for residents as a direct result of our investments.
2. Authorise the Chief Executive to make final approvals, under delegated decision, for the following projects: Scotswood's the Rise housing development, a green construction skills for growth project delivered by Re:Geon training, three new Employment Partnerships, and a Technology Development Centre at the Offshore Renewable Energy Catapult.
3. Note progress on the NTCA's Towns and High Streets programme, and agree to receive further project updates.

1. Background Information, Proposals and Timetable for Implementation

1.1. Background Information

1.1.1. At the time of writing this report, the economic outlook was being dominated by higher prices and signs of a weakening economy. Inflation had risen further, to 9.1%, with the biggest increases reflecting higher electricity, gas and fuel prices. The price of food and non-alcoholic drinks were starting to increase rapidly too – by around 6% to 7% – with similar average increases for the lowest priced groceries and more expensive products. Average pay had increased by 6.8%, meaning a cut in pay in real terms, while there were significant differences between pay growth of different sectors. The latest data pointed to a slowing economy, with GDP falling by 0.1% in March after staying unchanged in February. This weakness reflected both the impact of squeezed consumer spending and production in some sectors impacted by supply-chain disruption.

1.1.2. The latest labour market figures for the North of Tyne paint a puzzling picture. The number of people claiming benefits fell again and, at 3.9%, the benefit claimant rate is now in line with the national average. In contrast, the broader – but more volatile and lagging – measure of unemployment in the area is 6.7%, significantly above the national average of 4.4%. We will continue to monitor these data over the Summer and provide a further update to Cabinet at its next meeting.

1.1.3. Against this backdrop, the Combined Authority continues to invest to support inclusive economic growth. Investments by the NTCA so far are forecast to create over 4586 jobs, with 937 jobs already secured. The number of newly created jobs reported has increased by more than 100 over the past month, mainly reflecting good jobs growth at a number of recent inward investment projects – including at Verisure, Harland/Xplor and Monstarlab.

1.1.4. This report:

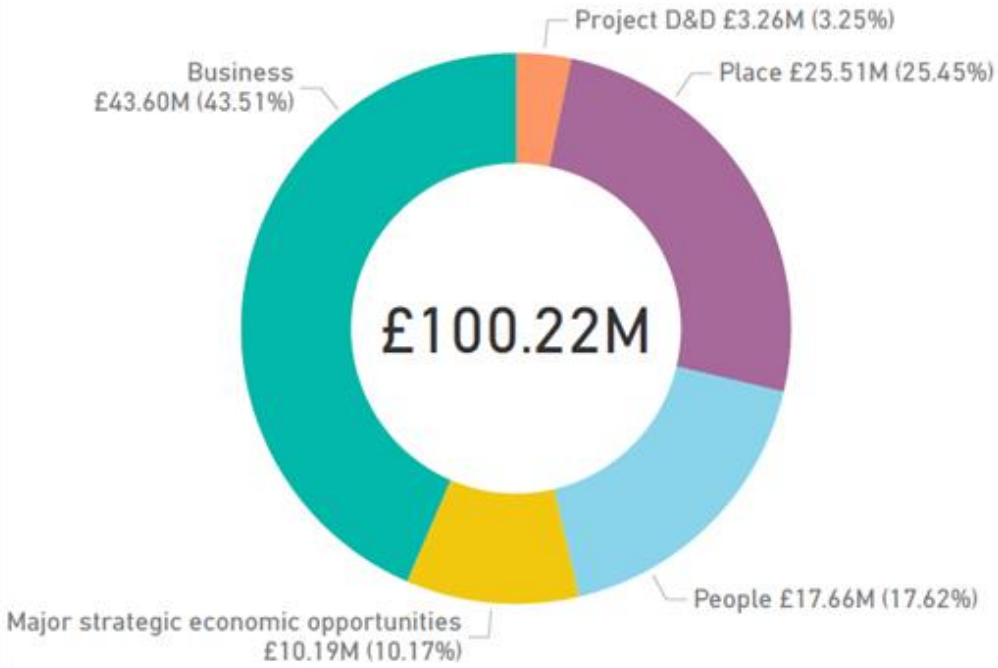
- provides an update on the Towns and High Streets Programme, which is now moving into delivery;
- seeks support for the funding of infrastructure works at The Rise housing site which will unlock 231 residential units – whilst also bringing forward proposals for investment in Green Construction skills;
- confirms arrangements for three new Employment Partnerships
- and sets out proposals for investment in a technology development centre for the offshore wind sector.

1.2. Investment Fund progress to date

1.2.1. Delivery of the Investment Fund Programme continues, with 119 projects now approved. Excluding the projects discussed in this report, the Combined Authority has achieved:

- A contracted spend of £100.22m (figure 1) – including commitments and expenditure into the next programme period, to ensure ongoing progress with our strategic priorities.
- In addition, 6 brownfield housing schemes have been supported, with a total NTCA contribution of £12.51m. These will unlock 1298 housing units and remediate 25 hectares of Brownfield Land.
- Together, these projects have secured £292m of private sector leverage and are forecast to deliver 4586 new jobs and safeguard a further 2679.
- Of these, the first 937 new job opportunities have been created with North East residents employed as a direct result of NTCA investment; 1773 have been confirmed as safeguarded.

Figure 1: Investment Fund commitments to date



1.3. **Towns and High Streets Programme**

1.3.1. The NTCA's flagship Towns and High Streets programme is based upon three pillars, which have been identified nationally as central to long-term place-transformation:

- *Leadership and partnership*: developing a compelling shared vision for the future, with strong strategic leadership to make the vision a reality.
- *Investing in a model for change*: developing and testing new models for high street transformation, learning from evidence of what is working in other areas, while capitalising on the distinctive strengths and opportunities of each individual high street.
- *Stimulating long-term investment*: transformational change in high streets requires very substantial investment, with the private and public sectors working closely in tandem to provide the resources needed to deliver the future vision in each target high street. Our programme will prepare the ground to stimulate and attract the long-term investment needed to achieve genuine change.

1.3.2. The business case for this project was approved by Cabinet in March, and this report provides an update on the development of detailed local delivery arrangements. These delivery plans – for Ashington, the Inner East of Newcastle and Wallsend – are expected to be finalised over the Summer.

Ashington

1.3.3. Ashington has been chosen for this programme due to evidence of market failure and the need to kick-start regeneration in readiness for a further package of planned capital investment. Revitalisation of the high street is at the heart of the plan, with existing businesses supporting the development of detailed proposals.

1.3.4. The revitalisation of Ashington Town Centre will support a number of wider economic growth objectives for the town, including maximising opportunities resulting from the Northumberland Line, the relocation of Northumberland College, the creation of mixed used opportunities at Portland Park and wider aspirations for improvements to Ashington as part of a Levelling Up bid.

1.3.5. The project has been developed with the support of the Ashington Town Board, which has been operational for over a year and undertaken extensive consultation and calls for projects as part of the wider regeneration of Ashington. This development work has enabled a detailed delivery plan to be developed which identifies three priority interventions for the High Streets and Towns Innovation Programme. These include improvements to Wansbeck square to improve connectivity and to enable the square to be used for community-led cultural uses and a programme of events and festivals.

Newcastle Inner East

1.3.6. This project in the Inner East of Newcastle will focus on the following areas:

- Chillingham Road
- Shields Road
- Heaton Road (low traffic Neighbourhood)
- Heaton Park Road (low traffic Neighbourhood)
- Welbeck Road (West section to Roman Avenue)

1.3.7. The Inner East has been chosen due to both opportunities – high streets that support independent retailers, are vibrant due to their catchment and have a range of community assets – and challenges – including areas with high vacancy rates, lower footfall and have been experiencing decline which has been exacerbated by the pandemic. All of the streets are within walking distance of each other, and the aim is to improve connectivity, whilst diversifying the offer in terms of what they provide to the communities of this area.

1.3.8. The plans for the Inner East of Newcastle are at an earlier stage and the initial focus of activities will be developing an Investment Plan, which will informed by community engagement and co-design, alongside establishing a Transformation Board to oversee the development and delivery of the plan. Initial proposals for the Inner East Towns and High Streets programme include 1:1 business support alongside a Green Streets pilot which will provide support for businesses to reduce their carbon footprint, connectivity improvements and bringing back into use empty properties to create a shared space for community and business uses.

Wallsend

1.3.9. Wallsend has a long and proud history dating back to the Romans, where it served as the eastern end for Hadrian's Wall. The town is best known for being a manufacturing powerhouse, at the centre of industrial growth on the River Tyne throughout the 19th Century, and had a worldwide reputation for ship building; it currently plays an important role in the ambition to grow the Offshore Energy Sector. Segedunum is part of the Hadrian's Wall World Heritage Site, with the attraction opening over 20 years ago and having the potential to be a thriving visitor attraction and unique destination.

1.3.10. Drawing from the Wallsend Masterplan, which involved consultation and co-design with the community and businesses, the High Streets and Town's Programme will:

- Create a new active travel route incorporating artwork and installations between the town centre and Segedunum
- Provide 1:1 support to businesses with a dedicated town centre business advisor
- Include a shop front improvement grant scheme with specific design standards to enhance the look of the High Street
- Develop and support a programme of events and festivals
- Create a higher profile for Segedunum by establishing a retail/exhibition offer within the town centre.

1.3.11. As part of the programme, we are keen to share the learning from across the three areas and will be commissioning baseline analysis, alongside an evaluation to inform future investment in our High Streets and Towns.

1.4. **Brownfield Housing Fund – Scotswood The Rise Phases 3, 5 and 5A**

1.4.1. Since the last meeting of Cabinet, a further housing site has been recommended to the Chief Executive for approval, subject to final due diligence. This proposal relates to phases 3, 5 and 5A of Scotswood's The Rise development. This scheme is progressing well, with the NTCA-funded infrastructure works on an earlier phase of development almost complete and housing under construction.

1.4.2. The total cost of this phase of the development is almost £51million with a request for an NTCA contribution of £4,643,770. The phase will involve the construction of 231 new residential units. The NTCA contribution will help meet the viability gap arising from challenges with site remediation and preparation, including those caused by the steep slopes of the site and rapidly rising construction costs. The activity, costs and outputs for this phase are additional to those that have been funded to date for Phase 2b which was £2.9 million and 243 units.

1.4.3. Overall, good progress is being made on the NTCA's £31,830,511 Brownfield Housing Fund programme. Together with previous approvals, this project would mean that half of the fund has now been committed on schemes which are expected to deliver 1,570 homes – meaning we are well on track towards achieving our target of 2,100 homes.

1.5. **Skills for Growth – Construction Skills by Re:Geon Training**

1.5.1. NTCA's £5m 'Skills for Growth' programme has been designed to respond directly to employers' needs, addressing skills pinch-points and creating high-quality opportunities for residents. This project has been developed to address skills shortages in the construction sector; in particular, the green construction skills needed for domestic retrofit.

1.5.2. The objective of this project is to increase local employment numbers and address the skills shortage in construction through sustainable, meaningful, employment opportunities tailored to individual learner needs, aptitudes and capabilities. Over the project period, almost 500 residents will receive training to ready them for employment in the green construction sector. Half of these residents will have been previously unemployed.

1.5.3. The project will be delivered by RE:Geon Training, who have relevant experience in the delivery of programmes which are similar in nature to this project. Employers involved in the co-design of the proposals include Karbon Homes, Bernicia, Believe Housing and Shaw Construction. The total value of the project is £1,025,420 with the NTCA contributing £512,710.

1.5.4. In line with employers' requirements, the project will deliver industry recognized qualifications to re-skill people of all ages into the green construction sector, increasing the talent pipeline. The project will provide a solid foundation for progression direct into employment or employer-led Skills Bootcamps and/or apprenticeships. This will support our region's employers to grow their workforce with the skills required for the domestic retrofit sector.

1.5.5. This project was endorsed at July's Investment Panel meeting and recommended to the Managing Director for approval and implementation. It follows previous Cabinet approval of seven other Skills for Growth projects. Overall, the programme will span skills projects related to:

- Digital Innovation and Growth
- Construction, including the green construction skills needed for the domestic retrofit sector.
- Green Growth Skills
- Creative People: Skills for the Culture, Creative and Tourism Sector -

1.6. **Employment Partnerships**

1.6.1. Last month, Cabinet agreed an indicative allocation of up to £0.9m from the Investment Fund to enable the delivery of three innovative Employment Partnerships. Since then, a business case has been developed and appraised, with July's Investment Panel recommending the project for approval.

1.6.2. This initiative will build on the previous Youth Employment Partnership project that has been funded jointly by DWP and NTCA. It will be broadened to cover all ages and all partners involved in local employment support activity in the three areas – local authorities, DWP and other public, private and voluntary sector employability and skills providers and the NTCA.

