

A meeting of the: **Audit and Standards Committee**

will be held on: **Tuesday 16 September 2025**

at: **10.00am**

in: **Armstrong/Stephenson Room, Civic Centre, Barras Bridge,
Newcastle upon Tyne, NE1 8QH**

to consider the following

AGENDA

Page No

1. **Apologies**
To record any apologies for absence and the attendance of any substitute members.
2. **Declarations of Interest**
Members of the committee are required to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest, in accordance with the Authority's [Code of Conduct for Members](#).
3. **Minutes** 3 - 7
To confirm as a correct record the minutes of the previous meeting held on 8 July 2025.
4. **Internal Audit Plan 2025/26 Quarterly Update** 8 - 10
To consider progress against the 2025/26 Internal Audit Plan.
5. **The North East CA Strategic Risk Review (6 monthly update)** 11 - 36
To review the current strategic risks, scoring and proposed management actions.
6. **The North East CA Strategic Risk Deep Dive: Organisational Capacity** 37 - 39
To consider in detail the Strategic Risk St006: Organisational Capacity, including the description, scoring and proposed management actions associated with the risk.
7. **Draft Statement of Accounts 2024/25** 40 - 207
To review the draft unaudited Statements of Accounts for the 2024/25 financial year and an accompanying Narrative Report and updated Annual Governance Statement.

8. **Integrated Settlement**
To receive a presentation from the Director of Finance and Investment on the Authority's readiness for an Integrated Settlement.
9. **Appointment of Subcommittee**
To seek approval to establish a Standards Subcommittee to conduct standards hearings and grant dispensations. 208 - 210
10. **External Audit Progress Report 2025/26**
To consider the Audit Progress Report produced by the North East CA's external auditors, Forvis Mazars. 211 - 236
11. **Date and Time of Next Meeting**
To note that the next meeting is scheduled to be held on Tuesday 27 January 2025 and a development workshop for members and substitute members of the Committee will be held on 18 November 2025 at 10.00am.

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Audit and Standards Committee

8 July 2025

(10.00am)

Meeting held in: Council Chamber, City Hall, Sunderland

Minutes

Present:

- Dave Willis OBE (Chair)
- Councillor Nick Brown
- Councillor Jill Green
- Councillor Ged Bell
- Councillor Ken Dawes
- Councillor Tracy Dodds
- Councillor John Harrison
- Councillor Martin Jackson
- Councillor Mark Mitchell
- Councillor John O'Shea
- Councillor Ian Patterson
- Councillor Alison Smith
- Councillor Mark Swinburn

ASC1/7/25 Apologies for Absence

Apologies for absence were received from:

Councillor David Herbert and his substitute member, Councillor Chris Davies
Councillor Frank Lott (Councillor John O'Shea was present as his substitute)
Councillor Dawn Saunders and her substitute member, Councillor Brian Quirey
Councillor Colin Ferguson (Chair of the Overview and Scrutiny Committee)
Eric Richards (Independent Person - Standards)

ASC2/7/25 Declarations of Interest

There were no declarations of interest.

ASC3/7/25 Minutes

Resolved that the minutes of the previous meeting held on 8 April 2025 be confirmed as a correct record and signed by the Chair.

ASC4/7/25 Appointment of Vice Chair

Resolved that Councillor Ged Bell be appointed as Vice Chair of the Committee for the municipal year 2025/26.

ASC5/7/25 Internal Audit Annual Report and Opinion 2024/25 including Internal Audit Update

The Authority's Chief Internal Auditor presented a report on completion of the Internal Audit Plan 2024/25 including a summary of the outcomes from the activity. The Committee also considered the Chief Internal Auditor's annual report and opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Based upon the work undertaken by Internal Audit, the Chief Internal Auditor provided reasonable assurance that the North East CA's governance, risk management and control frameworks were adequately designed and operating effectively to support achievement of its objectives. Given the embryonic nature of the organisation this was a positive opinion, reflecting a generally sound system of governance, risk management and internal control. The report confirmed the independence and objectivity of Internal Audit, indicated a high degree of conformance with public sector auditing standards and noted there were no significant matters which required disclosure within the Annual Governance Statement. The Director of Finance and Investment indicated that the Authority expected to progress to a substantial assurance opinion by the end of 2025/26.

Resolved that the completion of the 2024/25 Internal Audit Plan and the Internal Audit Annual Report and Opinion 2024/25 be noted.

ASC6/7/25 Internal Audit Charter and Internal Audit Plan 2025/26

The Chief Internal Auditor presented a proposed Internal Audit Charter and Internal Audit Plan 2025/26 for review and approval by the Committee.

The Charter enabled the Committee to establish its expectations of internal audit, ensure it met essential conditions set out in Global Internal Audit Standards and establish interactions between internal audit, senior management and the committee. The proposed Charter had been prepared by the Chief Internal Auditor in consultation with the Authority's senior leadership team and it included the purpose, mandate, authority, role and responsibilities of the internal audit function provided by North Tyneside Council to the North East CA.

