NORTH OF TYNE COMBINED AUTHORITY

Audit and Standards Committee

Tuesday 5 July 2022 at 10.00 am

Meeting to be held: Banqueting Hall, Civic Centre, Newcastle upon Tyne, NE1 8QH

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AGENDA

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NORTH OF TYNE COMBINED AUTHORITY

Audit and Standards

5 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 Audit and Standards Committee 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 Audit and Standards Committee is recommended to consider the NTCA draft Statement of Accounts for the year ended 21 March 2022 and make any comments as appropriate.

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 2022, 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 to this meeting their Audit Strategy Memorandum detailing their approach to the 2021/22 External Audit.

1.4 The Statement of Accounts includes:

- Annual Governance Statement (draft AGS published elsewhere on the agenda)
- 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, with any comments subsequently reported to Cabinet on the 19 July 2022.

2 Potential Impact on Objectives

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

3 Key Risks

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

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

5 Legal Implications

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

6 Equalities Implications

There are no equality implications arising from this report.

7 Inclusive Economy Implications

There are no inclusive economy implications arising from this report.

8 Climate Change Implications

There are no climate change implications arising from this report.

9 Consultation and Engagement

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

10 Appendices

Appendix A Annual Governance Statement (published elsewhere on the agenda)
Appendix B Narrative Report
Appendix C Annual Statement of Accounts

11 Background Papers

None

12 Contact Officers

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13 Glossary

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

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NORTH OF TYNE COMBINED AUTHORITY

Draft
Narrative Report
year ended 31 March 2022

Narrative Statement

Introduction

The 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 also 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.

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.

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 North of Tyne is filled with stunning natural landscapes, great people and has a strong track record of creating jobs and supporting world-leading businesses.
- The bulk of expenditure is funded through devolved funding secured through the devolution deal, in conjunction with contributions from the three constituent authorities.

Key Facts about Governance Arrangements

NTCA is a mayoral combined authority. It has a range of functions some of which are identified as being Mayoral Functions. Decisions on these functions must be made by the Mayor. Decisions on all other functions must be taken by the Mayor and representatives of the constituent councils acting together as the Cabinet. All details of Governance arrangements pertaining to NTCA can be found within our Constitution which is available on North of Tyne Combined Authority website: NorthofTyne

NTCA Order and Constitution

The first mayoral election was held on 2 May 2019. Jamie Driscoll was elected as the Mayor for the North of Tyne Combined Authority. The Elected Mayor chairs the Cabinet and has a number of specific powers and financial resources. Decisions by the Elected Mayor and/or Cabinet will be subject to scrutiny by the Overview and Scrutiny Committee.

Management Structure

Chief Officers of NTCA during 2021/22, consisted of, the 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 Services' title was changed to Chief Executive of North of Tyne Combined Authority.

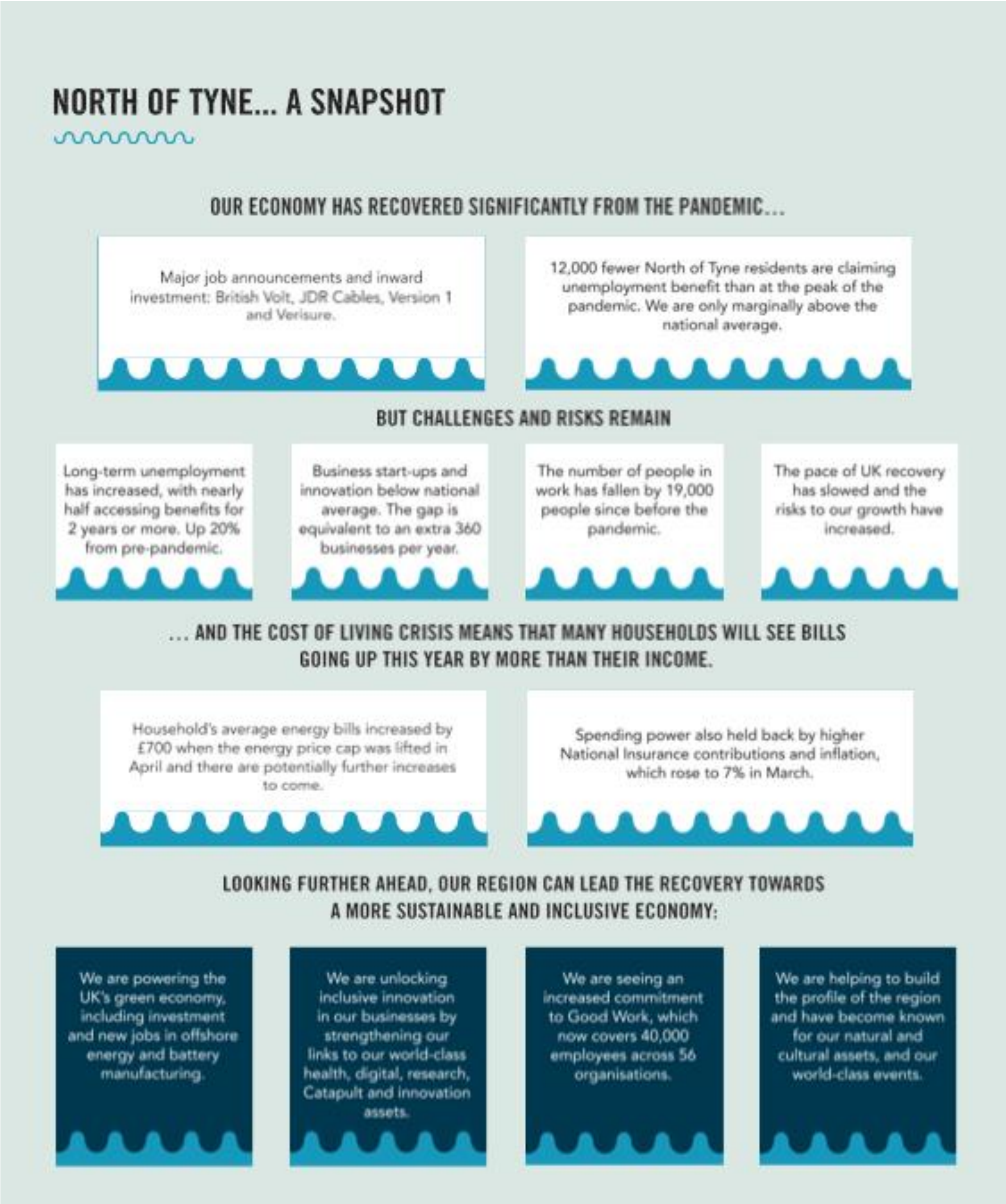
The Combined Authority has grown to 50 employees (including vacant posts) during 2021/22 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

The North of Tyne Combined Authority (NTCA) was established on the 2 November 2018 as a new legal body led by an Elected Mayor. The new North of Tyne Combined Authority will manage a range of powers on housing, transport, infrastructure, skills, and employment. Decisions will be made locally to benefit our local economy and the people who live, work, study and visit here.