1.6.3. This bespoke arrangement with DWP will bring together and coordinate existing capacity, and commission activity to fill gaps. By maximising the impact of current provision, and through strong employer engagement, more job seekers will be supported and better outcomes achieved; more people being helped into sustained, high-quality employment.

1.6.4. The project will operate from 1st July 2022 to 31st December 2024, with total projects costs for the NTCA of £868,656 – with delivery led by the Local Authority teams where it will align with other activity. The intention is that the Partnerships will become a long-term feature of the North of Tyne's approach to delivering an inclusive economy, and that funding will be sought to maintain and develop this approach. The activity will cover all of the North of Tyne area, with a particular focus on those parts that have high levels of unemployment – such as southeast Northumberland, the riverside areas of Newcastle and North Tyneside, and some remote rural areas.

1.7. **North of Tyne Offshore & Subsea Infrastructure Programme – Technology Development Centre**

1.7.1. The offshore wind sector provides a game-changing economic opportunity for the area, and could lead to thousands of additional jobs. Given the scale of opportunity, but also the scale of investment needed to realise it, NTCA has agreed a headline allocation of £16m for infrastructure development which progresses infrastructure in ports and quays, creates investment in demonstration and research opportunities to unlock further growth, or in progressing the needs of the offshore wind and subsea supply chain. Nearly £10m has already been awarded for four projects.

1.7.2. The total cost of this project is £5.6m, with Investment Panel recommending the request for £2m from the NTCA, subject to final approval by the Chief Executive. Other funding will be provided by Innovate UK, reflecting the project's national and regional significance.

1.7.3. The aim of the Technology Development Centre is to help address a series of challenges the offshore wind industry faces to achieve the targets set by UK Government to meet net-zero and energy security requirements. These challenges relate to extending the operating life of components by reducing the impact of erosion and corrosion (also reducing the requirement for planned and unplanned maintenance) and finding routes to improve the efficiency of devices through novel designs and changes in materials.

1.7.4. This project will enable the construction and development of a testing facility that will help the sector meet these challenges. New technologies that will be tested will improve the generation of power, innovate in the design of gearboxes and bearings, support the development of new composite-repairs, and assist in turbine blade design optimisation.

1.7.5. In addition to directly creating 20 jobs, the project aims to provide the infrastructure required to accelerate technology development which in return will drive regional supply growth, innovation, and competitiveness. Over 100 new training opportunities will also be created.

1.8. **Shared Prosperity Fund**

1.8.1. As discussed by Cabinet at its last meeting, the NTCA was allocated funding of £47.1m for 'core-UKSPF' and £4.1m for the 'Multiply' adult numeracy programme, covering the areas of Newcastle, North Tyneside and Northumberland. To support the development of proposals, the NTCA has had two meetings of its Strategic Partnership Group, run three North of Tyne SPF and Multiply events with stakeholders, and led a regional consultation event. Together, they have attracted around 600 participants.

1.8.2. The Investment Plan for the Multiply programme has now been submitted to Government, meeting its 30 July deadline. The Multiply Programme will include:

- Courses designed to increase confidence with numbers for those needing the first steps towards formal numeracy qualifications
- Courses designed to help people manage their money
- Courses for parents to increase their numeracy skills to support their children
- Provision designed with VCSE partners aimed at engaging with the hardest-to-reach learners
- Innovative programmes delivered with employers to support numeracy needs in the workforce

1.8.3. The Investment Plan for the core-UKSPF is now in its final stages of development, ahead of submission to Government by the 1 August. The Plan will include interventions across all three themes of the SPF, with goals including:

- Creation of good jobs
- Supporting people into work
- Raising aspirations
- Strengthening communities
- Net Zero progress

1.8.4. Further information on the Plan will be published after its submission.

2. Potential Impact on Objectives

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

3. Key Risks

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

4. Financial and Other Resources Implications

4.1 This paper describes project proposals amounting to approximately £8m of new NTCA funding. These projects – Scotswood's The Rise, R:Geon Training, Employment Partnership and Technology Development Centre – have all been reviewed by Investment Panel and are recommended to the Chief Executive for approval; the financial implications will be considered at that point.

5. Legal Implications

5.1 The Monitoring Officer's comments have been included in this report.

6. Equalities Implications

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

7. Inclusive Economy Implications

7.1 The inclusive economy case is assessed on an individual project basis as part of the assessment process and is embedded within the Investment Fund criteria. The activity described within this report is considered to positively support the Inclusive economy priorities of the Combined Authority, including through the development of Employment Partnerships and by creating skills opportunities.

8. Climate Change Implications

8.1 Climate change implications are assessed on an individual project basis as part of the assessment process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority, particularly by supporting the development of the Offshore Energy Sector and by providing green construction skills training.

9. Consultation and Engagement

9.1. Stakeholders have been fully engaged in the development of project proposals and, as far as possible, wider engagement has been sought in the development of the programme.

10. Appendices

None

11. Background Papers

None

12. Contact Officers

Rob Hamilton, Chief Economist
Rob.hamitlon@northoftyne-ca.gov.uk Tel: 0191 277 8947

Chrisi Page, North of Tyne Investment Programme Manager
Chrisi.page@northoftyne-ca.gov.uk Tel: 07977 51755

13. Glossary

NTCA	North of Tyne Combined Authority
SME	Small to Medium Enterprise
SPF	Shared Prosperity Fund

Cabinet

19 July 2022

Subject: **NTCA 2021/22 Draft Statement of Accounts**
Report of: **Chief Finance Officer**
Portfolio: **Investment and Resources**

Report Summary

The purpose of this report is to present Cabinet with the Draft Statement of Accounts for the year ended 31 March 2022 including the Draft Narrative Report and Draft Annual Governance Statement. The report covers the regulations under which the Statement of Accounts are prepared and details the items included within the Statement of Accounts.

Recommendations

The Cabinet is recommended to:

1. Consider the Draft Annual Governance Statement 2021/22.
2. Consider the Draft Statement of Accounts 2021/22 including the Draft Narrative Report in line with Audit and Accounting Regulations 2015 as presented.

1. Background Information, Proposals and Timetable for Implementation

1.1 The NTCA Draft 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).

1.2 The Accounts and Audit Regulations 2021/22, which took effect from the 31 March 2021, extended the statutory requirement for the completion and publication for the draft Statement of Accounts from the 31 May to 31 July 2022. With the audited accounts to be published from 31 July to 30 November 2022.

1.3 The External Auditors will also present their Audit Strategy Memorandum detailing their approach to the 2021/22 External Audit.

1.4 The Statement of Accounts includes:

- Annual Governance Statement (Appendix A)
- Narrative Report (Appendix B)
- Single Entity Accounts (Appendix C)
- Group Accounts consolidating the accounts of Nexus Group within the NTCA Single Entity Accounts (Included within Appendix C)

1.5 The NTCA Accounts reflect the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order), which established the North of Tyne Combined Authority (NTCA) on 2 November 2018. That order required the North East Combined Authority (NECA) and NTCA to appoint a Joint Transport Committee (JTC) through which the two combined authorities must exercise transport functions. The order also provided that the transport assets held by NECA should be held jointly with NTCA and managed through the JTC.

The Constitution of the JTC is such that it meets the definition of Joint Control and is classified accordingly as a Joint Operation. In order to comply with the requirements outlined above NECA as accountable body must split the revenue, expenditure, and assets and liabilities into those which relate to NTCA and NECA based on population.

1.6 The Draft Statement of Accounts including the Draft Narrative Report and Draft Annual Governance Statement will be published on the NTCA website on or before 31 July 2022.

1.7 The Combined Authority has a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:

- Conduct a review of the effectiveness of its governance framework, including the system of internal control
- Prepare an Annual Governance Statement; and
- Through a relevant committee review and approve the Annual Governance Statement

The Audit and Standards Committee will consider the Draft Annual Governance Statement at its meeting on 5 July 2022, and then subsequently reported to Cabinet on the 19 July 2022.

2. Potential Impact on Objectives

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

3. Key Risks

3.1 There are no specific risk implications directly rising from this report. Risk management has been considered as part of the production of the 2021/22 Annual Governance Statement.

4. Financial and Other Resources Implications

4.1 The Statement of Accounts were prepared by North Tyneside's SLA to the North of Tyne Combined Authority.

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 implications arising from this report.

7. Inclusive Economy Implications

7.1 There are no inclusive economy implications arising from this report.

8. Climate Change Implications

8.1 There are no climate change implications arising from this report.

9. Consultation and Engagement

9.1 The draft Statement of Accounts will be published on the NTCA Website on or before the 31 July 2022.

10. Appendices

Appendix A Draft Annual Governance Statement
Appendix B Draft Narrative Report
Appendix C Draft Annual Statement of Accounts

11. Background Papers

None

12. Contact Officers

Janice Gillespie, Chief Finance Officer

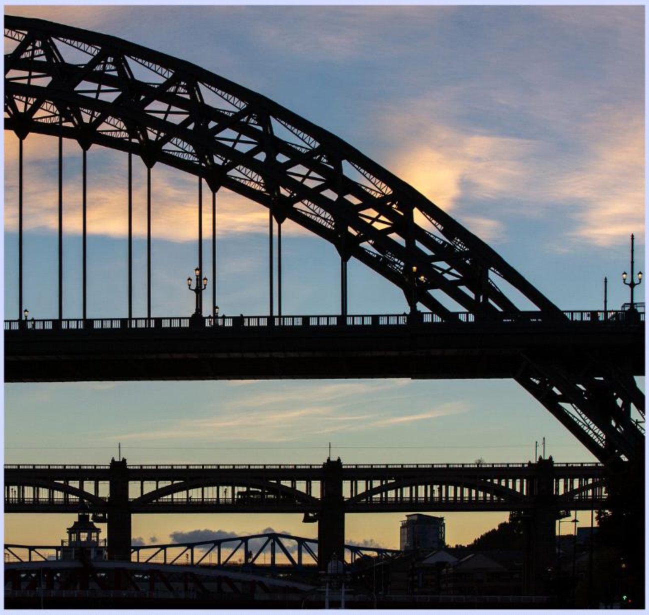
Tel: 0191 6435701 email: Janice.gillespie@northtyneside.gov.uk

13. Glossary

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

This page is intentionally left blank


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. 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. Our Freedom of Information Scheme is published on our website 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 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. 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.	Cabinet Rules of Procedure ("Standing Orders") can be found at part 3.1 of the Constitution Codes of Conduct can be found at Part 5.2 of the Constitution Freedom of Information Scheme Whistleblowing Policy Transparency Policies 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. We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors. Our website includes a transparency page where you will find the non-financial information the North of Tyne Combined Authority is required to publish under the Local Government Transparency Code 2015. We 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.	Coronavirus webpage Brexit Support webpage Transparency Information 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.	Social Value Policy
	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.	Newcastle college receives good work pledge award
	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.	Devolved Adult Education Budget mid-year update – Agenda item 6
	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.	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.	Digital Inclusion Scheme
	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	Inclusive Economy Board Annual Report 2021/22 – page 13
	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.	Housing and Land Board Annual Report 2021/22 – page 15
	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.	Children North East to lead on Poverty Truth Commission Child Poverty Prevention Programme – Agenda item 9
	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.	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: Doug Ross** **Signature:** **Date:**	**Chief Finance Officer** **Full Name: Janice Gillespie** **Signature:** **Date:**

Section 13: Governance and Internal Control Improvements Appendix A

<u>CIPFA Financial Management Code</u>

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

This page is intentionally left blank

NORTH OF TYNE COMBINED AUTHORITY

Draft
Narrative Report
year ended 31 March 2022

DRAFT

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 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.

DRAFT

The purpose of this Annual Financial 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 for 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 Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015. The Statement can be found on the Authority's website:

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.

DRAFT

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 Head of Paid Service’s title was amended from Managing Director to Chief Executive of North of Tyne Combined Authority.