The Internal Audit Plan had been developed in conformance with Global Internal Audit Standards and based on understanding and assessing the North East CA's aims and objectives, risk management profile and assurance arrangements/framework as well as other relevant factors which may impact upon the North East CA in the coming year. In reviewing the Plan, the Committee challenged the performance measure seeking to achieve a 90% satisfaction rate from customers and whether the service should aspire to achieve 100%. The Chief Internal Auditor confirmed that the service did aspire to achieve a 100% rate but in reality, customers would not always agree with auditors' recommendations. The Chair commented that if the 90% target was not achieved it would be reported to and reviewed by the Committee. Officers also undertook to confirm timescales for audit engagements in an updated version of the plan to be presented to the next meeting of the Committee in September.

Resolved that Internal Audit Charter and Internal Audit Plan 2025/26 be approved.

ASC7/7/25 Draft Statement of Accounts 2024/25

The Head of Finance reported that the draft 2024-25 Statement of Accounts were substantially complete. The draft accounts would be published on the North East CA website during July 2025, rather than the planned date of 30 June 2025 to allow time for appropriate review and quality assurance. The delay was due to the extended timescales involved in completing the audit of the 2023-24 Statements of Accounts for the two demised combined authorities having an impact on timescales for preparation of the 2024-25 draft Statement of Accounts. The Chief Finance Officer had published a notice on the Authority's website to explain the reason for the delay.

The draft accounts would be made available for inspection by members of the Committee once published and the Committee would receive a full presentation at its next meeting on 16 September 2025. The accounts would then be subject to audit during October to December 2025 and brought back to the committee in January 2026 alongside the report of the external auditor. The audited accounts will be presented to Cabinet for approval at its meeting on 3 February 2026, in advance of the audit backstop date for 2024-25 accounts (27 February 2026).

Resolved that the updated position on the publication of the draft North East CA Statement of Accounts for 2024-25 be noted.

ASC8/7/25 Annual Governance Statement 2024/25

The North East CA had a statutory duty to conduct a review of the effectiveness of its governance framework on an annual basis, including the system of internal control and prepare an Annual Governance Statement (AGS). A review had been undertaken and an AGS had been prepared in accordance with guidance on good governance. The review had highlighted no significant weaknesses in these arrangements during the year but did identify two areas where existing arrangements could be enhanced through development of a formal Local Code of Governance and Performance Management Framework. The AGS was presented to the Committee for review.

The AGS would be kept under review and amended as necessary should any weaknesses come to light before the audit of the financial statements were finalised. The AGS would form part of the Authority's financial statements for 2024/25 and would be considered as part of the audit of these statements.

With reference to Section C of the AGS, the Committee expressed an interest in examining in more detail evidence to demonstrate how the principles of good governance were applied by the Authority in defining its desired outcomes and benefits as set out in its Corporate Plan. The Chair asked that officers provide members of the Committee with further evidence and assurance in relation to governance in action in this area and, if necessary, the matter be given further consideration at the Committee's informal workshop to be held on 18 November 2025. The Chair also encouraged members to take time to read the AGS ahead of its inclusion in the final Statement of Accounts to be presented to the Committee in January 2026.

Resolved that:

1. the draft Annual Governance Statement (AGS) for 2024/25 be noted; and
2. the Committee be provided with further evidence and assurance in relation to how the principles of good governance are applied in defining the outcomes and benefits set out in its Corporate Plan and, if necessary, the matter be given further consideration at the Committee's informal workshop to be held on 18 November 2025.

ASC10/7/25 External Audit: Audit Strategy Memorandum for the Year Ending 31 March 2025

The Authority's External Auditors, Forvis Mazars, presented the Audit Strategy Memorandum for the year ending 31 March 2025 for consideration and comment. The memorandum outlined the external auditor's proposed approach to performing their audit of the Authority's financial statements, including its scope, timeline, details of the audit team, significant audit risks, areas of key judgement and fees. The report also provided confirmation of the auditor's independence.

In considering the memorandum, members explored in more detail:

- a) how the audit would be subject to internal and external quality review;
- b) the anticipated timescales for the completion of the audit;
- c) the implications of special considerations, as set out in the International Standard on Auditing, for the audit of group financial statements covering both Nexus and the North East CA; and
- d) the scope of the external auditor's judgment on value for money.

Resolved that the Audit Strategy Memorandum for the Year Ending 31 March 2025 be noted.

ASC11/7/25 Strategic Risk St008 Integrated Settlement

The Committee undertook another in a series of 'deep dives' to review, in detail, each of the strategic risks, and test that planned controls and target risk scores were appropriate and achievable. On this occasion members considered the strategic risk St008 in relation to the Integrated Settlement. The risk was that the North East CA would receive a sub-optimal integrated financial settlement outcome, due either to financial under-delivery in 2025/26 or through a failure to agree an appropriate outcomes framework with HM Government.

The risk owner, the Director of Finance and Investment, attended the meeting to present details of the principles of the Integrated Settlement and the risk controls put in place in the form of a programme of visible, high-level workstreams, milestones and shared outcomes, with reference to the Government's readiness framework.