North of Tyne Vision and Purpose

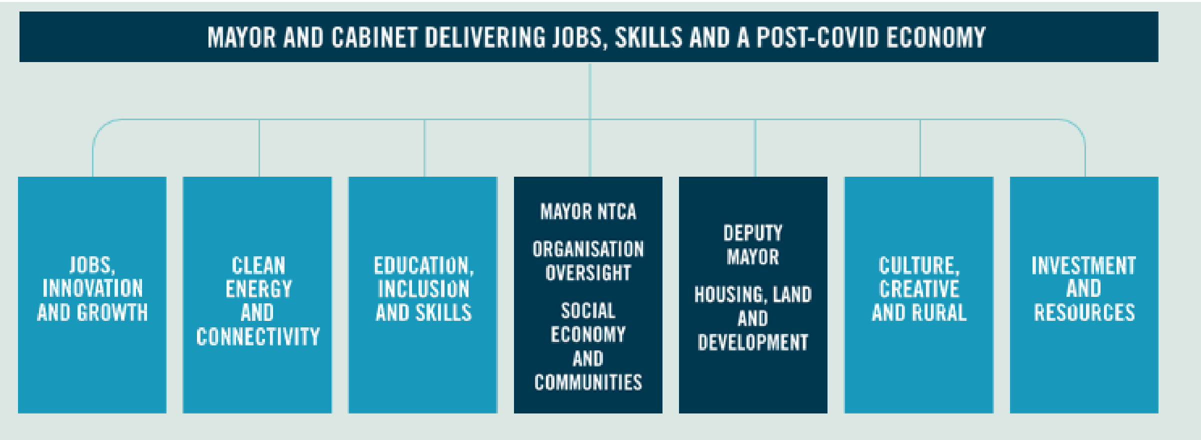
The North of Tyne vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

NTCA work in partnership, to create connections between programmes and their projects and are inclusive. Devolution has given the NTCA chance to make their own decisions about their own future targeting 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 through the first year of operation, and works together to ensure that we deliver the biggest social, economic and climate return possible.

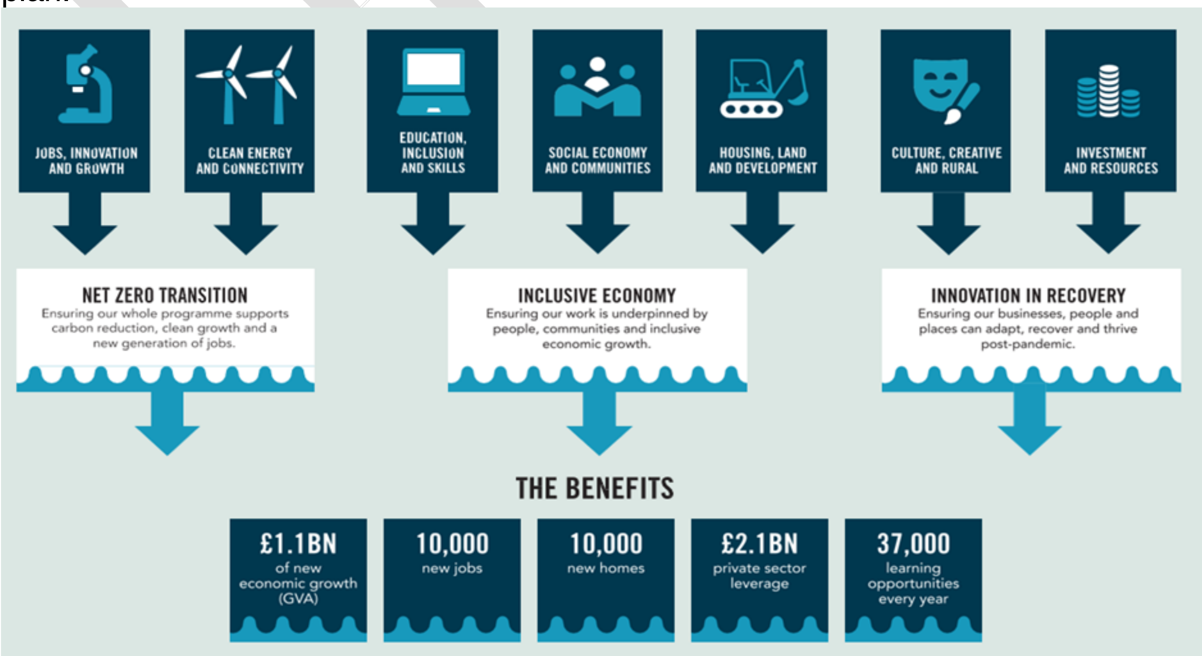


Cabinet Members lead specific portfolios and give collective strategic direction and oversight of NTCA work. This also ensures that local priorities are reflected, and that the connection is maximised between our urban, rural, and coastal geographies and our unique local assets and strengths.

The Mayor chairs the Cabinet, provides oversight of the programme, and plays a key role engaging with citizens, businesses, voluntary sector partners and with Government. All are supported by an executive team built on close partnership between NTCA and constituent Local Authority officers.

Cross-cutting Themes

NTCA portfolios are underpinned by three cross-cutting priorities, which underpin everything the Combined Authority 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 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 we will work hard to turn into real, sustainable careers for our citizens.

Financial Performance of the Combined Authority 2021/22

The financial position of the NTCA 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:

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 for a a couple of specific reasons. Firstly, the impact of Covid-19 Pandemic has been felt across the programme, impacting 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 at 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 was received late March. This will mean that NTCA will have these borrowing powers in future years. A Capital Investment Strategy and a Minimum Revenue Provision Strategy which are a requirement that the Combined Authority has in accordance with 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.

	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 1st 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).

- INEE activity aims not to duplicate but add value to activities undertaken by the constituent local authorities.
- INEE engages in proactive lead generation activity which is sector-based, focussed on: Digital Technology; Energy; Life Sciences; Advanced Manufacturing; Financial, Professional and Business Services.
- INEE focus of activity will be on strategic inward investment projects which require regional-level promotion, coordination, and collaboration in the first instance, before a focus on a specific site.
- As far as possible, INEE will aim to attract investment opportunities which will lead to significant numbers of high-quality jobs (more and better jobs).

Performance

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 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

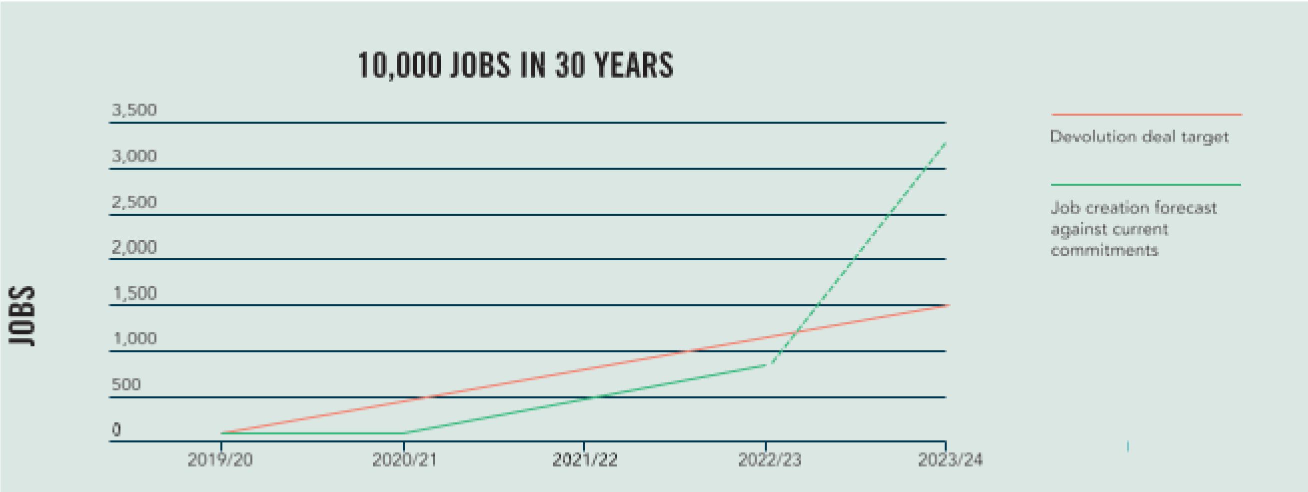
At the end of financial year 2021/22 the Investment Fund total commitments stood at £82.9magainst 96 live contracts. A strong pipeline of high-quality projects is in development with several significant investments planned over the coming months. This includes interventions to grow our digital and ageing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

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.