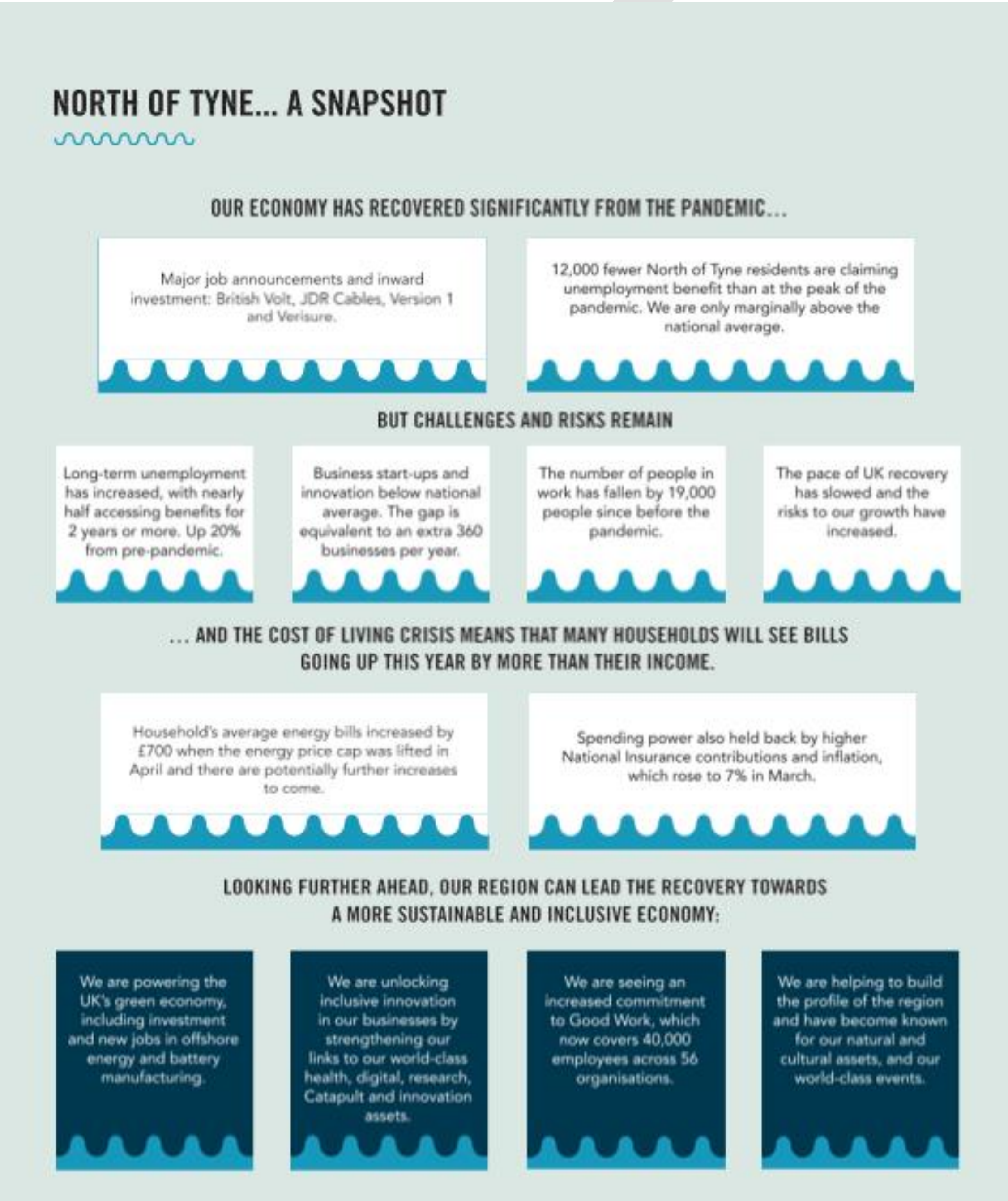
The Combined Authority has grown to 62 employees (including vacant posts) during 2021/22 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

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

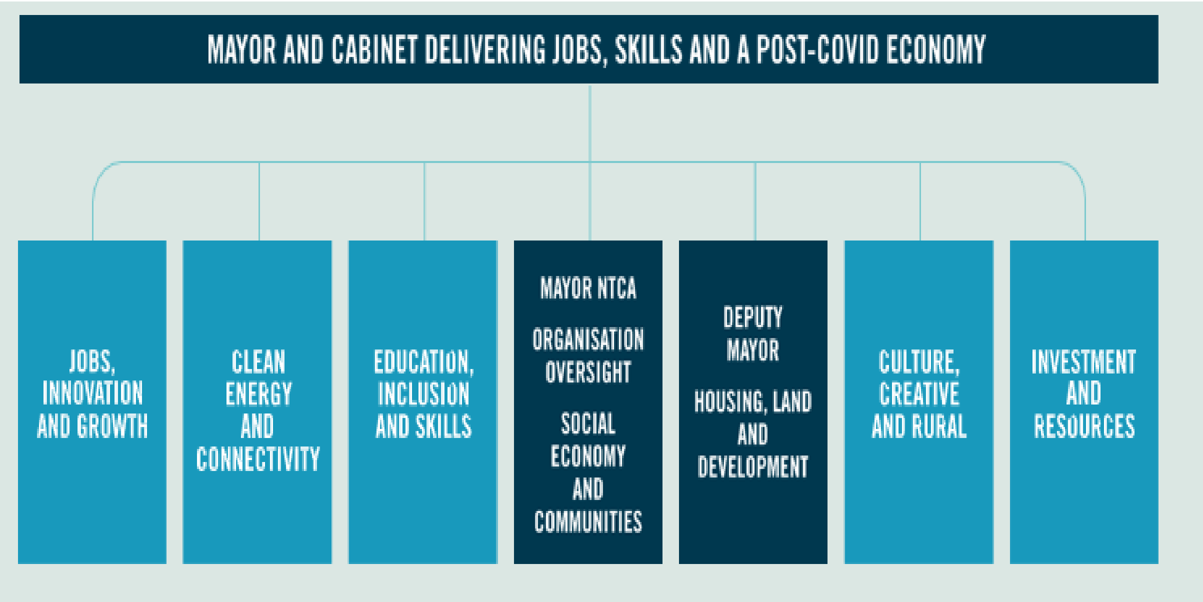
The North of Tyne vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

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.



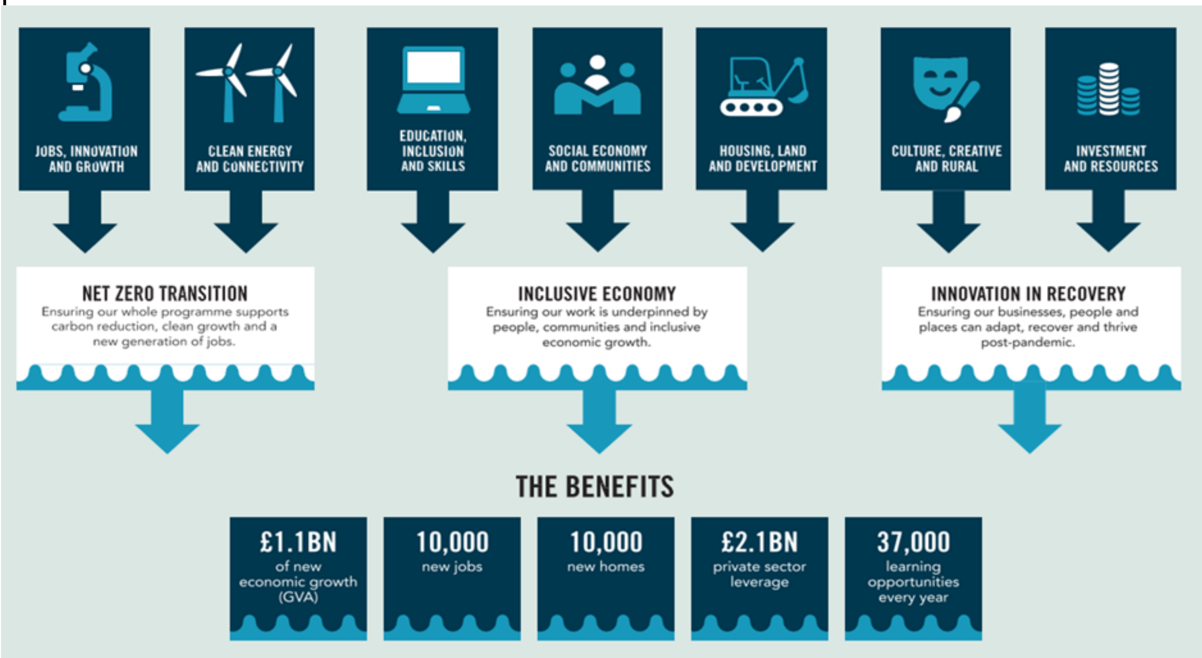
Cabinet Members lead specific portfolios and give collective strategic direction and oversight of NTCA work. This also ensures that local priorities are reflected, and that the connection is maximised between our urban, rural, and coastal geographies and our unique local assets and strengths.

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.

DRAFT

Cross-cutting Themes

NTCA portfolios are underpinned by three cross-cutting priorities, which underpin everything the Combined Authority do. They are net zero, an inclusive economy and innovation in recovery. Together these portfolios and priorities form the NTCA strategic plan.



Funding, Investment and Resources

The foundation of NTCA investment is a £600m fully devolved investment fund, which delivers £20m per year over a thirty-year period. The purpose of the fund is to support accelerated, inclusive growth which creates new jobs and skills opportunities, which helps build the foundation for long term, sustainable growth in the region.

The NTCA Investment Fund is augmented by new funding streams worth almost £700m which have been secured since the original Deal, including the Adult Education Budget, Brownfield Housing Fund and ERDF Growth Funds.

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

Over £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 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:

DRAFT

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	13.613	(13.126)
Technical Support	0.250	0.275	0.025
Corporate Contribution	2.231	2.231	0.000
Total Expenditure	**30.238**	**16.379**	**(13.859)**
Income	(20.000)	(20.000)	0.000
Total Income	**(20.000)**	**(20.000)**	**0.000**
Net (Income)/Expenditure Position	**10.238**	**(3.621)**	**(13.859)**

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 3 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

NTCA secured £23.850m from Government's £400m national Brownfield Housing Fund during 2020/21. The Brownfield Housing Fund is the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least 1,500 new homes, by remediating and revitalising brownfield sites across the North of Tyne area.

Table 5: 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 a £23.145m Adult Education Budget (AEB) for the academic year 2020/21, secured as part of the devolution deal. With Cabinet approval the devolved AEB was allocated to 29 education providers across 10 Grant Agreements and 21 Contracts for Services (via the establishment of a procurement framework).

Table 6: Adult Education Budget 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	0.124	0.124
Corporate	0.678	0.723	0.045
Total Expenditure	**22.706**	**23.450**	**0.744**
Devolved AEB	(22.706)	(23.551)	(0.845)
Delegated Lifetime Skills Guarantee	0.000	(1.642)	(1.642)
Total Income	**(22.706)**	**(25.193)**	**(2.487)**
Net Income carried forward to Reserves	**0.000**	**(1.743)**	**(1.743)**

Reserves Statement

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

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	49.950	4.098	54.048
Adult Education Budget	0	3.220	3.220
Other grant reserves: Kickstart, Bootcamps, Defra Rural, CRF	0	1.095	1.095
Total General (Useable) Reserves	**50.332**	**8.281**	**58.613**

Useable Reserves have increased by £8.281m to £58.613m, reflecting a small increase to the Investment Fund Reserve (£4.098m), 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. Adult Education Budget works on an academic year and therefore at the end of the 2020/21 financial year there was still grant left to spend movement in year reflects the position at end of academic year 2020/21 (£1.477m) and also grant currently held at the end of financial year 2021/22 (£1.743m). 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. A Capital Investment Strategy and a Minimum Revenue Provision Strategy, which are a requirement of the Prudential Code, will be brought to 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 (NE LEP)

NTCA became the accountable body for the NE LEP on the 1 April 2020 and these accounts include details of its income and expenditure.

Table 8: overleaf provides a summary of actual spend against the revised budget for the year.

DRAFT

	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)**	

The NE LEP brings together business leaders, universities, and the Leaders and Elected Mayor of the seven local authorities in the North East LEP area. It is the fourth largest LEP in the country and covers the seven local authorities in the North East area. It is responsible for promoting and developing economic growth in the area and works together with NTCA to ensure there is coordination across a range of activities. The North East LEP core budget covers operational activity and also management of the Local Growth Fund (LGF) programme and the Getting Building Fund (GBF) other activities undertaken by the LEP and funded by additional income.

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

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

Enterprise Zones

Round 1 Enterprise Zones are located across four local authority areas: Newcastle, North Tyneside, Northumberland, and Sunderland. Business rates growth generated on these designated sites accrues to the benefit of the North East LEP for a 25-year period, 2020/21 was the eighth year of the Round 1 zones' life.

In April 2017 these were joined by a further ten sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1 April 2018 to complete the coverage. With the exception of the IAMP, it is the fourth year of the round 2 sites life. Ramparts (Northumberland) and Follingsby North (Gateshead) have generated Business Rates Growth Income during 2020/21, as the result of occupation on parts of the sites requiring no capital investment to enable occupation to occur.