The Committee asked questions and made comments when the following issues were considered in more detail:

- a) how an integrated settlement represented a shift towards the CA seeking to maximise the overall allocation of devolved powers and funding from Government by demonstrating its capacity to deliver outcomes for the region and away from having to submit bids through multiple processes for smaller discrete pots of funding;
- b) how the Authority would exercise the flexibilities offered by an integrated settlement through its decision making processes; and
- c) members noted the target risk score (E2) and hoped that the planned mitigations and work in the area would mean the risk could be removed from the strategic register within the next 12 months.

Resolved that the Director of Finance and Investment provide the Committee with an update on the Authority's readiness for an Integrated Settlement at its next meeting in September 2025.

ASC12/7/25 Overview and Scrutiny Annual Report 2025/26

Government guidance emphasised the need for overview and scrutiny committees to work in tandem with audit committees to agree how to manage shared areas of interest and responsibility. Consequently, the Committee were presented with the Overview and Scrutiny Committee's (OSC) Annual Report 2024/25. The Annual Report documented the role played by the OSC in reviewing and scrutinising the decisions taken by the North East Mayor and the North East CA Cabinet,

monitoring delivery of its programmes and contributing to the development of its policy and strategies. The Committee were invited to receive the report, note how the OSC had performed its complementary role over the past year and consider whether there were opportunities for collaborative working. The report had also been presented to Cabinet on 10 June 2025.

It was noted that the process for scrutinising the Authority's budget proposals had been reviewed and was to be revised in 2025/26, based on experience gained during the previous year. The Chair also reported that he met regularly with the Chair of the OSC to share information and co-ordinate their respective work programmes.

Resolved that the Overview and Scrutiny Committee Annual Report 2024/25 be noted.

ASC13/7/25 Appointment of Standards Sub Committee

The Committee considered an option to appoint a sub committee to conduct hearings and determine complaints of breaches of the Code of Conduct for Members and to grant dispensations to members with registerable and non-registerable personal interests to enable them to participate and vote at committee meetings.

It was proposed that if the Committee wished to establish a sub committee, the membership be drawn from members of the Committee and comprise the Independent Chair (as the non-voting Chair of the sub committee) and 7 elected members (one from each constituent authority, together with one substitute member for each member to act in their absence). The Committee were invited to consider whether the membership should be politically balanced and whether the quorum should be at least 5 voting members to reflect the arrangements for Audit and Standards Committee.

Resolved that the Assistant Director Legal and Governance liaise with members of the Committee in formulating proposals for the appointment and operation of a Standards Sub Committee and present these to the next meeting of the Committee for consideration.

ASC14/7/25 Date and Time of Next Meeting

It was noted that the next scheduled meeting would be held on Tuesday 16 September 2025 at 10.00am in the Civic Centre, Newcastle upon Tyne.

Audit and Standards Committee

16 September 2025

Subject: Internal Audit Plan 2025/26 – quarterly update

Report of: Ian Pattison, Chief Internal Auditor

Report Summary

This report provides Audit and Standards Committee (ASC) with an update on progress against the 2025/26 internal audit plan.

Recommendations

The Audit and Standards Committee is recommended to consider and note progress towards delivery of the 2025/26 internal audit plan.

1. Progress against 2025/26 plan

- 1.1 The 2025/26 Internal Audit Plan (the Plan) was approved by ASC in July 2025. Delivery is currently progressing as expected in line with indicative start dates agreed with management.
- 1.2 The table below sets out the current status and indicative start date for each engagement within the Plan. The Plan remains dynamic to ensure that emerging risks are considered, and internal audit resource are appropriately redirected if necessary.

Engagement	Status / Indicative Start	Comments
Cross- cutting (covering multiple strategic risks)		
Single Assurance Framework (SAF) Programme / Projects – initiation to approval	November 2025	
SAF Programme / Projects – monitoring (advisory)	Complete	Advice to support refresh of approach to monitoring which is to be implemented from September 2025
SAF Programme / Projects – monitoring (assurance)	March 2026	Scheduling allows time to embed refreshed arrangements prior to review
Transport – funding and scale / Transport – operational		
Local Transport Plan Grant Certification	In progress	Certification required by 30 September 2025.
Local Transport Plan (assurance)	December 2025	There are a number of activities underway relating to transport delivery which will help to shape the scope of the audit. Late Q3 allows these to progress.
Integrated Settlement		

Engagement	Status / Indicative Start	Comments
Integrated Financial Settlement – readiness check (advisory)	In progress	Some initial advice provided ahead of the external review by Deloitte. Agreed with management to undertake further work in Q4 around implementation of the action plan from external review.
Core Assurance		
Cyber Security	September 2025	
Health and Safety	January 2026	This will allow time to embed new arrangements following changes in personnel.
Information Governance	November 2025	
Use of contingency / changes to plan		
Tyne Tunnel (advisory)	Complete	New advisory work, utilising contingency, completed following a management request.

- 1.3 In addition to the engagements detailed in the table above, internal audit provide ad-hoc advice and guidance to management and undertake audit support activity such as internal audit planning, follow up of internal audit recommendations (including those made for predecessor organisations) and preparing reports for / attending ASC.