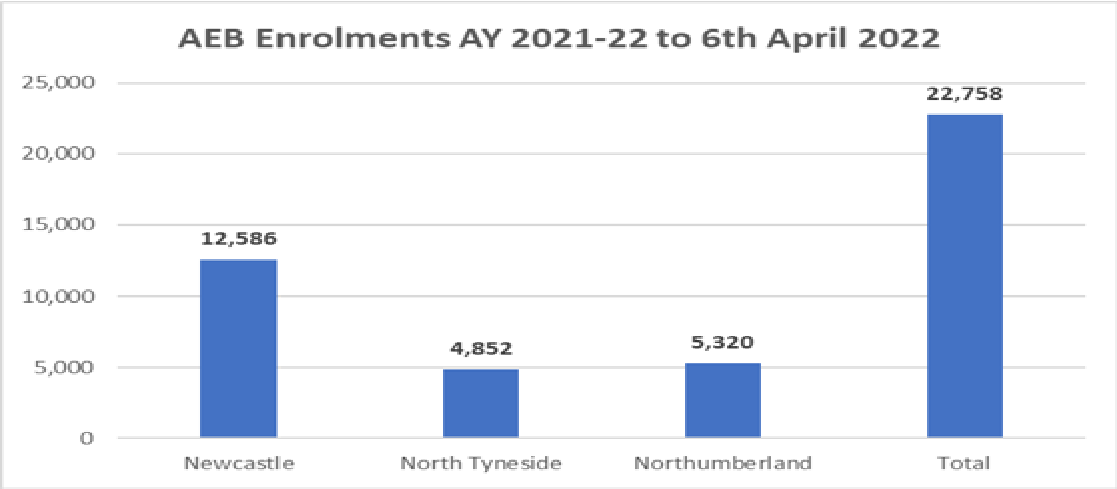
Contracted projects will remediate 25.28 hectares of Brownfield land which will be either reclaimed, re-developed, or resembled.

Adult Education Budget

Non-financial Performance

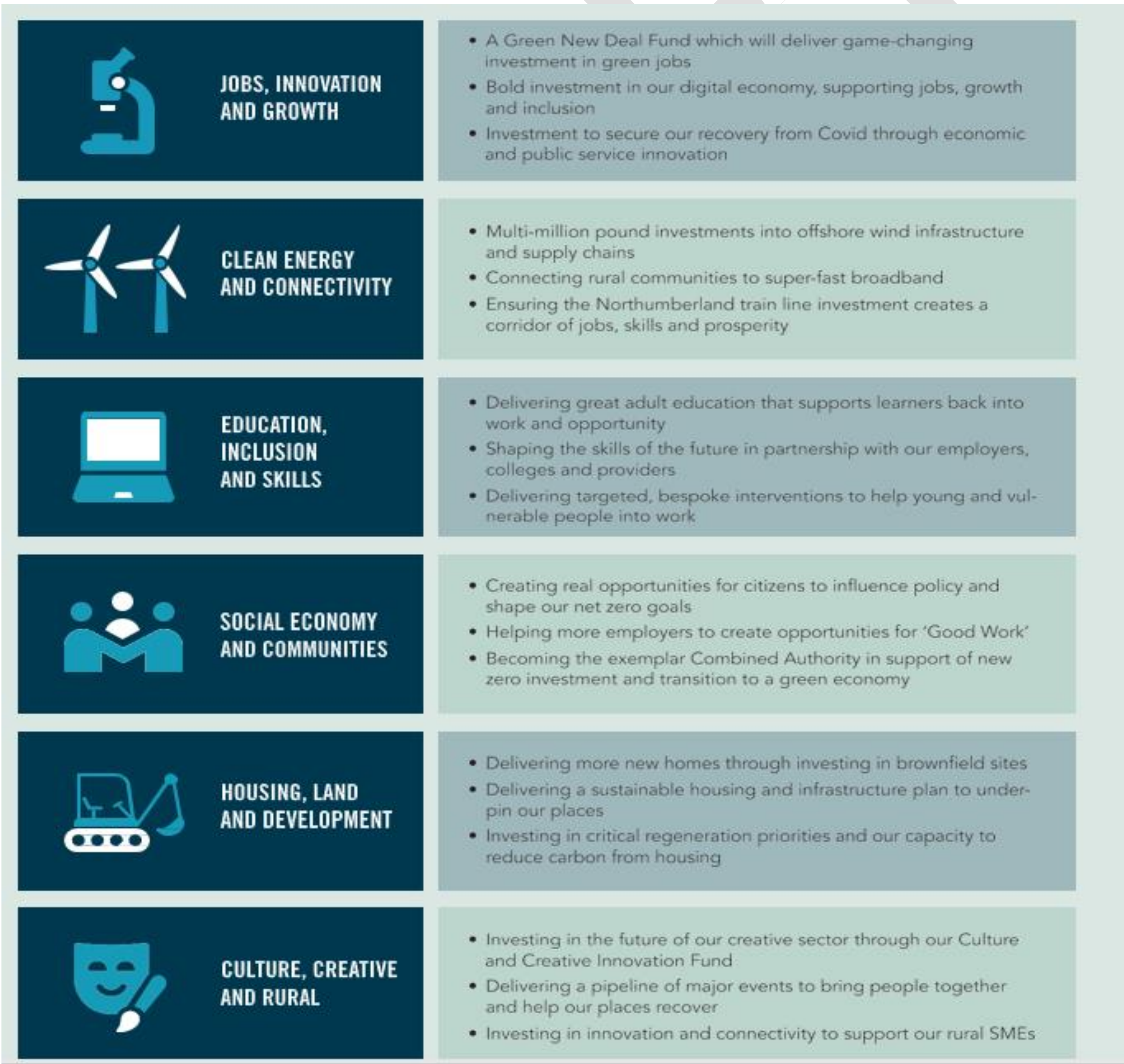
From 1 August 2021 to 31 March 2022, over 22,758 enrolment opportunities have been delivered or are being undertaken, an increase of 2,700 enrolment opportunities on the previous year.

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 into 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 also 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 home-working, 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.

In order to comply with the CIPFA Code, NECA must:

1. Split the revenues between that which relates to NECA and NTCA. In this case the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).
2. The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and/or North Tyneside (allocated to NTCA), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area indicates that resident populations shall be used as a basis of apportionment.

For the 2021/22 accounts the mid-year estimated population published by the Office of National Statistics as at June 2018 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2022 is shown in Table 11 overleaf.