Table 9 below provides a summary of the Enterprise Zone account over the last three years and a summary of the position for 2021/22 compared with a budget reported in January 2022. Business Rate Income for 2021/22 and interest amounted to £2.953m and was higher than the budget 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	638.8	45.8
North Tyneside - Swans	143	217	157.9	-59.1
Northumberland - Blyth Estuary / Port of Blyth	334	326	319.1	-6.9
Sunderland A19 Corridor	628	692	830.7	138.7
ROUND 2 EZ SCHEMES				
Durham - Jade	51	142	185.1	43.1
Gateshead - Follingsby	255	1,289	258.6	-1,030.4
Newcastle - International Airport		137	-	-137.0
Northumberland - Ramparts (Berwick)	34	38	34.5	-3.5
South Tyneside - Holborn		60		-60.0
Sunderland/ South Tyneside IAMP	581	667	527.9	-139.1
TOTAL BRGI	**2,563**	**4,161**	**2,953**	**-1,208.4**
Interest	14	15	15.0	0.0
Total Income	**2,577**	**4,176**	**2,968**	**-1,208.4**
Expenditure				0.0
Capital Financing Costs	1,805	2,174	2,170.7	-3.3
Revenue Operating Costs	99	108	95.5	-12.5
Contribution to INEE Team Costs	65	157	157.0	0.0
Total Costs	**1,969**	**2,439**	**2,423.2**	-15.8
Annual Surplus	**608**	**1,737**	**544.4**	-1,192.6
Use of the Surplus				
- Project Development Fund	**-**	- 500	**-**	500.0
Cumulative Pooled Surplus.	**3,655**	**4,892**	**4,199.4**	-692.6

Invest North East England (INEE)

NTCA became the accountable body for Invest North East England (INEE) as of 1 April 2020.

Invest North East England acts as the strategic inward investment service in the North East. It works collaboratively with its seven local authority partners, two combined authorities, and other key stakeholders such as the North East LEP, Department of International Trade, and Universities to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses.

Operationally, INEE's work has a few key guiding principles:

- INEE’s primary function is to focus on attracting new inward investment to the North East (rather than seeking to secure re-investment in existing companies)

- INEE works closely with, and on behalf of, all seven constituent authorities, its aim being to maximise levels of inward investment regardless of location in North East (a ‘North East First’ principle).

DRAFT

- 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 Continuing Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the North of Tyne Combined Authority, the North East LEP and INEE, it also includes the share of the costs contained within the North East Combined Authority (as relating to the Joint Transport Committee), in the direct provision of Services (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 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 £83.449m of capital expenditure in public transport in Tyne and Wear which was funded primarily by central government grants.

The liquidity of Nexus remained strong with net current assets of £472.701m, adequate to cover both short-term fluctuations and future commitments from usable reserves.

The Nexus accounts are divided between NTCA and NECA accounts (after elimination of intra-group transactions), with the balance sheet information 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

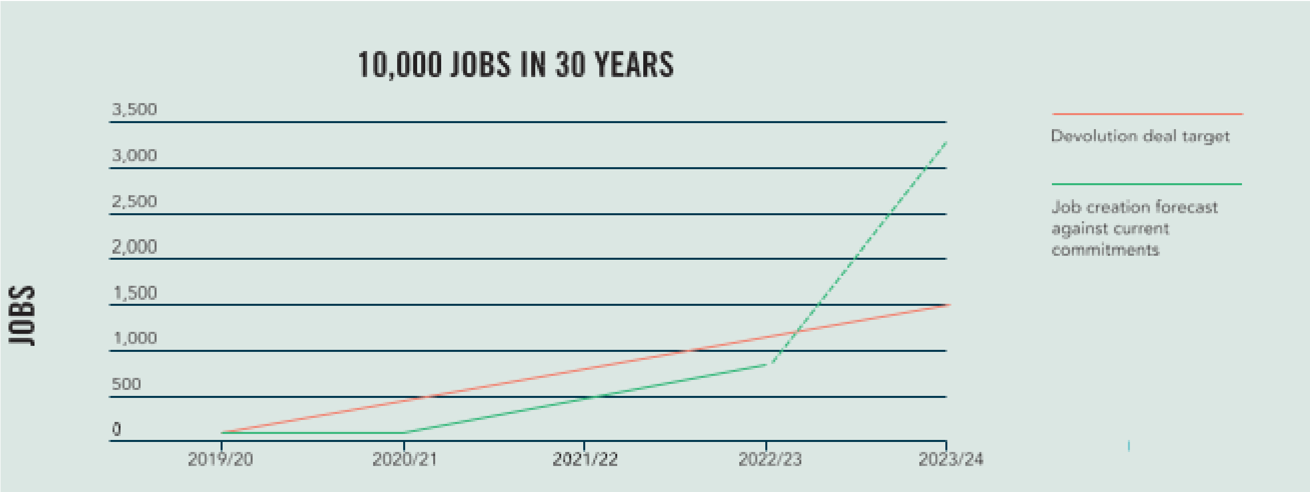
At the end of financial year 2021/22 the Investment Fund total commitments stood at £82.9magainst 96 live contracts. A strong pipeline of high-quality projects is in development with several significant investments planned over the coming months. This includes interventions to grow our digital and ageing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

DRAFT

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 1,298housing units with the extended pipeline accounting for 2,998. Our contracted target with DLUHC is 1500. During 2021/22 NTCA was allocated a further £7.96 million bringing the total amount of NTCA BHF funding to £31.8 million. 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.

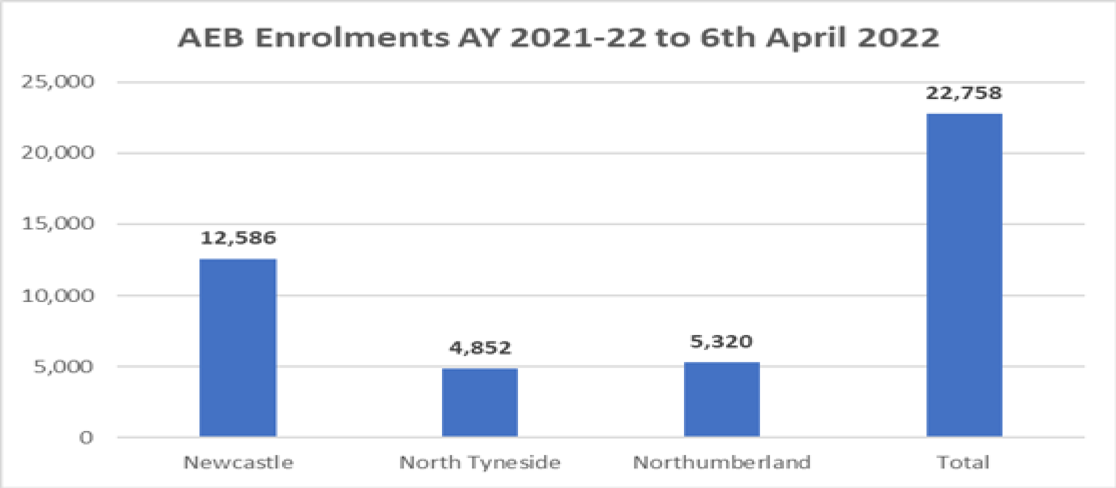
Contracted projects will remediate 25.28 hectares of Brownfield land which will be either reclaimed, re-developed, or resembled.

Adult Education Budget

Non-financial Performance

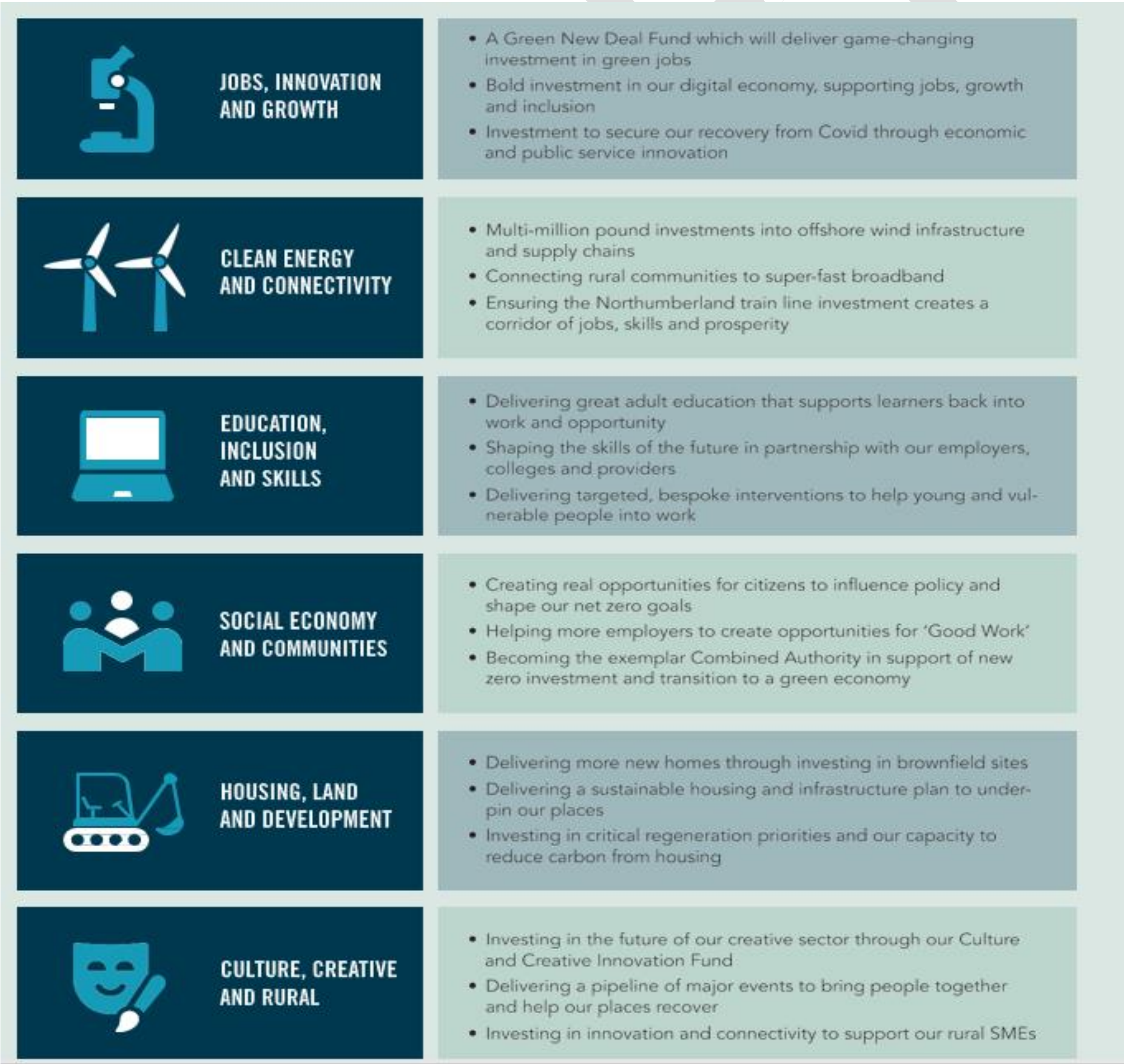
From 1 August 2021 to 31 March 2022, over 22,758 enrolment opportunities have been delivered or are being undertaken, an increase of 2,700 enrolment opportunities on the previous year.

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, throughout the pandemic, the Combined Authority has worked with regional colleagues to support the submission for Recovery Support and Finance for the North East.

The Combined Authority have 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.

Investment Funds have been used to invest North of Tyne Recovery Innovation Deal to supporting our businesses, social enterprises, and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis.

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

In order to deliver the Authority’s priorities and commitments the social factors such as a consistently higher unemployment rate than the national average, a lower productivity than the national wage and social inequality with pockets of deprivation affecting the area will need to be considered. 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 were 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 £0.5m to £0.375m for 2022/23 and a reduction in Growth Hub funding from £0.780m to £0.390m the LEP budget have managed the reduced budget through redundancies and reduction in operational spend. Future core funding is in question. The future form of the North East LEP is dependant 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 Comprehensive Income & Expenditure Statement (CIES) (page 5) summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.

The Movement in Reserves Statement (MIRS) (page 4) shows the movement from the start of the year to the end on the different reserves held by the Authority. This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e., those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NTCA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

The Balance Sheet (page 6) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g., the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line “adjustments between accounting basis and funding basis under regulations”.

The Cash Flow Statement (page 7) shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Authority.