2. Potential Impact on Objectives

- 2.1 Internal auditing strengthens the North East CA's ability to create, protect and sustain value by providing the ASC and management with independent, risk-based and objective assurance, advice, insight and foresight.
- 2.2 Internal auditing enhances the organisation's successful achievement of its objectives, its governance, risk management and control processes, its decision-making and oversight, its reputation and credibility with its stakeholders, and its ability to serve the public interest.
- 2.3 ASC is a key component of the North East CA's governance framework and provides an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring that there is sufficient assurance over these arrangements gives greater confidence to all those charged with governance that those arrangements are effective.
- 2.4 Internal Audit and ASC have a remit across the whole control environment for the North East CA. This also extends to organisations to whom the North East CA has given grants, contracts and / or partners with, and has responsibility as lead or accountable body. As such, Internal Audit and ASC have a remit across all objectives, priorities and policies.

3. Key Risks

- 3.1 There are no key risks associated with this report. The work undertaken reflects the risk-based internal audit plan agreed by ASC and is conducted in conformance with Global Internal Audit Standards in the UK Public Sector (GIAS UKPS).
- 3.2 Internal Audit is a key strand in the governance arrangements of the North East CA and the outcomes of its work support effective risk management and provide assurances which can be taken into account as part of the annual governance statement.

4. Financial and Other Resources Implications

- 4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Internal Audit services are provided for within existing budgets.
- 4.2 Effective internal audit and an effective ASC are an essential part of the North East CA's governance arrangements. The Internal Audit Plan examines the North East CA's internal control environment and considers the economy, efficiency, and effectiveness with which resources are deployed. This activity promotes good financial governance, value for money and reduces the potential for financial loss through fraud, waste and inefficiency.

5. Legal Implications

- 5.1 There are no direct legal implications arising from this report. However, Global Internal Audit Standards in the UK Public Sector require the Chief Internal Auditor to report periodically to senior management and the board on Internal Audit matters, including "performance relating to its plan".
- 5.2 It also supports ASC to deliver the functions of an 'Audit Committee', as set out in The Cities and Local Government Devolution Act 2016, which include reviewing and assessing the authority's risk management, internal control, and corporate governance arrangements.

6. Equalities Implications

- 6.1 There are no direct equalities implications arising out of the recommendations in this report. The ASC is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it.

7. Consultation and Engagement

- 7.1 There has been no consultation or engagement undertaken directly in respect of this report.
- 7.2 Senior management and the ASC were consulted as part of agreeing the Internal Audit Plan 2025/26. There are no requirements or expectations to undertake external consultation or engagement in relation to the matters in this report.

8. Appendices

None

9. Background Papers

[The North East Combined Authority Internal Audit Plan 2025/26, July 2025](#)
[The North East Combined Authority Constitution, May 2024](#)
[Global Internal Audit Standards in the UK Public Sector - Application Note](#)
[Governance of Internal Audit in Local Government | CIPFA](#)

10. Contact Officers

Ian Pattison, Chief Internal Auditor - ian.pattison@northtyneside.gov.uk, Tel: 0191 6435738
Marc Oldham, Group Assurance Manager - marc.oldham@northtyneside.gov.uk, Tel 0191 6435711

11. Glossary

Not applicable

Audit and Standards Committee

16 September 2025

Subject: The North East CA Strategic Risk Review (6 monthly update)

Report of: Mags Scott, Director of Finance and Investment

Report Summary

This report presents a 6-monthly update on the North East CA's strategic risks in line with the governance and risk management arrangements established within the North East CA's Risk Management Framework approved by Cabinet in September 2024.

Recommendations

The Audit and Standards Committee is recommended to consider and comment on the current strategic risks, scoring and proposed management actions set out in the Strategic Risk and Opportunity Register attached to this report as Appendix 1. Officers will provide any feedback verbally to Cabinet when they consider these risks at their meeting on the 23 September 2025.

1. Introduction

- 1.1. Risk is inherent in the activities undertaken by the North East CA. It is acknowledged the North East CA cannot be overly risk averse and some risk is necessary to drive change and deliver against the missions for the region. Effective risk management is essential to balance risk-taking and opportunity realisation and is an integral part of sound governance and control.
- 1.2. The Mayor and Cabinet hold overall responsibility for ensuring robust risk management arrangements are in place with risk and opportunities appropriately considered as part of all decision-making processes as defined in the Single Assurance Framework. The North East CA's Risk Management Framework defines the governance and approach to managing risks and opportunities and was approved by Cabinet in September 2024. This includes formal quarterly by Senior Leadership Team and six-monthly review by Cabinet and Audit and Standards Committee.
- 1.3. To be effective, risk management must be dynamic and responsive to change. The risk environment continues to change as the North East CA transitions from a new to an established organisation and the devolution landscape continues to evolve, including preparation for the move into the integrated settlement regime. This is reflected in the latest review of strategic risks.