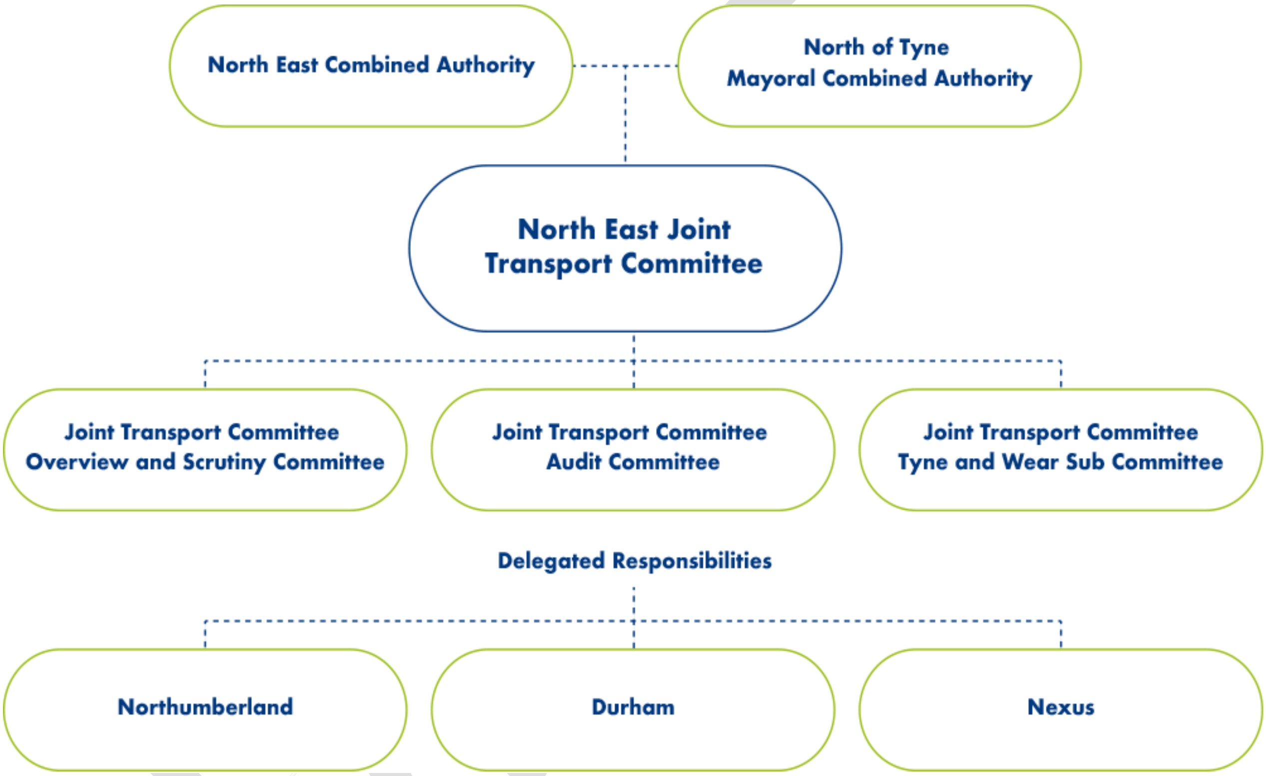
Table 11: Population used to allocate Transport Assets/Liabilities between NECA and NTCA

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

The Joint Transport Committee

The North East Joint Transport Committee brings together a total of seven members from each of the Constituent Authorities of the region; four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority in accordance with the Order and was created on the 2nd 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 50 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.

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	50	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)

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NORTH OF TYNE COMBINED AUTHORITY

North of Tyne Combined Authority

Statement of Accounts

2021/22

Table of Contents

1.0 Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

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

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

2.0 Core Financial Statements and Explanatory Notes

2.1 Movement in Reserves Statement

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

	Note	General Fund Balances £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020		**(10,691)**	**(50,876)**	**-**	**(5,850)**	**(67,417)**	**(41,070)**	**(108,487)**
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)**

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)**

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**

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)**

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

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

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

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

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

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

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

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

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

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

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

3. Income and Expenditure Analysed by Nature

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

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

4. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2020/21 General Fund £000	2020/21 Capital Receipts Reserve £000	2020/21 Capital Grants Unapplied £000	2020/21 Unusable Reserves £000		2021/22 General Fund £000	2021/22 Capital Receipts Reserve £000	2021/22 Capital Grants Unapplied £000	2021/22 Unusable Reserves £000
				Adjustments primarily involving the Capital Adjustment Account				
				<u>Reversal of items debited or credited to the CIES</u>				
(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
				<u>Insertion of items not debited or credited to the CIES</u>				
1,117	-	-	(1,117)	Statutory provision for the financing of capital investment	804	-	-	(804)
15	-	-	(15)	Capital expenditure charged against the General Fund	354	-	-	(354)
				Adjustments primarily involving the Capital Grants Unapplied Account				
18,715	-	(18,715)	-	Grants and contributions unapplied credited to CIES	39,530	-	(39,530)	-
-	-	1,522	(1,522)	Application of grants to capital financing transferred to Capital Adjustment Account	-	-	4,352	(4,352)

2020/21 General Fund £000	2020/21 Capital Receipts Reserve £000	2020/21 Capital Grants Unapplied £000	2020/21 Unusable Reserves £000		2021/22 General Fund £000	2021/22 Capital Receipts Reserve £000	2021/22 Capital Grants Unapplied £000	2021/22 Unusable Reserves £000
				Adjustments involving the Capital Receipts Reserve				
-	(676)	-	676	Loan principal repayments	-	(654)	-	654
-	-	-	-	Use of Capital Receipts to finance new capital expenditure	(8,148)	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**

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
<u>Capital Receipts in Advance</u>		
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 Bootcam	-	(171)
Youth Employment Partnership	-	(187)
Other grants and contributions (individually under £0.100m)	(1,542)	(745)
Total	**(48,432)**	**(74,718)**

9. Members' Allowances

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

10. Officers' Remuneration

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

Table 1

2020/21 Salary, Fees & Allowances £000	2020/21 Pension Contributions £000	2020/21 Total £000		2021/22 Salary, Fees & Allowances £000	2021/22 Pension Contributions £000	2021/22 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

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.

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
(4,220)	(62,028)	107,417	40,506	**Total**	(2,486)	(66,919)	108,656	50,997

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

13. Property, Plant and Equipment

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**

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:

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

Financial assets held at amortised costs

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

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

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

Trade receivables

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

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

Financial liabilities held at amortised cost

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

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

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

Income, Expense, Gains and Losses

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

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

Fair Value of Assets & Liabilities carried at Amortised Cost

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

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

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

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

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

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

The fair values calculated are as follows:

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

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

Soft Loans

Soft loans are loans made to third parties at a preferential rate of interest, i.e. below the market rate. In previous years, the 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;

- 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	157,964
n/a - investments with banks	38,679
n/a – investments with unrated building societies[1]	13,423
Total Short-Term Investments	**202,708**

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

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

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

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

Liquidity Risk

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

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

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

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

16. Short Term Debtors

The following figures are net of impairment allowances (£1.189m in 2021/22)

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

17. Long Term Debtors

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

18. Cash and Cash Equivalents

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

19. Short Term Creditors

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

20. Private Finance Initiatives and Similar Contracts

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

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

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

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

Payments

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

21. Defined Benefits Pension Scheme

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

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

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

Amounts recognised in Profit and Loss and Other Comprehensive Income

Comprehensive Income & Expenditure Statement	**LGPS**	
	2020/21 £000	**2021/22 £000**
Cost of Services		
Current Service Costs	1,093	1,930
Past Service Costs	-	-
Settlement Costs	2,080	-
Financing and Investment Income and Expenditure		
Interest on net defined benefit asset	49	102
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**3,222**	**2,032**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
Return on plan assets (excluding the amount included in the net interest expense)	(901)	(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	LGPS 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	LGPS 2021/22 £000
Opening balance at 1 April	**910**	**11,201**
Current Service Cost	1,093	1,930
Interest expense on defined benefit obligation	162	242
Contributions by participants	321	388
Actuarial losses on liabilities – financial assumptions	2,688	(1,836)
Actuarial losses on liabilities – demographic assumptions	-	(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**

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 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.

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%

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.

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.