Notes to the Accounts

The notes aim to assist in the understanding of the Statement of the Accounts. They are fundamentally important in the presentation of a true and fair view. They provide information on the basis of the preparation of the financial statements and disclose information not presented directly in the key financial statements which is relevant to the understanding of the information contained elsewhere within the Statement of Accounts.

Group Accounts and Associated Notes

The Authority is required by the Code to produce Group Accounts to include services paid to Council Taxpayers in the North of Tyne area by organisations other than the Authority itself in which the Authority has an interest.

It is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Authority and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

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

Implementation of the Devolution order

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

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

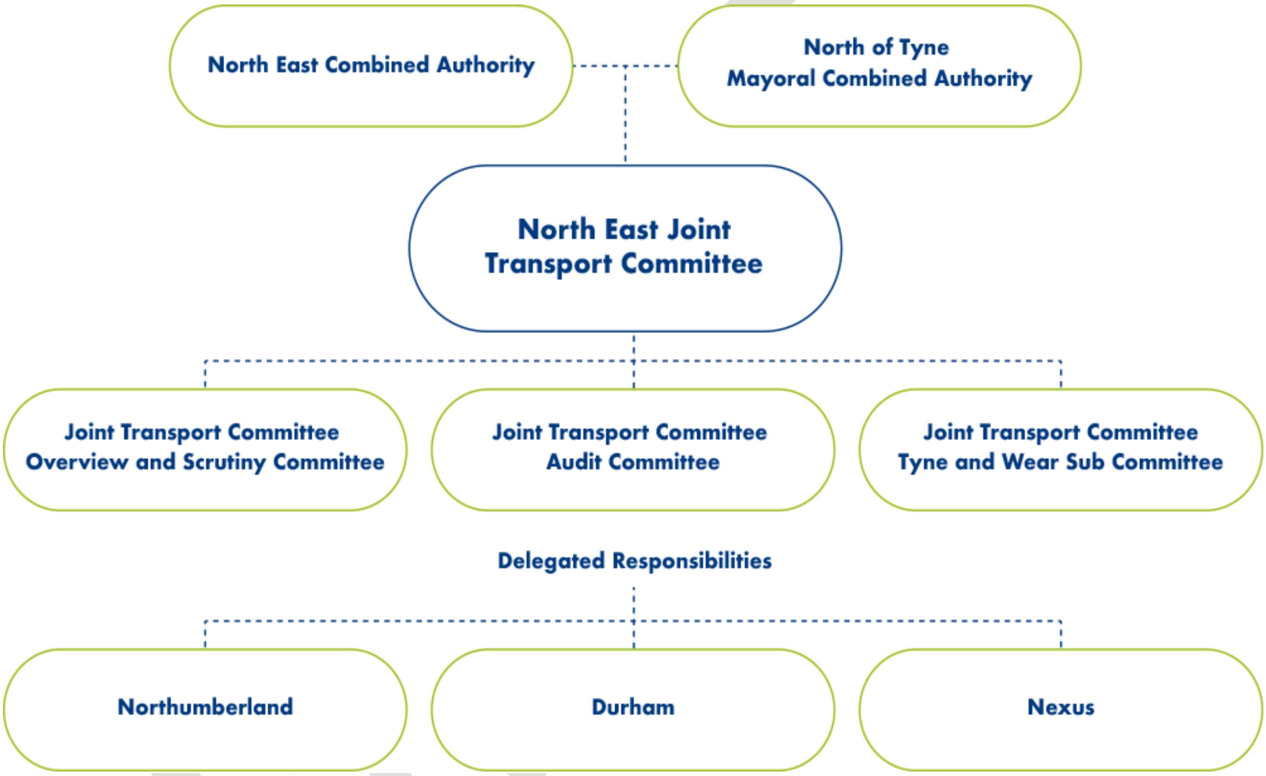
	Mid-Year 2019 Population	Proportion
	People	Proportion
NECA		
- Gateshead	202,055	
- South Tyneside	150,976	
- Sunderland	277,705	
	630,736	0.55257
NTCA		
- Newcastle	302,820	
- North Tyneside	207,913	
	510,733	0.44743
Tyne and Wear Total	**1,141,469**	

DRAFT

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 Authority's budget or local taxpayers to support them, and assets and liabilities associated with the tunnels are ringfenced to the Tyne and Wear constituent councils within the Authority. The Tyne Pedestrian and Cyclist Tunnels reopened to the public in August 2019 and have been well received and well used.

Table 12 overleaf shows Tyne Tunnel Flow data shows a small increase in traffic in 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 Authority prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Authority's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against these are:

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

NTCA Staffing

There are now 62 staff directly employed by the Combined Authority, reflecting an increase in numbers of projects and programmes, resulting in recruitment of a number of temporary posts to lead on the delivery of the projects. A workforce planning exercise is currently being undertaken with the aim of creating a long-term staffing plan set within the context of a consistent set of agreed principles appropriate for the authority.

DRAFT

Table 13: Change in Staffing numbers during 2021/22

	NTCA Employees at the year end	North East LEP Employees at year end	Invest North East Employees at year end
2021/22	62	59	4
2020/21	48	62	3
2019/20	34	56*	3*
2018/19	1	39*	3*

* As per North East Combined Authority Narrative Report

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency, and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2022/23, available on the NTCA website [2022/23 NTCA Budget Proposals January 25 2022] sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance since establishment. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

If you would like further information about these accounts, please contact Janice Gillespie, Chief Finance Officer, c/o North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

J Gillespie.

Janice Gillespie
Chief Finance Officer (S73 Officer)

DRAFT

NORTH OF TYNE COMBINED AUTHORITY

North of Tyne Combined Authority

Statement of Accounts

2021/22

DRAFT

Table of Contents

DRAFT

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:

DRAFT

2.0 Core Financial Statements and Explanatory Notes

DRAFT

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)**
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)	(2,369)	(55,623)
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)**	**(55,848)**	**(234,337)**

DRAFT

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				(2,369)
		(28,875)	**Total Comprehensive Income & Expenditure**				**(55,623)**

DRAFT

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	(4,387)
(118,151)	**Long Term Liabilities**		**(114,330)**
178,714	**Net Assets**		**234,337**
	Financed By:		
(124,373)	Usable Reserves	24	(178,489)
(54,341)	Unusable Reserves	24	(55,848)
(178,714)	**Total Reserves**		**(234,337)**

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**

DRAFT

2.5 Index to the Notes to the Financial Statements

1. Narrative Explanatory Note on Devolution

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

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

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

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

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

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

2. Expenditure and Funding Analysis

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

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

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

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)**

DRAFT

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

DRAFT

3. Income and Expenditure Analysed by Nature

2020/21 £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.

DRAFT

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					2021/22			
General Fund	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**		**General Fund**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£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)

DRAFT

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	(8,148)	8,148	-	-
-	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**

DRAFT

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 £000s
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)**

DRAFT

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 (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 NTCA, 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

DRAFT

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 below.

DRAFT

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	North East Combined Authority	(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.

DRAFT

13. Property, Plant and Equipment

2021/22	**Vehicles, Plant, Furniture & Equipment £000**	**Infra-structure Assets £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	175,579	542	178,419	175,579
Additions	-	210	144	354	210
Reclassification	62	-	(62)	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other adjustments	-	686	-	686	-
At 31 March 2022	**2,360**	**176,475**	**624**	**179,459**	**175,789**
Accumulated Depreciation & Impairments					
At 1 April 2021	(728)	(24,558)	-	(25,286)	(24,558)
Depreciation charge	(135)	(1,796)	-	(1,931)	(1,796)
At 31 March 2022	**(863)**	**(26,354)**	**-**	**(27,217)**	**(26,354)**
Net Book Value					
At 1 April 2021	1,570	151,021	542	153,133	151,021
At 31 March 2022	**1,497**	**150,121**	**624**	**152,242**	**149,435**

DRAFT

2020/21	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £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	174,306	934	176,994	174,306
Additions	-	424	152	576	424
Reclassification	544	-	(544)	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	(16)	-	(16)	(16)
Other Adjustments	-	865	-	865	865
At 31 March 2021	**2,298**	**175,579**	**542**	**178,419**	**175,579**
Accumulated Depreciation & Impairments					
At 1 April 2020	(599)	(22,773)	-	(23,372)	(22,773)
Depreciation charge	(129)	(1,785)	-	(1,914)	(1,785)
At 31 March 2021	**(728)**	**(24,558)**	**-**	**(25,286)**	**(24,558)**
Net Book Value					
At 1 April 2020	1,155	151,533	934	153,621	151,533
At 31 March 2021	**1,570**	**151,021**	**542**	**153,133**	**151,021**

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:

DRAFT

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.

DRAFT

	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:

DRAFT

- 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.

DRAFT

	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 LEP issued a small number of loans as part of its North East Investment Fund activity to encourage economic development in the region. Details of soft loans are set out in the table below.

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

Description	Term (Years)	Contracted Rate	Fair Value Rate	Opening Balance Fair Value	Loans Repaid	Increase in discounted amount	Closing Balance (fair value)	Closing Balance (Nominal)
				£000	£000	£000	£000	£000
Durham University	12	1.90%	4.95%	6,354	(1,084)	1,440	6,710	6,748
Neptune Test Centre	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;

DRAFT

- 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.

DRAFT

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)**

DRAFT

DRAFT

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)	(644)
Actuarial gains due to changes in financial assumptions	2,688	(1,836)
Actuarial gains due to changes in demographic assumptions	-	(122)
Actuarial losses due to changes in liability assumptions	45	233
Total Amount recognised in Other Comprehensive Income & Expenditure	**1,832**	**(2,369)**
Total amount recognised in the CIES	**5,054**	**(337)**

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	**2021/22 £000**
Opening fair value of scheme assets	**625**	**6,214**
Interest Income	113	140
Remeasurement gain on plan assets	901	644
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**	**7,853**

Reconciliation of present value of the scheme liabilities

	LGPS	
	2020/21 £000	**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	-	(122)
Actuarial gains on liabilities – experience	45	233
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**	**12,240**

DRAFT

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**	**7,853**
Present value of LGPS liabilities		
- Funded Defined Benefit Obligation	(11,201)	(12,240)
Deficit on funded defined benefit scheme	**(4,987)**	**(4,387)**
Unrecognised Asset	-	-
Total Liability shown on Balance Sheet	**(4,987)**	**(4,387)**

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

	NTCA
Active members	100%
Deferred pensioners	0%
Pensioners	0%

The liabilities show the underlying commitments that the Combined Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £12.240m has an impact on the net worth of the Combined Authority recorded on the balance sheet, resulting in a negative pension balance of £4.387m. 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

DRAFT

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	21.8
Pensioner member aged 65 at accounting date (female)	25.1	25.0
Active member aged 45 at accounting date (male)	23.6	23.5
Active member aged 45 at accounting date (female)	26.9	26.7
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	0	2.0	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	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.

DRAFT

Actual Return on Assets	Local Government	
	2020/21 £000	2021/22 £000
Interest Income on Assets	113	140
Remeasurement gain on assets	901	644
Actual Return on Assets	**1,014**	**784**

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)	11.885	12.240	12.607
% 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)	12.240	12.240	12.240
% 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%

DRAFT

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	12.607	12.240	11.885
% 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)	12.656	12.240	11.836
% 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.

DRAFT

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)**	-	(878)	**(7,064)**
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)**
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)	**(793)**	677	(945)	**(1,061)**
Total General Fund Reserves	**(50,876)**	**(17,841)**	**16,132**	**(33,421)**	**(86,006)**	**4,671**	**(31,149)**	**(112,484)**
Total Balances & Reserves	**(61,567)**	**(18,490)**	**21,296**	**(33,431)**	**(92,192)**	**4,671**	**(32,027)**	**(119,548)**

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	4,387
Total	**(54,341)**	**(55,848)**

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.

DRAFT

	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

DRAFT

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	(2,369)
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**	**4,387**

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 – repayment of principal from long-term debtors	(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	644
Interest Paid	(3,295)	(3,231)

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**

DRAFT

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:

<u>Service Concession Arrangements</u>

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

DRAFT

		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.

DRAFT

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

DRAFT

- 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

DRAFT

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

Benefits Payable during Employment

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

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

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

Termination Benefits

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

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

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.

DRAFT

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.

<u>Amortised Cost</u>

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.

<u>Expected Credit Loss Model</u>

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.

DRAFT

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

DRAFT

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.

The Authority as Lessee

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:

DRAFT

- 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

DRAFT

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.

<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.

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.

<u>Measurement</u>

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

DRAFT

- 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:

- Infrastructure assets– depreciated historical cost;

- 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:

DRAFT

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

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

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

De Minimis Levels

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

Impairment

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

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

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

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

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

Depreciation

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

DRAFT

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.