2. Summary of latest review of strategic risks and opportunities

- 2.1. The most recent formal review of risks by SLT has seen several changes to the strategic risks since the last formal review by Cabinet in March 2025. Four risks have closed (see para 2.2), three new risks have been raised (see para 2.3) raised, one risk has been de-escalated for management at directorate level (see para 2.4) and one risk score has improved (see para 2.5). As a result of these changes there are now five strategic risks. Detailed descriptions and action plans for current risks are attached at Appendix 1 and summarised in the Table 1 below. Detailed descriptions of closed and de-escalated risks are attached at Appendix 2.

Table 1 – summary of current strategic risks

Risk Ref	Description	Risk Owner	Risk Scores			
			Prev Score (Mar 25)	Current Score	Direction of travel	Target Score
St006	Organisational Capacity	Alan Reiss	D2 (A)	E2 (A)	Risk improved ↑	E3 (G)
St008	Integrated Settlement	Mags Scott	E1 (A)	E1 (A)	Static ↔	E2 (A)
St009	Policy and Partnerships	Alan Reiss	n/a	D2 (A)	New risk	E3 (G)
St010	Securing Funding to Deliver Objectives	Alan Reiss	n/a	C2 (R)	New risk	D2 (A)
St011	Reputation	Huw Lewis	n/a	B3 (A)	New risk	D3 (G)

2.2. The four risks relating to Transport – Funding and Scale (St001), Transport Operational (St002), Inclusive Growth (St003) and Net Zero (St004) have now been closed. These all included elements of risk around levels of funding, national policy decisions, the ability and capacity of partners to deliver regional objectives, and reputation. These common issues have been incorporated within the three new strategic risks raised which are relevant to all of the North East CA's missions and objectives rather than being specific to individual programmes.

2.3. The three new risks raised are as follows:

- **Policy and Partnerships (St009):** changes in the national political environment that could influence the policy and legislative context for combined authorities and local authorities, with the potential to impact on its current and future policy decisions. It also highlights the risks associated with the capacity and capability of our partners to deliver shared regional objectives.
- **Securing Funding (St010):** the potential that the CA may not receive sufficient funding and/or cannot access the funding it needs to deliver missions and objectives.
- **Reputation (St011):** the role / purpose/ activities of the North East CA are not clearly understood or seen as relevant by communities across the region, it could undermine democratic engagement and the perceived legitimacy of its work.

2.4. The Accessing data to allow performance reporting (St007) risk has been de-escalated for management at directorate risk level. Given the significant work around the performance management framework and performance reporting arrangements this no longer presents a risk of significant impact on the CA's ability to achieve its missions and objectives. This is not to suggest this risk is no longer relevant, rather it continues to be managed by the relevant directors. It is acknowledged that performance will be critical in agreeing and demonstrating delivery of integrated settlement and that is addressed through the relevant strategic risk (St008).

2.5. The Organisational Capacity (St006) risk score has improved from D2 to E2. This reflects the ongoing measures and controls which have given us the ability to recruit high calibre talent which is building the capability and capacity across the organisation. As such the likelihood of the risk

occurring has reduced, though at this stage the impact remains the same, with work ongoing to reduce the impact to get to target score.

3. Conclusion and next steps

- 3.1. The ongoing assessment, management and reporting of risk is an integral part of the North East CA's governance and control arrangements. This latest 6-monthly update will be reported to Cabinet at its meeting on 23 September 2025. In addition to this reporting, risk and opportunities are considered as part of all decision-making in accordance with the Single Assurance Framework.
- 3.2. SLT Team will continuously assess and monitor strategic risks and opportunities and formally review risks on a quarterly basis. The Committee and Cabinet will receive its next formal update on strategic risks in March 2026. This will provide assurance that action is being taken to identify and manage risks effectively across the North East CA, that the records remain relevant to the current context and risks are managed in line with the Authority's risk appetite.

4. Impact on North East Combined Authority Objectives

The North East CA has a clear set of missions and priorities, as set out in our Corporate Plan and the Mayor's Manifesto. The Risk Management Framework, along with other frameworks such as the Single Assurance Framework and the Investment Framework, will support delivery of our vision, missions, ambitions and priorities.

5. Key Risks

Without an effective approach to risk management the North East CA will not be able to manage risk and opportunities in a disciplined, co-ordinated and proportionate way. This could prevent effective mitigation of potential risks which may impact on delivery or prevent us from realising opportunities and hence delivering against our vision, missions, ambitions and priorities.

6. Corporate Implications

6.1. Finance and other resources implications

Effective risk management supports sound financial management and decision-making for programmes, projects and initiatives and is included within all relevant reports. Risk management activity is delivered within the North East CA's budgeted resources.

6.2. Legal implications

Effective risk management supports the North East CA to meet its statutory obligations and deliver in line with the Single Assurance Framework.

6.3. Equalities implications

There are no direct equalities implications arising out of the recommendations in this report. However, the effective risk management will support the North East CA to meet its obligations in respect of its Public Sector Equality Duty.

6.4. Consultation and engagement

There has been ongoing engagement with the Senior Leadership Team and heads of service to develop the strategic risk and opportunity register. Further consultation and engagement is undertaken through Audit and Standards Committee.