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

Financial Instruments Adjustment Account

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

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

Revaluation Reserve

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

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

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

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

Accumulated Absences Account

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

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

Pensions Reserve

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

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

	2020/21 £000	2021/22 £000
Balance at 1 April	285	4,987
Remeasurements of the net defined benefit liability/(asset)	1,832	(2,369)
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)	(48,229)
Capital Receipts – repayment of principal from long-term debtors	(676)	(654)
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**

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		31 March 2022 £000
			Acquisition £000	Other £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		31 March 2021 £000
			Acquisition £000	Other £000	
Long Term Borrowings	(75,595)	(129)	-	-	(75,724)
Short Term Borrowings	(1,032)	(20,000)	-	9	(21,023)
Total Liabilities arising from Financing Activities	**(76,627)**	**(20,129)**	**-**	**9**	**(96,747)**

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

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

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

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

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

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

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

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

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

31. Critical Judgements in Applying Accounting Policies

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

Service Concession Arrangements

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

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

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

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

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

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

Accounting for the North East Joint Transport Committee

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

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

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

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

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

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

		Combined Authority with expert advice about the assumptions to be applied. See Note 21 Defined Benefits Pension Scheme for details of sensitivity analysis of the estimations.
Fair Value Measurement	Estimation of the fair value measurement depends on a number of complex judgements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding discount rates – adjusted for regional factors.
Debtors Arrears	Calculation of bad debt provision	At 31 March 2022, the Combined Authority had a gross balance of £13.491m. A review of significant balances suggested that an impairment of doubtful debts of £1.189m was appropriate leaving a net balance of £12.302m. However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient.

33. Accounting Policies

1. General Principles

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

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

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

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

2. Accruals of Income and Expenditure

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

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

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

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

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

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

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

3. Cash and Cash Equivalents

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

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

4. Charges to Revenue for Non-Current Assets

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

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

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

- Amortisation of intangible fixed assets attributable to the service.

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

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

5. Contingent Liabilities

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

6. Employee Benefits

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.

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

8. Exceptional Items

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

9. Fair Value measurement

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

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

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

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

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

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

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

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

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

10. Financial Instruments

Financial Liabilities

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

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

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

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

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

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

Financial Assets

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

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

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

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

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

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

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

Amortised Cost

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

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

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

Expected Credit Loss Model

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

Fair Value through other Comprehensive Income

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

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

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

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

Fair Value through Profit and Loss (FVPL)

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

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

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

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

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

- Level 3 inputs – unobservable inputs for the asset

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

11. Government Grants and Contributions

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

- The Combined Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

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

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

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

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

12. Group Accounts

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

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

For the 2021/22 accounts, NECA and the Combined Authority have fully complied with the requirements of the Code, providing group figures for 2021/22 and comparators for 2020/21. From

2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

13. Joint Transport Committee

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

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

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

- Assets and liabilities transferred at book value.

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

In order to comply with CIPFA Code, NECA must:

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

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

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

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

14. Leases

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

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

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:

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

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

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

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

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

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

- Remeasurements comprising:

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

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

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

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

Further details are provided in Note 21 to the accounts.

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

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

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

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

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

18. Property, Plant and Equipment

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

<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

- 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:

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

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

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

<u>De Minimis Levels</u>

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

<u>Impairment</u>

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

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

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

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

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

<u>Depreciation</u>

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

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

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

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

Disposals

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

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

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

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

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

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

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

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

19. Provisions

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

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

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

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

20. Public Private Partnership (PPP) Contracts

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

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

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

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

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

For any service concession within the scope of the application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset.

The New Tyne Crossing is considered to meet both IFRIC 12 criteria, and therefore the costs are recognised on the Combined Authority's Balance Sheet.

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

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

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

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

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

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

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

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

21. Reserves

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

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

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

22. Revenue Expenditure Funded from Capital under Statute

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

23. Tyne Tunnels Income

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

24. Value Added Tax (VAT)

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

34. Events after the Balance Sheet Date

Adjusting events after the Balance Sheet date

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

3.0 Group Financial Statements and Explanatory Notes

3.1 Group Movement in Reserves Statement

	NTCA\NECA Usable Reserves £000	NTCA\NECA Unusable Reserves £000	Total NTCA\NECA Reserves £000	Authority Share of Nexus £000	Total Group Reserves £000
Balance at 31 March 2020 carried forward	**(67,417)**	**(41,070)**	**(108,487)**	**(209,696)**	**(318,183)**
Transfer from NECA in respect of LEP	(27,628)	(13,724)	(41,352)	-	(41,352)
Total Comprehensive Income & Expenditure	(30,707)	1,832	(28,875)	(1,493)	(30,368)
Adjustments between accounting basis & funding basis under regulations	1,379	(1,379)	-	-	-
(Increase)/decrease in 2020/21	(29,328)	453	(28,875)	(1,493)	(30,368)
Balance at 31 March 2021 carried forward	**(124,373)**	**(54,341)**	**(178,714)**	**(211,189)**	**(389,903)**
Total Comprehensive Income & Expenditure	(53,254)	(2,369)	(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	**(178,490)**	**(55,846)**	**(234,337)**	**(260,701)**	**(495,038)**

3.2 Group Comprehensive Income and Expenditure Statement

2020/21 Gross Exp £000	2020/21 Gross Inc £000	2020/21 Net Exp £000		Note	2021/22 Gross Exp £000	2021/22 Gross Inc £000	2021/22 Net Exp £000
5,898	(66)	5,832	Investment Fund		14,662	(338)	14,324
11,443	(2,328)	9,115	Corporate Costs		8,148	(2,475)	5,673
13,405	(14,640)	(1,235)	Adult Education Budget		22,745	(25,449)	(2,704)
106,365	(74,953)	31,412	Joint Transport Committee		113,777	(101,222)	12,555
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**		**202,933**	**(159,163)**	**43,770**
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	-	(125,257)	(125,257)
-	-	-	Gain/Loss on disposal of non-current assets		14	(564)	(550)
192,837	**(234,261)**	**(41,424)**	**Surplus on Provision of Service**		**212,229**	**(288,898)**	**(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)**

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**

3.5 Index to the Notes to the Group Financial Statements

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

G1 Group Accounts

Under the 9.1.17 of the Code of Practice for Local Authority Accounting 2021/22, authorities with interest in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

The Group Accounts include the accounts of Nexus (in relation only to the proportion relating to the North of Tyne Combined Authority population basis), and have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of NECA and NTCA with the following minor differences:

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 accounts. Since all Nexus activity reported in the NECA Group Accounts relates to Transport at the Tyne and Wear level, it has been fully apportioned between NECA and NTCA on the basis of Tyne ad Wear population using the ONS statistics used as the basis of dividing the levy contributions.

Assumptions made about the future and other major sources of uncertainty

The Group's net pension liability includes a share of the overall Pension Fund Investment assets. The Pension Fund has disclosed a material uncertainty, due to Covid-19, in respect of pension investments (direct property valuations and pooled residential property funds).

Please see Note 32 of the single entity accounts for NTCA's assumptions made about the future and other major sources of estimation uncertainty. Significant accounting judgements, estimates and assumptions for Nexus can be found in the Nexus accounts at www.nexus.org.uk.