DRAFT

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.

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.

DRAFT

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.

DRAFT

3.0 Group Financial Statements and Explanatory Notes

DRAFT

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)	(2,369)	(55,623)	(49,512)	(105,135)
Adjustments between accounting basis & funding basis under regulations	(862)	862	-	-	-
(Increase)/decrease in 2021/22	(54,116)	(1,507)	(55,623)	(49,512)	(105,135)
Balance at 31 March 2022 carried forward	**(178,489)**	**(55,848)**	**(234,337)**	**(260,701)**	**(495,038)**

DRAFT

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		114,204	(101,222)	12,982
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)**	**44,197**
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	-	(125,684)	(125,684)
-	-	-	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)**
		-	Taxation credit charge for the year	G14			
		(41,424)	**Group surplus after taxation**				**(76,669)**
		11,056	Re-measurement of the defined benefit liability	G13			**(28,466)**
		-	Gains on Revaluation of Property				**-**
		(30,368)	**Total Comprehensive Income & Expenditure**				**(105,135)**

DRAFT

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**		**444,342**
142,617	Short Term Investments	G9	202,708
19,324	Short Term Debtors	G10	21,125
50,549	Cash & Cash Equivalents	G11	41,291
401	Inventories		405
212,891	**Current Assets**		**265,529**
(21,023)	Short Term Borrowing	G9	(21,025)
(40,508)	Short Term Creditors	G12	(45,991)
(2,696)	Grants Receipts in Advance	G6	(857)
(2,268)	Public Private Partnerships		(2,278)
(66,495)	**Current Liabilities**		**(70,151)**
(75,724)	Long Term Borrowing	G9	(75,766)
(36,292)	Public Private Partnerships		(34,177)
(50,506)	Pension Liability	G13	(31,658)
(3,679)	Provisions		(1,617)
(1,728)	Deferred Taxation	G14	(1,464)
(167,929)	**Long Term Liabilities**		(144,682)
389,903	**Net Assets**		**495,038**
(146,886)	Usable Reserves	G15	**(203,973)**
(243,017)	Unusable Reserves	G16	**(291,065)**
(389,903)	**Total Reserves**		**(495,038)**

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	76,669
33,780	Adjustments to net surplus on the provision of services for non-cash movements	G17	31,321
(94,333)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	G17	(122,507)
(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**

DRAFT

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.

DR

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:

Deferred Taxation
NTCA/NECA does not require a policy on Deferred Taxation. Deferred Taxation (which arises from the differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated by Nexus on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

Property, Plant and Equipment and Intangible Assets

Nexus uses the following estimated useful lives for each class of assets:

Asset	**Estimated Useful Life**
Freehold buildings	40 years
Short leasehold buildings	Over the lease term
Infrastructure assets	20 to 50 years
Plant and Equipment	5 to 30 years
Vehicles	5 to 10 years
Marine Vessels	30 years
Intangibles	5 to 10 years

Details of NTCA's depreciation policy can be found within the accounting policies of the single entity accounts. Nexus's policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NTCA and NECA charge a full year depreciation in the year of acquisition.

Where Group Accounts are required, authorities must provide the main financial statements and the disclosure notes which add value to the understanding of the accounts. Disclosure notes have been produced to add more detail where the Group Accounts are materially different from the single entity accounts.

Copies of the single entity accounts for Nexus are available at www.nexus.org.uk

As described in the Note 1 to the single entity accounts, the establishment of the North of Tyne Combined Authority (NTCA) and the North East Joint Transport Committee on 2 November 2018 necessitates the division of income and expenditure, assets and liabilities relating to Joint Transport Committee activity between the NECA and NTCA

DRAFT

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	24,206	(19,074)	7,850	-	12,982
Invest North East	247	-	62	-	309
Local Enterprise Partnership	4,385	8,418	914	(104)	13,613
Net Cost of Services	**45,487**	**(10,656)**	**9,517**	**(151)**	**44,197**
Other Income & Expenditure	(75,506)	(46,452)	102	990	(120,866)
Surplus on Provision of Service	**(30,019)**	**(57,108)**	**9,619**	**839**	**(76,669)**

Opening General Fund Balances	**(29,333)**
Surplus on General Fund Balances in Year	(30,019)
Transfers to Reserves	32,586
General Fund Balances at 31 March 2022	**(26,766)**

DRAFT

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.

DRAFT

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	25,993
95,815	Other service expenses	111,012
2,783	Support Service Recharges	3,250
59,377	Depreciation, impairment and Revenue Expenditure Funded from Capital under Statute (REFCUS)	63,119
7,296	Interest Payments	9,282
192,837	**Total Expenditure**	**212,656**
	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	(188,426)
(3,397)	Other Income	(9,915)
(234,261)	**Total Income**	**(289,325)**
41,424	**Surplus on the provision of services**	**(76,669)**

DRAFT

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	(72,018)
(20,000)	Non-Ringfenced Government Grants	(20,000)
(121,902)	**Total**	**(125,684)**

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

31 March 2021 £000		31 March 2022 £000
	Grants Receipts in Advance	
(2,696)	Grants & Contributions (individually under £1m) – Short Term	(857)
(2,696)	**Total**	**(857)**

DRAFT

G7 Property, Plant and Equipment

2021/22	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Land & Buildings	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets included in PPE
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2021	**16,051**	**525,709**	**1,285**	**27,872**	**570,917**	**175,579**
Additions	-	210	-	40,614	40,824	210
Transfers from Assets under Construction	62	9,330	-	(9,392)	-	-
Transfers to Intangibles	-	-	-	(26)	(26)	-
Derecognition – disposals	(17)	(892)	(118)	(19)	(1,046)	-
Other Adjustments	-	1,770	-	-	1,770	-
At 31 March 2022	**16,096**	**536,127**	**1,167**	**59,049**	**612,439**	**175,789**
Accumulated Depreciation and Impairment						
At 1 April 2021	(11,333)	(163,444)	(244)	-	(175,021)	(24,558)
Depreciation charge	(522)	(15,007)	(11)	-	(15,540)	(1,796)
Derecognition – disposals	17	413	114	-	544	-
At 31 March 2022	**(11,838)**	**(178,038)**	**(141)**	**-**	**(190,017)**	**(26,354)**
Net Book Value						
At 1 April 2021	4,718	362,265	1,041	27,872	395,896	151,021
At 31 March 2022	**4,258**	**358,089**	**1,026**	**59,049**	**422,422**	**149,435**

DRAFT

2020/21

Cost or Valuation	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Land & Buildings £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
At 1 April 2020	**16,855**	**503,857**	**1,440**	**20,703**	**542,855**	**174,306**
Additions	-	424	-	29,201	29,625	424
Transfers from Assets under Construction	544	21,468	-	(22,012)	-	-
Derecognition – disposals	(1,348)	(2,171)	(155)	(20)	(3,694)	-
Impairment recognised in the Provision of Services	-	(16)	-	-	(16)	(16)
Other Adjustments	-	2,147	-	-	2,147	865
At 31 March 2021	**16,051**	**525,709**	**1,285**	**27,872**	**570,917**	**175,579**
Accumulated Depreciation and Impairment						
At 1 April 2021	(11,185)	(150,456)	(330)	-	(161,971)	(22,773)
Depreciation charge	(690)	(14,414)	(18)	-	(15,124)	(1,785)
Derecognition – disposals	542	1,426	104	-	2,072	-
At 31 March 2021	**(11,333)**	**(163,444)**	**(244)**	**-**	**(175,021)**	**(24,558)**
Net Book Value						
At 1 April 2020	5,670	353,401	1,110	20,703	380,884	151,533
At 31 March 2021	**4,718**	**362,265**	**1,041**	**27,872**	**395,896**	**151,021**

DRAFT

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

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 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	19,278	142,617	202,708	16,756	19,802
Total Financial Assets	-	**-**	**13,152**	**19,278**	**142,617**	**202,708**	**16,756**	**19,802**
Non-financial Assets	-	-	-	-	-	-	2,568	1,323
Total	-	**-**	**13,152**	**19,278**	**142,617**	**202,708**	**19,324**	**21,125**

Financial assets at amortised cost

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

- The asset is held within a business model whose objective is to collect the contractual cash flows; and

- The contractual terms give rise to cash flows that are solely payments of principal and interest.

All of NTCA's financial assets fit these criteria and are classified at amortised cost.

DRAFT

Trade receivables

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

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

Financial Liabilities held at amortised cost

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

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 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)	(8,980)
Total Financial Liabilities	**(75,724)**	**(75,766)**	**-**	**-**	**(21,023)**	**(21,025)**	**(17,840)**	**(8,980)**
Non-financial Liabilities	-	-	-	-	-	-	(22,668)	(37,011)
Total	**(75,724)**	**(75,766)**	**-**	**-**	**(21,023)**	**(21,025)**	**(40,508)**	**(45,991)**

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

Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made as follows:

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 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:

DRAFT

- 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	19,278	19,278
Total		**155,769**	**155,769**	**221,986**	**221,986**

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.

DRAFT

G10 Short Term Debtors

31 March 2021 £000		31 March 2022 £000
6,204	Central Government Bodies	10,119
6,719	Other Local Authorities	8,298
1	NHS Bodies	-
6,400	Other Entities and Individuals	2,708
19,324	**Total**	**21,125**

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	(9,122)
(14,754)	Other Local Authorities	(8,187)
(22,940)	Other Entities and Individuals	(28,682)
(40,508)	**Total**	**(45,991)**

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.

DRAFT

Consolidated Pension Liability

The Group pension liability of £31.658m (£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:

DRAFT

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)	(644)	-	(76)
Remeasurement of the net Defined Benefit Liability	11,904	(27,650)	53	(96)
Total Amount recognised in Other Comprehensive Income & Expenditure	**11,003**	**(28,294)**	**53**	**(172)**
Total amount recognised in the CIES	**21,618**	**(17,139)**	**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.

DRAFT

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	12,184	-	-
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**	**194,906**	**-**	**-**

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)**	**(229,455)**	**(1,230)**	**(1,167)**
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)	(15,688)	(53)	169
Net benefits paid	5,006	4,749	142	133
Past service costs	-	(18)	-	-
Net increase in liabilities from NEMOL transfer	7,839	-	-	-
Settlements	(6,105)	-	-	-
Closing balance at 31 March	**(229,455)**	**(225,677)**	**(1,168)**	**(887)**

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**	**194,906**
Present value of LGPS liabilities		
- LGPS liabilities	(229,455)	(225,677)
Deficit on funded defined benefit scheme	**(49,339)**	**(30,771)**
Discretionary benefits	(1,168)	(887)
Total Deficit	**(50,507)**	**(31,658)**

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	100%	37%
Deferred pensioners	0%	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 Authority has in the long run to pay post employment (retirement) benefits. The total liability of £225.677m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £31.658m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

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

- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2022 is £0.274m 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.

DRAFT

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	21.8
Pensioner member aged 65 at accounting date (female)	25.1	25.0
Active member aged 45 at accounting date (male)	23.6	23.5
Active member aged 45 at accounting date (female)	26.9	26.7
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	48,423
Remeasurement gain on assets	33,421	4,689
Actual Return on Assets	**37,333**	**53,112**

DRAFT

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)	479.85	489.26	498.69
% change in present value of total obligation	(1.92%)		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)	490.69	489.26	487.83
% 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	
Tax effect of losses	(433)	
Other timing differences	40	
Total	(270)	

The balance at the year-end comprises:

	2020/21 £000	2021/22 £000
Excess of capital allowances over depreciation	(1,386)	
Roll over relief on capital gains	(549)	
Tax effect of losses	433	
Other timing differences	44	
Total	(1,458)	

G15 Usable Reserves

	31 March 2021 £000	31 March 2022 £000
General Fund Balance	(29,333)	(26,766)
Earmarked Reserves	(85,372)	(117,958)
Capital Grants Unapplied	(23,292)	(58,470)
Capital Receipts Reserve	(8,889)	(779)
Total Usable Reserves	**(146,886)**	**(203,973)**

DRAFT

G16 Unusable Reserves

	31 March 2021 £000	31 March 2022 £000
Revaluation Reserve	(4,651)	(4,602)
Capital Adjustment Account	(291,983)	(322,070)
Financial Instruments Adjustment Account	2,554	3,544
Accumulated Absences Account	556	405
Pension Reserve	50,507	31,658
Total Unusable Reserves	**(243,017)**	**(291,065)**

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	**(4,602)**

DRAFT

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	**2020/21 £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	(28,466)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	12,610
Employer's pension contributions and direct payments to pensioners	(3,095)
Interest expense on net defined asset	102
Balance at 31 March 2022	**31,658**

DRAFT

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	31,623
(31,118)	Increase in Debtors	(21,799)
1,201	Decrease/(Increase) in Inventories	(4)
8,452	Movement in Pension Liability	9,192
(2,147)	Other non-cash items charged to the surplus/deficit on the provision of services	(3,423)
33,780		31,321
	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	(123,958)
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	(8,068)

DRAFT

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	(417)
(1,368)	Other payments and receipts for financing activities	(1,462)
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)**

DRAFT

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	41,875
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**	**78,659**
(5,432)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,698)

DRAFT

4.0 Supplemental Information

4.1 Glossary of Terms

A

Abbreviations: The symbol 'k' followed by a figure represents £ thousand. The symbol 'm' following a figure represents £ million.