7. Appendices

Appendix 1: The North East CA Strategic Risk and Opportunity Register
Appendix 2: Closed and de-escalated risks
Appendix 3: Risk scoring matrix

8. Background papers

[North East CA Assurance Framework.pdf](#)

[North East CA Risk Management Framework - Cabinet approval.pdf](#)

9. Glossary

SLT Senior Leadership Team

Contact officer(s)

Chrisi Page, Head of Investment Programmes Chrisi.page@northeast-ca.gov.uk

Ian Pattison, Head of Assurance and Risk at North Tyneside Council

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Appendix 1 – Strategic Risk and Opportunity Register

Risk Subject	St006 - Organisational Capacity		Risk Owner:	Alan Reiss	
Risk Detail					
There is a risk that the North East CA may not have appropriate capability, capacity, culture and processes to deliver its missions and objectives, i.e. making appropriate choices in terms of how funding is allocated, the project / initiatives where these limited resources are targeted and then delivering successfully for impact.					
Opportunity					
Opportunity to build upon experience and learning of current capacity to enable agile and efficient delivery of our ambitions.					
Links to Corporate Plan					
Home of real opportunity	A North East we are proud to call home	Home to a growing and vibrant economy for all	Home of the green energy revolution	A welcoming home to global trade	
x	x	x	x	x	
Cause of Risk					
This risk has been raised to reflect the maturity of the organisation following the transition of five organisations each with own cultures and ways of working into the North East CA. Additionally until relevant systems and processes are fully developed and embedded, and appropriate additional capacity is recruited, we have to rely on interim solutions or existing approaches which may be may less joined up.					
Consequences of the risk materialising and risk indicators:					
	Trigger	Consequence		Supporting Trend Data	
NECA finances	<ul style="list-style-type: none">Identified skills gapsDecisions made don't aid delivery of missions	<ul style="list-style-type: none">Potential financial impact if processes are not in place and programme delivery is delayedReliance on external expertise and associated costsImpact on VFM		<ul style="list-style-type: none">Performance dataBudget monitoring	
Local economy	<ul style="list-style-type: none">Identified skills gaps	<ul style="list-style-type: none">Growth ambitions not realisedInward investment opportunities not taken		<ul style="list-style-type: none">Performance data	
Programme / Project Delivery	<ul style="list-style-type: none">Identified skills gapsAgility and responsiveness of staff to adapt to change	<ul style="list-style-type: none">Potential programme and project delays with key milestones being missed		<ul style="list-style-type: none">Performance dataPulse surveys	
Health, Safety & Wellbeing	<ul style="list-style-type: none">Lack of steer on vision, clarity on roles and expectationsPressure on existing resources	<ul style="list-style-type: none">High levels of staff sickness and absence		<ul style="list-style-type: none">HR ReportsPulse surveysData from wellbeing providers	

Appendix 1 – Strategic Risk and Opportunity Register

			<ul style="list-style-type: none">• Delivery of the corporate plan
NECA Missions / Our Values	<ul style="list-style-type: none">• Inability to recruit to fill vacancies• Identified skills gaps• Lack of clarity of systems and processes	<ul style="list-style-type: none">• Cabinet and Mayoral priorities not met	<ul style="list-style-type: none">• HR Reports• Performance data
Morale	<ul style="list-style-type: none">• Lack of steer on vision, clarity on roles and expectations• Pressure on existing resources• Poor / inconsistent communication	<ul style="list-style-type: none">• Reduced staff morale• Higher levels of absence and attrition	<ul style="list-style-type: none">• HR Reports• Pulse surveys• Cascade of the corporate plan
Reputation	<ul style="list-style-type: none">• Failure to deliver on key commitments	<ul style="list-style-type: none">• Adverse impact on reputation if stakeholder expectations are not met• Inconsistent / inaccurate messages could impact on reputation	<ul style="list-style-type: none">• Adverse media coverage
Legal / Regulatory	<ul style="list-style-type: none">• Failure to meet legal obligations	<ul style="list-style-type: none">• Adverse impact on reputation and risks of further consequences	<ul style="list-style-type: none">• Compliance reporting
Existing Controls:		How does it reduce the risk?	Senior Officer:
		How are we assured of the control in place?	
1. Organisational Governance		This ensures there will be oversight and decision making at a strategic level.	Alan Reiss
		Assurance Source: <ul style="list-style-type: none">• SLT and Cabinet agenda, reports and minutes• Revision and clarification of delegated decision-making	
2. Organisational structure in place		Staff from previous of five family organisations transferred across bringing experience, knowledge and skills. There is also defined roles and responsibilities in place across all business areas. New Director team recruited.	Alan Reiss
		Assurance Source: <ul style="list-style-type: none">• Staff in situ• Agreement to revised leadership structure and recruitment into roles	
3. SLA in place with Durham CC which includes some HR functions and recruitment.		Ensure that recruitment is undertaken as and when required following a consistent approach throughout the CA.	Alan Reiss
		Assurance Source: <ul style="list-style-type: none">• A number of roles have been successfully recruited into	