G2 Expenditure and Funding Analysis

2021/22	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £000
Investment Fund	14,003	-	347	(26)	14,324
Corporate Costs	5,350	-	344	(21)	5,673
Adult Education Budget	(2,704)	-	-	-	(2,704)
Joint Transport Committee Costs	23,896	(18,764)	7,423	-	12,555
Invest North East	247	-	62	-	309
Local Enterprise Partnership	4,385	8,418	914	(104)	13,613
Net Cost of Services	**45,177**	**(10,346)**	**9,090**	**(151)**	**43,770**
Other Income & Expenditure	(75,506)	(46,025)	102	990	(120,439)
Surplus on Provision of Service	**(30,329)**	**(56,371)**	**9,192**	**839**	**(76,669)**

Opening General Fund Balances	**(29,333)**
Surplus on General Fund Balances in Year	(30,329)
Transfers to Reserves	32,896
General Fund Balances at 31 March 2022	**(26,766)**

2020/21	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £000
Investment Fund	5,585	-	197	50	5,832
Corporate Costs	7,032	-	2,051	32	9,115
Adult Education Budget	(1,277)	-	33	9	(1,235)
Joint Transport Committee	23,403	(3,821)	11,830	-	31,412
Invest North East	66	-	30	-	96
Local Enterprise Partnership	31,394	249	510	465	32,618
Net Cost of Services	**66,203**	**(3,572)**	**14,651**	**556**	**77,838**
Other Income & Expenditure	(84,307)	(34,576)	49	(428)	(119,262)
Surplus on Provision of Service	**(18,104)**	**(38,148)**	**14,700**	**128**	**(41,424)**

Opening General Fund Balances	**(33,300)**
Transfer from NECA in respect of LEP Balances	(649)
Surplus on General Fund Balances in Year	(18,104)
Transfers to Reserves	22,720
General Fund Balances at 31 March 2021	**(29,333)**

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

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

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

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

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

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

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

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

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

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

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

G3 Income and Expenditure Analysed by Nature

2020/21 £000		2021/22 £000
	Expenditure	
27,566	Employee benefit expenses	25,993
95,815	Other service expenses	109,925
2,783	Support Service Recharges	3,250
59,377	Depreciation, impairment and Revenue Expenditure Funded from Capital under Statute (REFCUS)	63,778
7,296	Interest Payments	9,282
192,837	**Total Expenditure**	**212,229**
	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	(188,269)
(3,397)	Other Income	(9,645)
(234,261)	**Total Income**	**(288,898)**
41,424	**Surplus on the provision of services**	**(76,669)**

G4 Financing and Investment Income and Expenditure

2020/21 £000		2021/22 £000
3,386	Interest payable and similar charges	4,594
3,910	Interest payable on defined benefit liability	4,688
(3,053)	Interest receivable on defined benefit liability	(3,772)
(1,603)	Interest receivable and similar income	(142)
2,640	**Total**	**5,368**

G5 Taxation and Non-Specific Grant Income

2020/21 £000		2021/22 £000
(33,450)	Transport Levy	(33,666)
(68,452)	Capital Grants, Contributions & Donated Assets	(71,951)
(20,000)	Non-Ringfenced Government Grants	(20,000)
(121,902)	**Total**	**(125,527)**

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)**

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	-	1,860	-	(90)	1,772	-
At 31 March 2022	**16,096**	**536,217**	**1,167**	**58,959**	**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	151,022
At 31 March 2022	**4,258**	**358,179**	**1,026**	**58,959**	**422,422**	**149,435**

2020/21

	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 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**	**151,022**

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	-	-	-	-	142,617	202,708	16,756	19,802
Total Financial Assets	-	**-**	-	**-**	**142,617**	**202,708**	**16,756**	**19,802**
Non-financial Assets	-	-	-	-	-	-	2,568	1,323
Total	-	**-**	-	**-**	**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.

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:

- 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
Total		**142,617**	**142,617**	**202,708**	**202,708**

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. Details of the nature and extent of risks arising from Financial Instruments are set out in Note 16 of the single entity accounts.

G10 Short Term Debtors

31 March 2021 £000		31 March 2022 £000
6,204	Central Government Bodies	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.

Consolidated Pension Liability

The Group pension liability of £50.507m (£24.750m in 2019/20) is the sum of the NTCA and Nexus.

The employees from Nexus were TUPE to Stadler Rail Service UK Limited on 4 October 2020, and the pension assets and liabilities in connection with active employees were transferred to Stadler. In addition, the remaining pension assets and liabilities associated with pensioners and deferred members in NEMOL were subsumed by Nexus. In the Nexus Group accounts this resulted in a one-off gain of £1.839m arising from differences in actuarial assumptions between NEMOL and Nexus (with £0.819m relating to the Combined Authority) during 2020/21. This is presented in the disclosures below.

Transactions relating to post-employment Benefits

The following transactions relating to the LGPS and Unfunded Benefits provided by the NECA Group have been included in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Comprehensive Income & Expenditure Statement	LGPS		Discretionary Benefits	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Cost of Services				
Current Service Costs	8,495		-	
Past Service Costs	-		-	
Settlement Costs	2,080		-	
Exceptional loss on transfer of pension liability loss	(796)		-	
Financing and Investment Income and Expenditure				
Interest Cost	3,884		27	
Expected Return on Scheme Assets	(3,053)		-	
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**10,610**		**27**	
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)	(33,057)		-	
Remeasurement of the net Defined Benefit Liability	38,025		53	
Total Amount recognised in Other Comprehensive Income & Expenditure	**4,968**		**53**	
Total amount recognised in the CIES	**15,577**		**80**	

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Reconciliation of the Fair Value of the Scheme Assets

	LGPS		Discretionary Benefits	
	2020/21 £000	**2021/22 £000**	**2020/21 £000**	**2021/22 £000**
Opening fair value of scheme assets	**153,358**		**-**	
Interest Income	3,164		-	
Remeasurement gain on plan assets	27,932		-	
Employer contributions	1,917		14	
Contributions by scheme participants	1,613		-	
Net Benefits paid out	(5,006)		(14)	
Net decrease in assets from Stadler Transfer	(6,878)		-	
Settlements	4,025		-	
Closing fair value of scheme assets	**180,125**		**-**	

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)**		**(1,230)**	
Current Service Cost	(8,496)		-	
Interest Cost	(3,997)		(27)	
Contributions by participants	(1,613)		-	
Remeasurement of the Net Defined Liability	(39,110)		(53)	
Net benefits paid	5,006		143	
Past service costs	-		-	
Net increase in liabilities from disposals/acquisitions	137			
Net increase in liabilities from NEMOL transfer	7,675		-	
Settlements	(6,105)		-	
Closing balance at 31 March	**(229,455)**		**(1,167)**	

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	**186,161**	
Present value of LGPS liabilities		
- LGPS liabilities	(229,455)	
Deficit on funded defined benefit scheme	**(43,290)**	
Discretionary benefits	(1,171)	
Total Deficit	**(44,462)**	

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 £229.455m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £50.362m. 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 £3.600m for Nexus(of which £1.603m is attributed to NTCA). In addition, strain on the fund contributions may be required.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

NTCA	Local Government	
	31 March 2021	31 March 2022
Mortality assumptions:		
Pensioner member aged 65 at accounting date (male)	21.9	
Pensioner member aged 65 at accounting date (female)	25.1	
Active member aged 45 at accounting date (male)	23.6	
Active member aged 45 at accounting date (female)	26.9	
Rate for discounting scheme liabilities:	% p.a	% p.a
Rate of inflation – Retail Price Index	2.10	
Rate of inflation – Consumer Price Index	2.60	
Rate of increase in pensions	2.60	
Pensions accounts revaluation rate	2.60	
Rate of increase in salaries	4.10	

Nexus	LGPS		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	21.9		21.9	
Women	25.1		25.1	
Longevity at 65 for future pensioners				
Men	23.6		n/a	
Women	26.9		n/a	
Discount rates:	%p.a.	%p.a.	%p.a.	%p.a.
Rate for discounting scheme liabilities	2.10		2.10	
Rate of inflation – Retail Price Index	n/a		n/a	
Rate of inflation – Consumer Price Index	2.70		2.70	
Rate of increase in pensions	2.70		2.70	
Pension accounts revaluation rate	2.70		n/a	
Rate of increase in salaries	4.20		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			
Property	7.9			
Government Bonds	2.2			
Corporate Bonds	19.8			
Cash	4.0			
Other*	10.6			
Total Assets	100.0	79.1	20.9	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	3,164	
Remeasurement gain on assets	27,932	
Actual Return on Assets	**31,096**	

Sensitivity Analysis

Sensitivity analysis of NTCA pension liabilities is set out in Note 22 of the single entity accounts. Sensitivity analysis of the Nexus pension liabilities is shown below.