Accounting policies: Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

Accruals: Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial gains or losses (Pensions): For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience or losses), or the actuarial assumptions themselves have changed.

Amortise: To write off gradually and systematically a given amount of money within a specific number of time periods.

Assets: Items of worth which are measurable in terms of money.

Assets Held for Sale: Those assets, primarily long-term assets, that the Authority wishes to dispose of through sale to others.

B

Balances: The total level of surplus funds the Authority has accumulated over the years.

Budgets: A statement of the Authority's forecast expenditure, that is, net revenue expenditure for the year.

C

Capital Adjustment Account: The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

DRAFT

Capital expenditure: Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital receipts: Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority.

Code of Practice on Local Authority Accounting (The Code): The Code specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of a local authority.

Comprehensive Income & Expenditure Statement: This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the financial year.

Consistency: The principal that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Contingent Asset: A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Contingent Liability: A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate & Democratic Core: The corporate & democratic core comprises all activities which local authorities engage in specifically because they are elected, multipurpose authorities.

Creditors: An amount owed by the Authority for work done, goods received or services rendered but for which payment has not been made.

Current Service Cost (Pension): The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment (Pensions): For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.

D

Debtors: Monies owed to the Authority but not received at the balance sheet date.

DRAFT

Defined Benefit Scheme (Pensions): A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation: The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.

E

Earmarked reserves: A sum set aside for a specific purpose.

Emoluments: Payments received in cash and benefits for employment.

Events after the Balance Sheet Date: Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

Expected Rate of Return on Pensions Assets: This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.

F

Fair Value: The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and Charges: Income arising from the provision of services, for example, charges for the use of leisure facilities.

Financial Instrument: Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.

Finance Lease: A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instruments Adjustment Account: The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance

G

General Fund: The total services of the Authority.

DRAFT

Going Concern: The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

I

Impairment: A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.

Intangible Assets: An asset that is not physical in nature, e.g. software licences.

Interest Costs (Pensions): For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties: Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.

L

Liabilities: Any amount owed to individuals or organisations which will have to be paid at some time in the future.

Liquid Resources: Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

M

Materiality: An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP): An amount charged by the Authority to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.

Movement in Reserves Statement: The statement shows the movement in the year on the different reserves held by the Authority.

N

Net Book Value: The amount at which fixed assets are included in the balance sheet, being their historical cost or current value less the cumulative amounts provided by depreciation.

Net Debt: The Authority's borrowings less cash and liquid resources.

DRAFT

O

Operating Leases: Leases other than a finance lease.

P

Property, Plant and Equipment (PPE): Assets that yield benefits to the Authority and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.

Provisions: These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.

Prudence: This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Public Works Loan Board (PWLB): This is a Government agency which provides loans to local authorities at favourable rates.

R

Related Parties: A related party transaction is the transfer of asset or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.

Reserves: These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.

Residual Value: The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Revaluation Reserve: The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.

Revenue Expenditure: Expenditure on providing day-to-day services, for example employee costs and premises costs.

Revenue Expenditure Funded from Capital under Statute: Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority e.g. grants to other organisations for capital purposes.

DRAFT

U

Unusable Reserves: The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'adjustments between accounting basis and funding basis under regulation.'

Usable Reserves: Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Useful life: The period over which the Authority will derive benefits from the use of a fixed asset.

DRAFT

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

Report on the audit of the financial statements

DRAFT

This page is intentionally left blank

Cabinet

19 July 2022

Subject: **2022/23 Q1 NTCA Budget Monitor Report**

Report of: **Chief Finance Officer**

Report Summary

This report is the first quarter monitoring report to Cabinet on the 2022/23 financial position. The report brings together the forecast financial position for both the Corporate, Investment Fund, Brownfield Housing Fund and Adult Education budget and provides an indication of the potential position of the Combined Authority on 31 March 2023. It also sets out the potential position on the reserves at the year end.

Recommendations

The Cabinet is recommended to note the forecast budget monitoring position for the Combined Authority as set out in paragraphs 1.2, 1.3, 1.4 and 1.5 and the reserves position in 1.6.

1. Background Information, Proposals and Timetable for Implementation

1.1 Summary

1.1.1 Cabinet approved the 2022/23 budget on 25th January 2022. Included in that budget was the estimated expenditure across the year for both the Corporate Budget, Investment Fund, Brownfield Housing Fund, and the Adult Education Budget.

1.1.2 The 2022/23 Q1 budget monitor reflects the continued development of the Combined Authority in terms of the establishment of the authority's staffing structure, and the systems required to support the delivery and monitoring of projects and programmes aligned with its vision based on current information and trajectory of delivery of programmes and projects.

1.1.3 Since the budget for 2022/23 was approved, the Combined Authority have been allocated funding of £47.1m for UK Shared Prosperity Fund, 'core-UKSPF' and £4.1m for the 'Multiply' adult numeracy programme, covering the areas of Newcastle, North Tyneside, and Northumberland. The Investment Plan for the core-UKSPF is now in its final stages of development, ahead of submission to Government by the 1 August 2022. Delivery against the core-UKSPF will be reported back to a later Cabinet after submission. The Multiply programme has now been submitted and anticipated delivery against year 1 of the programme is detailed in section 1.5 of this report.

1.2 Corporate Budget

1.2.1 The Corporate Budget for 2022/23 set a net zero position covering the costs associated with the capacity required to deliver.

1.2.2 Table 1 overleaf reflects the 2022/23 forecast position across the key income and expenditure heads within the Corporate Budget head.

Table 1 Q1 2022/23 Corporate Budget Monitor

	2022/23 £m	Forecast £'000	Variance £000
Expenditure			
Staffing	3.145	3.673	0.528
Mayor's Office	0.248	0.244	(0.004)
Other Costs	1.203	1.203	0.000
Contribution to Reserves	0.800	0.800	0.000
Transport Levy	29.335	29.335	0.000
SLAs	0.285	0.294	0.009
Total Expenditure	**35.016**	**35.549**	**0.533**
Income			
Mayoral Capacity Fund	(1.000)	(1.000)	0.000
Constituent Authority Contributions	(0.111)	(0.111)	0.000
Investment Fund Contribution	(2.650)	(2.650)	0.000
AEB Contribution	(0.678)	(0.708)	(0.030)
Bootcamp Contribution	0.000	(0.503)	(0.503)
Investment Fund Workstreams	(0.773)	(0.773)	0.000
Other Contributions	(0.294)	(0.294)	0.000
Interest on Investments	(0.175)	(0.175)	0.000
Contribution from Reserves	0.000	0.000	0.000
Transport Levy	(29.335)	(29.335)	0.000
Total Income	**(35.016)**	**(35.549)**	**(0.533)**
Net Position (Inc)/Exp	**0.000**	**0.000**	**0.000**

1.2.2 Gross expenditure is anticipated to exceed budget by £0.533m at this point in the new financial year, £0.524m of this is in relation to an increase in employee expenditure, the Mayor's Office showing a slight underspend against budget (£0.004m). There are now 62 staff directly employed by the Combined Authority, with an additional 4 vacant posts shortly to be recruited to within the Inclusive Growth Team to support on the delivery of the new Bootcamp Funding. This reflects an increase in the current forecast position on employee expenditure of £0.528m. As workforce planning continues to be reviewed considering anticipated delivery against the new UK Shared Prosperity Funding (core-UKSPF). Expenditure on Service Level Agreements (SLA) is anticipated to exceed the original budget level by £0.09m due to anticipated increase in line with inflation.

1.2.3 Other costs include budgeted expenditure on accommodation, travel and subsistence, external advisors, communications, and marketing in addition to recruitment and training. Some of these budget heads in the previous two financial years had reflected large underspends due to the pandemic forcing home working and therefore travel and training activity to be reduced. However, in 2022/23 the organisation, is investing heavily in training and development to ensure staff are fully equipped with the right skill set to meet ongoing demands as the organisation continues to grow and expand, and personal development plans which will contribute towards staff morale and retention. The accommodation budget (£0.350m) is sufficient to meet the day to day running costs of occupying the Lumen building and to create a reserve for future dilapidation costs. It is anticipated that there will be an immediate requirement for more desks in the current financial year in line with the increased workforce.

1.2.4 Gross income is reflecting a (£0.533m) increase against the original budget approved. This increase is in relation to new Bootcamp Funding, (£0.503m) to deliver Skills Bootcamps to allow residents to attain skills to improve their job prospects, a 10% top slice to fund delivery and cover administration costs is allowed within the grant funding conditions (£0.503m). A further (£0.030m) is anticipated on AEB devolved funding top slice, which equates to 3% of the £23.587m.

1.3 Investment Fund

1.3.1 Delivery on the Investment Fund continues, with 119 projects now approved.
The Combined Authority has achieved:

- A contracted spend of £100.22m
- These projects will attract £292.015m of private sector leverage and are forecast to deliver 4586 jobs and safeguard a further 2679.
- Of these, the first 937 new jobs have been created and 1773 jobs reported as safeguarded.

Collaborating with Local Authority partners and project applicants is a high priority for financial year 2022/23. Table 2 below sets out the commitments against the key themes of the Investment Fund.

Table 2 Commitment against Investment Fund Thematic Area Allocation

	Committed	Allocation	% Allocated
	£m	£m	
Business	43.60	45.30	96%
People	17.66	17.30	102%
Place	25.51	13.25	193%
Major Strategic Economic Opportunities	10.19	9.65	106%
Business Case Development Fund	3.26	4.50	72%
	100.22	**90.00**	**111%**

1.3.2 The Investment Fund Programme continues to grow as projects progress through the pipeline. There have been key funding proposals coming forward for consideration, around innovation and supporting our key sectors. Work continues at pace to operationalise the headline sector strategies agreed by Cabinet. In addition, there is a step change in the volume of contracts and supporting financial claims as projects and programmes come to fruition. Table 3 overleaf shows the forecast position for the Investment Fund in 2022/23.

Table 3 Investment Fund Q1 Budget Monitor

Investment Fund	Budget £m	Forecast £m	Variance £m
Expenditure			
Business Case Development Fund	0.500	0.500	-
Investment Projects	41.600	41.600	-
Technical Assistance	0.250	0.250	-
Contribution to Corporate	2.650	2.650	-
Gross Expenditure	**45.000**	**45.000**	**-**
Income			
Investment Fund	(20.000)	(20.000)	-
Total Income	**(20.000)**	**(20.000)**	**-**
Net Position (Income)/Expenditure	**25.000**	**25.000**	**-**
Investment Reserve brought forward	**(54.048)**	**(54.048)**	**-**
Net Investment Fund Reserve carried forward	**(29.048)**	**(29.048)**	**-**

1.3.3 The economic outlook is dominated by increased cost of living prices and signs of a weakening economy, with inflation rising to 9.1%. Despite this backdrop the Combined Authority continues to invest to support inclusive economic growth. The quality of delivery continues to be strong. Relationships with grant recipients remain strong and organisations have been keen to work with NTCA to design and embed innovative delivery approaches, ensuring that projects can continue to meet the aims, objectives, and outputs that they set out to achieve. Additionally, the pipeline has continued to develop with a number of schemes to be delivered in 2022/23, including the Town and High Streets Programme (£6.000m) which is now moving into delivery and a contribution towards the building of a new Technology Development Centre at the Offshore Renewable Energy Centre (£2.00m).