Appendix 1 – Strategic Risk and Opportunity Register

4. Organisational Values and Corporate Plan	Ensures that all staff are aware of the North East CA Corporate Plan and values enabling them to become embedded in the organisational culture.	Alan Reiss		
	Assurance Source: <ul style="list-style-type: none">Organisational Values and corporate plan are published and continually spoken about by leadership			
5. Dedicated resource within the People Team to support recruitment activity	Ensures continuity and that we have the skills to work towards vision and the brand.	Tracey Elvin		
	Assurance Source <ul style="list-style-type: none">Recruitment materials / packs designed in house in line with vision and brandVacancies are being filled			
6. Workforce planning and Organisational Design (include succession planning)	Clear identification of resources and future needs of the business which will link into our succession planning.	Tracey Elvin		
	Assurance Source <ul style="list-style-type: none">Live working documentHR have regular attendance at Operational Directorate meetings where resources and skills are discussedLearning Needs Analysis			
7. Internal communication plan	Structured communication strategy that will help inform the workforce on progress, updates, etc.	Tracey Elvin		
	Assurance Source <ul style="list-style-type: none">Internal Communication Plan in place			
8. Relevant Frameworks (e.g. risk, assurance, monitoring, evaluation, and investment)	These will set out the organisational approach and provide the basis for consistent ways of working throughout the organisation.	Mags Scott		
	Assurance Source <ul style="list-style-type: none">Numerous Frameworks in place and on Intranet			
Current Score of Risk (as at date of update on 2 July and 21 July 2025):				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
E	2	E2 (A)	The risk score has moved from D2 to a E2 to reflect ongoing measures and controls that have been and are continuing to be implemented. This has given us the ability to recruit high calibre talent which is building the capability and capacity across the organisation.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Capacity analysis		To establish current ways of working and identify processes that need to be implemented.	Tracey Elvin	September 2025

Appendix 1 – Strategic Risk and Opportunity Register

2. Systems to be fully implemented e.g. HR, Financial and Project and Programme Management.	Will provide a clear and consistent approach throughout the organisation.	Alan Reiss	December 2025
3. Data insight and Organisational Health pillar of performance management framework	This will provide metrics around recruitment activity that will allow us to understand best practice and what works well, enabling changes to be made if required.	Tracey Elvin	October 2025
Target Score of Risk:			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full RAG	Reasons:
E	3	E3 (G)	Through the implementation of new controls and further embedding of existing it is expected that the risk score will reduce.

Agreed by SLT: 30 July 2025

Updated by Tracey Elvin: 2 July 2025 / Alan Reiss: 21 July 2025

Appendix 1 – Strategic Risk and Opportunity Register

Risk Subject:	St008 Integrated Settlement			Risk Owner:	Mags Scott		
Risk Detail:							
There is a risk that we receive a sub-optimal integrated financial settlement outcome, due to financial under-delivery in 25/26; through a failure to provide sufficient assurance of investment readiness; or failure to agree an appropriate outcomes framework with HM Government. There is also a risk that Government's approach to performance management does not enable the CA to take full advantage of the opportunity for innovation and delivery of cross cutting benefits across our strategic priorities.							
Opportunity:							
Working closely with Government departments, and cross-departmentally supported by MHCLG; and with input from those combined authorities that have already moved to single settlement, we have the opportunity to build on and deepen the benefits that come with integrated settlement. This is a chance to align our funding more closely to the outcomes set out in our Corporate Plan, Local Transport Plan and Local Growth Plan, supported by our investment and single assurance frameworks. Integrated settlement also provides additional flexibilities to move funding between themes and between financial years.							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
x	x	x	x	x	x	x	x
Cause of Risk:							
The North East CA was confirmed in 2024 as one of four 'wave 2' combined authorities to be moving to integrated settlement for the 2026/27 financial year. This is a more flexible, outcomes-based approach to delivering against a set of outcomes to be agreed with HM Treasury and removes some of the 'ringfencing' of funding. This represents a new approach to distributing Government funds from across Whitehall Departments and requires a change in ways of working both within Government and Mayoral Combined Authorities. On balance, this is a positive development for the North East CA, giving greater control to the Mayor and Cabinet as to how best to allocate funding to deliver our agreed outcomes. It also comes with the risk that we fail to maximise the potential benefits.							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence			Supporting Trend Data		
NECA finances	• Integrated settlement provides lower than expected funding; or current constraints on funding are not removed	• Reduced resources available to fund programmes and pay for core establishment of the CA. Mayoral priority outcomes are not delivered or are reduced.			• IS programme board reporting		
Local economy	• As above	• As above			• Performance reporting		
Programme / Project	• As above	• As above			• Performance reporting; programme monitoring		