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)			
% change in present value of total obligation			
Projected service cost (£M)			
Approximate % change in projected service cost			

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)			
% change in present value of total obligation			
Projected service cost (£M)			
Approximate % change in projected service cost			

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			
% change in present value of total obligation			
Projected service cost (£M)			
Approximate % change in projected service cost			

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)			
% change in present value of total obligation			
Projected service cost (£M)			
Approximate % change in projected service cost			

*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)**

G16 Unusable Reserves

	31 March 2021 £000	31 March 2022 £000
Revaluation Reserve	(4,651)	(4,602)
Capital Adjustment Account	(291,983)	(321,498)
Financial Instruments Adjustment Account	2,554	3,544
Accumulated Absences Account	556	405
Pension Reserve	50,507	31,086
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)**

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 2020	**(291,983)**

Balance at 31 March 2020	**(291,983)**
Charges for depreciation & impairment of non-current assets	
Amounts of non-current assets written off on disposal or sale	
Other income that cannot be credited to the General Fund	
Revenue expenditure funded from capital under statute	
Write down of long-term debtors	
Adjusting amounts written out of the Revaluation Reserve	
Capital financing applied in the year:	
Capital grants & contributions credited to the CIES that have been applied to capital financing	
Statutory provision for the financing of capital investment charged against the General Fund	
Capital expenditure charged against the General Fund	
Debt redeemed using capital receipts	
Balance at 31 March 2022	

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	**24,750**
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)
Nemol Pension Transfer	-
Interest expense on net defined asset	49
Balance at 31 March 2021	**50,506**
Balance at 1 April 2021	**50,506**
Remeasurements of the net defined benefit liability (asset)	
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	
Employer's pension contributions and direct payments to pensioners	
Nemol Pension Transfer	
Interest expense on net defined asset	
Balance at 31 March 2022	

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**	**(122,507)**

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)

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)**

G21 Summary of Capital Expenditure and Sources of Finance

2020/21 £000		2021/22 £000
85,789	**Opening Capital Financing Requirement**	**80,357**
	Capital Investment	
29,625	Property, Plant & Equipment	40,824
636	Intangible Assets	467
47,230	Revenue Expenditure Funded from Capital Under Statute	47,989
	Sources of Finance	
(676)	Capital Receipts – repayment of principal from long-term debtors	(654)
(79,850)	Government Grants and other Contributions	(88,779)
	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)

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.

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.

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.

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.

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.

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.

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of North of Tyne Combined Authority and Group for the year ended 31 March 2021, which comprise the North of Tyne Combined Authority and Group Comprehensive Income and Expenditure Statements, the North of Tyne Combined Authority and Group Balance Sheets, the North of Tyne Combined Authority and Group Movement in Reserves Statement, the North of Tyne Combined Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
In our opinion, the financial statements:

- give a true and fair view of the financial position of North of Tyne Combined Authority and Group as at 31st March 2021 and of North of Tyne Combined Authority and Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of North of Tyne Combined Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on North of Tyne Combined Authority and Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative Statement and the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of North of Tyne Combined Authority and Group will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for North of Tyne Combined Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of North of Tyne Combined Authority and Group, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Finance Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and Those Charged with Governance the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by North of Tyne Combined Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and Those Charged with Governance on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and Those Charged with Governance. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on North of Tyne Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

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

We have not completed our work on North of Tyne Combined Authority's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on North of Tyne Combined Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of North of Tyne Combined Authority

North of Tyne Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of North of Tyne Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

- We are required by the Code of Audit Practice to report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of North of Tyne Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of North of Tyne Combined Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of North of Tyne Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the North of Tyne Combined Authority's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the North of Tyne Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Gavin Barker
Director
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
Date: January 2022

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Audit Strategy Memorandum

North of Tyne Combined Authority

Year ending 31 March 2022

mazars

Contents

mazars

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

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

27 June 2022

Dear Members

Audit Strategy Memorandum – year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for the North of Tyne Combined Authority (NoTCA) and the Group for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit. If we identify any risks or changes to our planned strategy following completion of our planning, we will ensure we communicate these to the Audit & Standards Committee and Cabinet.

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

Yours faithfully

Gavin Barker

Gavin Barker
Mazars LLP

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of North of Tyne Combined Authority and the Group (the Group) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Cabinet, as those charged with governance, of their responsibilities.

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

Value for money

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

Fraud

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

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

Wider reporting and electors' rights

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

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of NoTCA and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

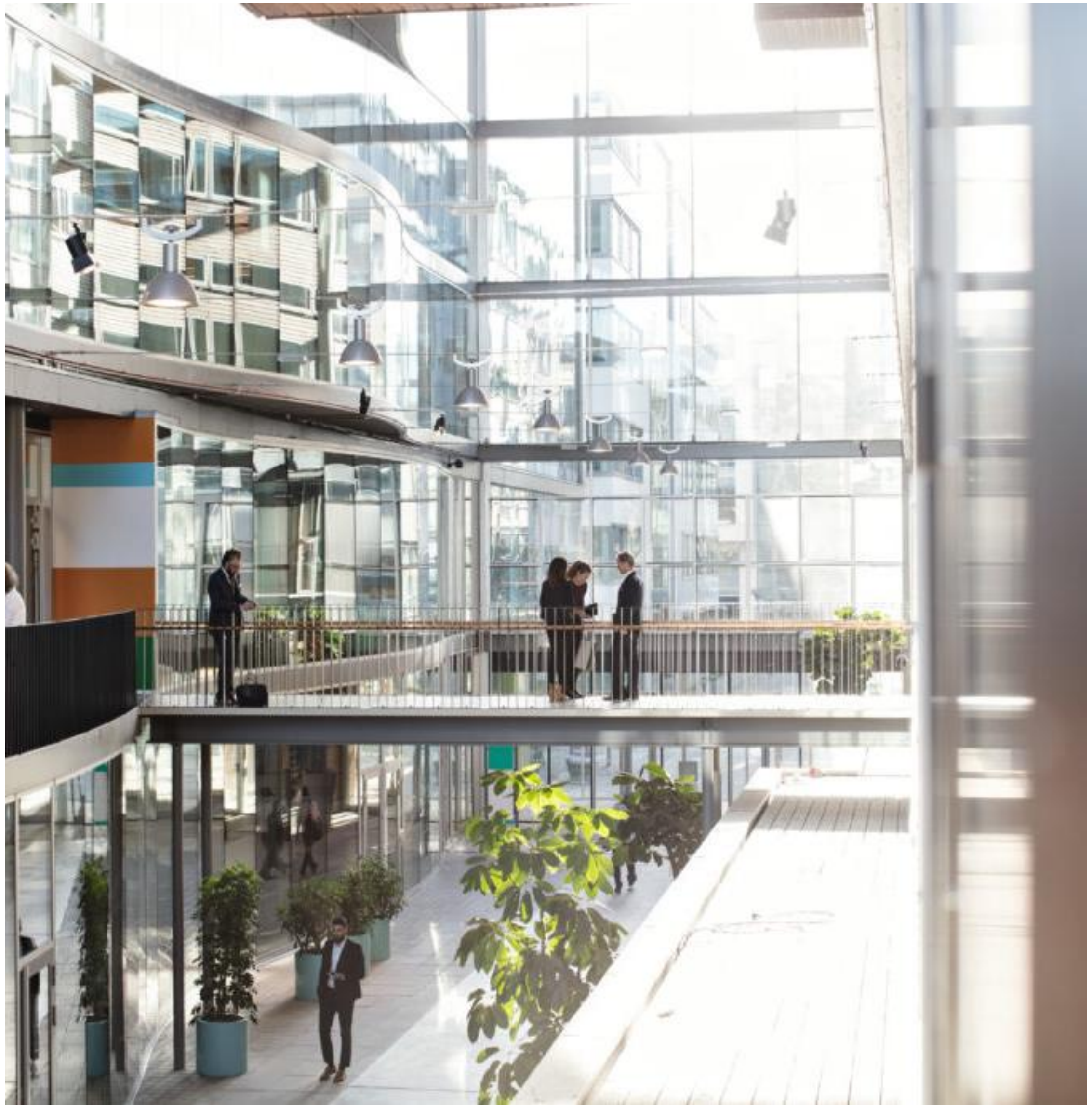
Section 02:

Your audit engagement team

2. Your audit engagement team

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

Who	Role	Contact
Gavin Barker	Engagement Lead	gavin.barker@mazars.co.uk 07896 684 771
Jim Dafter	Engagement Manager	jim.dafter@mazars.co.uk 07815 876 042
Naser Alkobir	Engagement Team Leader	naser.Alkobir@mazars.co.uk 07977 261 903



03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

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

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

Audit approach

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

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

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

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

3. Audit scope, approach and timeline

Under the Accounts and Audit Regulations, NoTCA and the Group is required to publish its draft statement of accounts for 2021/2022 by the end of July and publish audited statements by the end of September. However, the Department of Levelling Up, Housing and Communities have proposed that the target date for publishing audited statements be moved to the end of November 2022. We have agreed with officers a timetable for the audit that enables NoTCA and the Group to meet the target date. The timetable is subject to a number of assumptions and we will update the Committee on any significant changes that we agree with NoTCA and the Group.

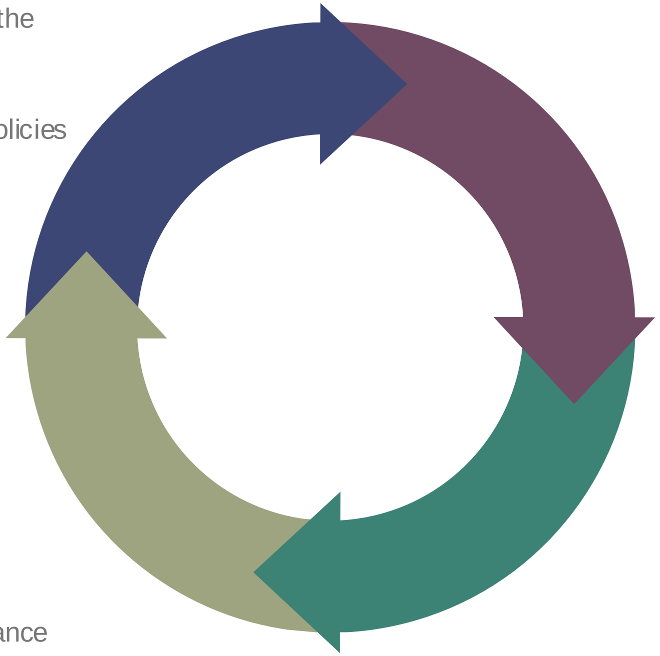
Planning **June - July**

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

Completion **November**

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

* depending on timing of receipt of the Pension Fund auditor assurance



Interim **September**

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork **September-October**

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Reliance on internal audit

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

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

Management's and our experts

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

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

Service organisations

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

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

3. Audit scope, approach and timeline

Group audit approach

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

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

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

An analysis of the Group is shown below setting out :

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

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

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3. Audit scope, approach and timeline

Group audit approach

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

Year	Full scope audit	Limited or specific review	Other audit procedures
2021/22 estimate	100%	0%	0%

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

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

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

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

Significant risk

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

Enhanced risk

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

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

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Standard risk

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

4. Significant risks and other key judgement areas

Summary risk assessment

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

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1 Significant - Management override of controls

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

3 Significant – Net defined benefit liability valuation

Key: Significant risk   Enhanced risk / significant management judgement

4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

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

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	**Management override of controls (single entity and the Group accounts)** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	**Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and the Group accounts)** Revenue recognition has been identified as a significant risk due to: • cut off considerations for Tyne Tunnel toll income given the cash nature of the receipts; and • grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.	●	●	●	We plan to address the revenue recognition risk through performing audit work over: • the design and implementation of controls management has in place to ensure income is recognised in the correct period; • cash receipts around the year end to ensure they have been recognised in the right year; • the judgements made by management in determining when grant income is recognised; • for Tyne Tunnel toll income, perform a substantive analytical review; and • for major grant income, obtaining counterparty confirmation.

Page 162

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	**Defined benefit liability valuation (single entity and the Group accounts)** The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	○	●	●	We plan to address the defined benefit liability valuation risk through performing audit work over: • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and • consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements.

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05

Section 05:

Value for money

5. Value for money

The framework for Value for Money work

We are required to form a view as to whether NoTCA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that NoTCA has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on NoTCA's arrangements in the Auditor's Annual Report.

Specified reporting criteria

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

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

Our approach

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

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

5. Value for money

Identified risks of significant weaknesses in arrangements

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

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

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

06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Group's appointed auditor

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

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Code Audit Work; PSAA scale fee	£27,500	£27,500
Fee increases agreed with Management.	TBC	TBC
Total audit fees *	£27,500 *	£27,500

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

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

All fees shown above are subject to VAT.

Fees for non-PSAA work

There is no 2021/22 non-audit fee work planned at this stage.

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

Services provided to other entities within the Group

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

We are also the external auditor for Nexus. We do not carry out the external audit of TTS as it is within the limits for audit exemptions under Section 479A of the Companies Act 2006 relating to subsidiary companies.

07

Section 07:

Our commitment to independence

7. Our commitment to independence

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

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

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

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

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

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

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

08

Section 08:

Materiality and misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold NoTCA £’000s	Initial threshold Group £’000s
Overall materiality	7,490	12,487
Performance materiality	5,617	9,365
Specific materiality: senior manager remuneration	5	5
Trivial threshold for errors to be reported to the Audit & Standards Committee and the Cabinet	225	375

Materiality

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

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

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

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

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

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

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

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

8. Materiality and misstatements

Materiality (continued)

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

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

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

We expect to set a materiality threshold at 2% of the benchmark. Based on the prior year financial statements, we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £7.490 million for NoTCA and £12.487 million for the Group (prior year at the planning stage was £5.081 million for NoTCA and £9.787 million for the Group).

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

Performance Materiality

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

Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit & Standards Committee and the Cabinet that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.225 million (NoTCA) and £0.375 million (the Group) based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Gavin Barker.

Reporting to the Audit & Standards Committee and the Cabinet

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

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

A

Appendix: Key communication points

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Appendix: Key communication points

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

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

Form, timing and content of our communications

We will present the following reports:

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

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

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

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

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

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

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

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

Appendix: Key communication points

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

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Appendix: Key communication points

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

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

*where permitted under applicable country laws.

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