1.3.4 Within the above investment fund workstream the following projects includes funding to be spent on capital schemes, see Table 4 overleaf:

Table 4 Investment Fund Capital Schemes

Project	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Return to Work		0.002		0.028		0.030
North of Tyne Science Education Enrichment	0.023					0.023
NTCA Heritage STEM: Our Past, Your Future		0.007				0.007
NU futures		0.336	1.637			1.973
North bank of the Tyne EZ - Phase 1				0.250	0.550	0.800
North Shields Fish Quay			0.346	1.194		1.540
Bates Clean Energy Terminal			0.711	1.627		2.338
Swans Energy Park				2.000		2.000
Spirit of North Tyneside				0.250		0.250
Community Hubs Northumberland			0.010	0.165		0.175
NEP1 Battle Wharf				0.509	0.742	1.251
CCZ - North Tyneside				0.350	0.450	0.800
Energy Central Learning Hub (ECLH)				1.000	1.000	2.000
Towns High Streets Innovation Prog. - Newcastle				0.830	1.070	1.900
Towns High Streets Innovation Prog. - North Tyneside				0.830	1.070	1.900
Towns High Streets Innovation Prog. – Northumberland				0.830	1.070	1.900
Technology Development Centre				1.200	0.800	2.000
Tyne Clean Energy Park, Howdon Yard				2.791	0.038	2.829
Total	**0.023**	**0.345**	**2.704**	**13.854**	**6.790**	**23.716**

1.4 Brownfield Housing Fund

1.4.1 The Brownfield Housing Fund is the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least two thousand 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.

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

1.4.3 A call for sites was undertaken in Autumn 2021 to identify additional sites for the fund and to build the Brownfield pipeline in anticipation of future funding. This position provides enough flexibility to manage the programme and NTCA, in collaboration with partners will continue to develop the pipeline of schemes to manage a deliverable capital programme which meets the requirements and timescales set out by DLUHC.

1.4.4 In terms of approvals to date, NTCA have approved seven schemes with a total commitment of £17.1m. These schemes are forecasting the creation of 1573 housing units with the extended pipeline accounting for 4215, this is set against the DLUHC target of 2000. Four schemes have been contracted and are now delivering on the ground. Three schemes are awaiting planning application decisions. Forecast private sector leverage for the contracted projects stands at £115.95m.

1.4.5 Risk around performance has increased because of delays in year 1 and 2 resulting in a revised profile to DLUCH as detailed below in Table 5.

Table 5 Brownfield Housing Funding up dated Profile including additional allocation of funds

	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	**31.820**	0.568	3.385	10.563	14.056	3.248

1.5 Adult Education Budget (AEB)

1.5.1 In August 2020 NTCA took control of £23.145m devolved Adult Education Budget for the academic year 2020/21. Annual funding for this and subsequent years was set just above £23.100m.

1.5.2 The Department of Education have confirmed NTCA's devolved AEB allocation for the period 1 August 2022 to July 2023 is £23.587m plus an additional £1.959m for the delegated Free Courses for Jobs bringing the total AEB in 2022/23 academic year to £25.546m.

1.5.3 Since the beginning of August 2021 over 28,600 enrolment opportunities have been delivered or are being undertaken.

1.5.4 Covid-19 impacts on face-to-face learning have eased in 2022/23. The impact was still evident last academic year however, with some providers under delivering. Under delivery for procured services will be clawed back if profile payments exceed actual delivery. For grant funded providers it had been suggested that they can submit a Cost Analysis Statement (CAS), setting out extenuating circumstances for under-delivery and any costs incurred which are related to AEB delivery but which are not captured in the ILR data returns.

1.5.5 Table 6 below shows the AEB Forecast for the academic year 2022/23

Table 6 Adult Education Budget Forecast Academic Year 2022/23

	Academic Year 2022/23		
	Budget £'000	Forecast £'000	Variance £'000
Expenditure			
Grant Awards	15.369	15.610	0.241
Procured Services	6.659	7.269	0.610
Corporate Contribution	0.678	0.708	0.030
Courses for Jobs	-	1.959	1.959
Gross Expenditure	**22.706**	**25.546**	2.840
Income	(22.706)	(25.546)	(2.840)
Gross Income	**(22.706)**	**(25.546)**	**(2.840)**
Net Position (Income)/Expenditure	**-**	**-**	**-**

Table 7 Adult Education Budget Financial Year 2022/23

Financial Year 2022/23	1 Apr 2022 - 31 Jul 2022 £m	1 Aug 2022 - 31 Mar 2023 £m	Total £m
Devolved Adult Education Budget	8,800,948	14,785,847	23,586,795
Free Courses for Jobs Funding	489,829	1,469,486	1,959,315
Total	**9,290,777**	**16,255,333**	**25,546,110**

1.5.6 Funding has been secured from the National Skills Fund to run a series of Skills Bootcamps in a range of sectors allowing residents to train and gain skills needed to improve job prospects. Examples of the sectors covered are digital, technical, construction, logistics and green skills.

Table 8 below shows the budget and forecast position for Bootcamps delivery 2022/23.

Table 8 Bootcamps 2022/23

	Financial Year 2022/23		
	Budget £'000	**Forecast £'000**	**Variance £'000**
Expenditure			
Procured Services	5.029	5.029	0.000
Overhead Contribution	0.503	0.503	0.000
Gross Expenditure	**5.532**	**5.532**	0.000
Income	(5.532)	(5.532)	(0.000)
Gross Income	**(5.532)**	**(5.532)**	**(0.000)**
Net Position (Income)/Expenditure	**-**	**-**	**-**

1.5.7 The new Shared Prosperity Funding (Core-UKSPF) includes Multiply funding, £4.1m over three years. The funding is aimed at improving adult numeracy skills. In doing so, new job or training opportunities will be unlocked for residents. Table 9 shows the budget and forecast position for delivery against Multiply for 2022/23 the first year of delivery.

Table 9 Multiply 2022/23 Forecast Position

	Financial Year 2022/23		
	Budget £'000	**Forecast £'000**	**Variance £'000**
Expenditure			
Procured Services	1.123	1.123	-
Overhead Contribution	0.125	0.125	-
Gross Expenditure	**1.248**	**1.248**	-
Income	(1.248)	(1.248)	-
Gross Income	**(1.248)**	**(1.248)**	**-**

Net Position (Income)/Expenditure	-	-	-

1.5.8 Approval of the Investment Plan by Government is not expected until October 2022 which will put pressure on delivery within the shortened time frame. To mobilise delivery quickly once funding is received a number of key partners and stakeholders involved in the design of the programme are engaging with target recipients.

1.6 Reserves

1.6.1 The forecast position on reserves held on 31 March 2022/23 are detailed below in Table 10.

Table 10 Reserves as of 31 March 2023

Reserves Statement	2021/22	Movement (from)/to Reserves	2022/23
	£m	£m	£m
Preparing to Exit EU	0.050	(0.050)	0.000
Strategic Reserve	0.200	-	0.200
Investment Fund Reserve	54.048	(25.000)	29.048
Adult Education Budget	3.220	(3.220)	0.000
Other grant reserves: Kickstart, Bootcamps, Defra Rural, CRF	1.095	(1.095)	0.000
Total General (Useable) Reserves	**58.613**	**29.365**	**29.248**

1.6.2 Based on the forecast position at Q1 the position on the Investment Fund Reserves will decrease to £29.048m based on the current trajectory on the Investment Fund. The level of the Investment Fund Reserve reflects Investment Fund monies received to date of £100.000m with delivery on projects in 2022/23 anticipated to be £45.000m.

1.6.3 It is anticipated that the balance of unallocated Adult Education Budget (£3.220m), again due to impact of Covid 19 will be allocated during the academic year August 2022 through to July 2023, with all funding received for the academic year anticipated to be fully allocated also. Other grant reserves such as the Preparing to Exit EU grant, Kickstart, Bootcamps, Defra Rural and CRF are anticipated to be used in 2022/23 in delivery against the relevant programmes. The Strategic Reserve continues to be maintained at £0.200m in line with the Reserves and Balances Policy.

2. Potential Impact on Objectives

2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority. The 2022/23 budget position against which the budget is monitored against demonstrates the Authority has properly discharged its functions and assisted in delivering the Authority's vision, policies, and priorities.

3. Key Risks

3.1 Inflation rises will have an impact on cost of delivery on programmed spend on projects which could result in an increase on funding requests. Supply chain delays may also impact on delivery on projects.

4. Financial and Other Resources Implications

4.1 This is a financial report with any financial or resource implications set out in the report.

4.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances in accordance with the Authority's Reserves and Balances policy.

5. Legal Implications

5.1 The Combined Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Department of Levelling up Communities and Housing Statutory Guidance on Local Government Investments.

5.2 The Combined Authority is required to agree a balanced budget annually and to monitor performance against that budget throughout the year. The Combined Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.

6. Equalities Implications

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

7. Inclusive Economy Implications

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

8. Climate Change Implications

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

9. Consultation and Engagement

9.1 The creation of the North of Tyne Combined Authority has been subject to significant and regional consultation. The 2022/23 budget was subject to wide consultation across the North of Tyne Region. The constituent authorities have been consulted directly on the production of the 20222/23 Budget and 2021/22 Outturn statement.

10. Appendices

None

11. Background Papers

25 January 2022 NTCA Budget Report

12. Contact Officers

Janice Gillespie, Chief Finance Officer, e-mail address: Janice.gillespie@northtyneside.gov.uk
Tel: 0191 6435701

13. Glossary

AEB	Adult Education Budget
NTCA	North of Tyne Combined Authority
Core-UKSPF	UK Shared Prosperity Fund

This page is intentionally left blank

NORTH OF TYNE COMBINED AUTHORITY

Report to Cabinet

19 July 2022

Subject: **Constitution: Officer Employment Procedure Rules**
Joint Report of: **Monitoring Officer and Director of Policy and Performance**
Portfolio: **All**

Report Summary

This report proposes changes to the process for appointing officers below the position of director to provide greater organisational efficiency.

Recommendations

Cabinet is recommended to

1. Delegate to the Chief Executive, as Head of Paid Service, all decisions (i.e. creation, appointment, disciplinary action and dismissal) in respect of posts below the position of director (excluding the statutory positions of Chief Finance Officer and Monitoring Officer); and

2. Authorise the Monitoring Officer to make the necessary amendments to the Officer Employment Rules of Procedure in Part 3.4 of NTCA's Constitution and any other consequential amendments to the Constitution.

Background Information, Proposals and Timetable for Implementation

1. Current position

1.1 The Officer Employment Rules of Procedure govern the processes for the creation of new officer posts, appointments thereto and any disciplinary/dismissal decisions. Whilst the Chief Executive (as Head of Paid Service) has responsibility for most of these decisions, the rules provide that those decisions relating to chief officers and deputy chief officers are reserved to Cabinet.

2. Proposal

2.1 Given the relatively small staffing structure in NTCA and the limited number of management tiers, there are (and will be) a number of posts which are technically chief officer/deputy chief officer but which would not be in a local authority (because of the more extensive management structure). As a consequence, Cabinet would currently need to be involved in decisions relating to these posts
.

2.2 Therefore, for the purpose of organisational efficiency, it is proposed that Cabinet delegate to the Chief Executive (as Head of Paid Service) decision-making in respect of all posts other those mentioned in para 2.3 below.

2.3 It is proposed that decision-making in respect of the following posts would remain a matter for Cabinet:

a. the head of paid service, chief finance officer and monitoring officer; and
b. directors (ie the pay grade as set out in NTCA's Pay Policy)

Any appointment to the above posts would therefore still require a recommendation to Cabinet following interviews before an ad-hoc panel which included the Mayor and Cabinet Members.

2.4 Furthermore, where the Chief Executive is to appoint to any other chief officer post below director level, he shall consult with the Mayor before making that appointment.

3. Potential Impact on Objectives

3.1 The proposed changes will enable the Authority to discharge its functions and assist in delivering the Authority's vision, policies and priorities efficiently and effectively.

4. Key Risks

4.1 It is considered that there are no risks associated with the recommendations in this report. The establishment of a clear process, which can be instigated quickly, if necessary, for appointments and disciplinary action helps mitigate the risks associated with such decisions.

5. Financial and Other Resources Implications

5.1 None.

6. Legal Implications

6.1 The Monitoring Officer is one of the authors of the report.

7. Equalities Implications

7.1 The NTCA is mindful of its duty under the Public Sector Equality Duty and adopted Equalities Objectives in 2021 to enable it to advance equality of opportunity between persons who share relevant protected characteristics and those who do not. This is considered at all parts of the recruitment process and NTCA's human resources policies.

8. Inclusive Economy Implications

8.1 There are no direct inclusive economy implications arising out of the recommendations in this report.

9. Climate Change Implications

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

10. Consultation and Engagement

10.1 As the proposals relate to an internal, procedural matter consultation and engagement has been internal, including Cabinet members and the Mayor.

11. Appendices

None

12. Background Papers

NTCA Constitution; NTCA Pay Policy.

13. Contact Officers

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

Ruth Redfern, Director pf Policy and Performance
Ruth.redfern@northoftyne-ca.gov.uk

14. Glossary

NTCA North of Tyne Combined Authority