Appendix 1 – Strategic Risk and Opportunity Register

NECA Plan / Our Values	<ul style="list-style-type: none">Programmes reduced / terminated	<ul style="list-style-type: none">Mayoral priority outcomes not delivered or not delivered in fullRisks to 'Make it Happen' and 'Strive for Brilliance' due to insufficient resource.	<ul style="list-style-type: none">Performance reporting; programme monitoring
Morale	<ul style="list-style-type: none">Programmes reduced / terminated	<ul style="list-style-type: none">Our people feel that the impact they have is reduced; morale suffersRoles at risk due to reduced funding	<ul style="list-style-type: none">Staff survey / pulse surveysFeedback through manager 1-1s
Reputation	<ul style="list-style-type: none">Partner organisations perceive we are adding less value to the region	<ul style="list-style-type: none">Reputation with MHCLG and HMT suffers; difficult to build backReputation with LAs and other partner organisations suffer; we are less credible in the region	<ul style="list-style-type: none">Feedback from Government leadsFeedback from LA CEx, and Economy Directors; partner organisations
Legal / Regulatory	<ul style="list-style-type: none">Potential reduction in devolved powers or inability to achieve deeper devo	<ul style="list-style-type: none">Reduced ability to deliver on priorities	<ul style="list-style-type: none">Feedback from MHCLG leads
Existing Controls:		How does it reduce the risk?	Senior Officer:
		How are we assured of the control in place?	
1. Priority programme across 2025/26 for the North East CA senior leadership team.		Focus and accountability at most senior levels.	Henry Kippin
		Assurance Source: <ul style="list-style-type: none">Programme governance reporting and monitoring	
Current Score of Risk (as at date of update on 29 April 2025)			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:
E	1	E1 (A)	Work has been undertaken to mobilise the programme. A programme plan, based on MHCLG's readiness assessment framework, has been prepared and we are engaging with external consultants for support in developing the associated programme plan. We are regularly engaging with Government and further clarity on functional responsibilities, potential scope of funding and performance management arrangements has been shared. The risk of an unsatisfactory outcome is considered to be low, but is recorded as a strategic risk given its potential impact on the organisation, and to enable early, robust monitoring of the risk. We are working closely with the early adopters of IS (GMCA and WMCA) and those combined authorities on the same timeline as us to ensure a consistent and united set of asks of HMG.

Appendix 1 – Strategic Risk and Opportunity Register

New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. The set up of a structured programme with clear outcomes and governance is a priority for the Finance and Investment directorate prior to the start of 26/27 financial year.		The programme has been mobilised, providing visibility of high-level workstreams, milestones and shared outcomes, with reference to MHCLG's readiness framework. Resources have been allocated with clear roles and responsibilities in place within the CA. Progress is reported regularly to SLT and through programme governance. The governance structures will ensure the timeliness implementation of programme and include involvement from the LAs, Cabinet, OSC, ASC and be the commissioner of input and advice from, and collaboration with, other MCAs and government departments.	Mags Scott	January 2026
2. Engagement with Government		Bi-weekly meetings with Government officials are ongoing, providing a consistent forum for engagement. In-depth discussions with Government Departments on the outcomes framework are scheduled to begin in August and will continue through the Autumn. This timeline allows for a considered and collaborative approach, ensuring the final framework reflects the priorities of both the Combined Authority and Government.	Mags Scott	December 25
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full RAG	Reasons:	
E	2	E2 (A)	Impact of this risk will always be high if it materialises given its cross-cutting nature. Aim through programme is to minimise likelihood; and to agree outcomes as early as possible to reduce impact (e.g. to certain areas / small number of outcomes themes).	

Agreed by SLT: 30 July 2025
Updated by Chrisi Page: 25 July 2025

Appendix 1 – Strategic Risk and Opportunity Register

Risk Subject	St009: Policy and Partnerships (new risk)		Risk Owner:	Alan Reiss	
Risk Detail					
There is a risk that changes in the national political environment could influence the policy and legislative context for combined authorities and local authorities, with the potential to impact on its current and future policy decisions. It also highlights the risks associated with the capacity and capability of our partners to deliver shared regional objectives.					
Opportunity					
Current national Government policy, including the publication of the English Devolution and Community Empowerment Bill, should result in greater autonomy, funding flexibility and powers that the Mayor and Combined Authority can harness to deliver improved outcomes in the region.					
Cause of Risk					
This risk has been raised to reflect national legislative process changes that impact the landscape for Combined / Strategic Authorities. It also recognises that we are reliant upon partners to deliver and there are changes affecting local authorities and integrated care boards – including significant funding changes – that may affect their ability and capacity to deliver.					
Links to Corporate Plan					
Home of real opportunity	A North East we are proud to call home	Home to a growing and vibrant economy for all	Home of the green energy revolution	A welcoming home to global trade	
x	x	x	x	x	
Consequences of the risk materialising and risk indicators:					
	Trigger	Consequence	Supporting Trend Data		
NECA finances	<ul style="list-style-type: none">Changes in National Policies and funding availability	<ul style="list-style-type: none">Impact on policy and legislative contextImpact on budget stability	<ul style="list-style-type: none">Performance Management FrameworkParliamentary Statement/ Announcement		
Local economy	<ul style="list-style-type: none">Changes in national policies and funding availability	<ul style="list-style-type: none">Potential delays in deliveryReduced Government investment in the North EastPotential reduced willingness for companies to invest in the region	<ul style="list-style-type: none">State of the Region ReportsPerformance Management FrameworkParliamentary announcements		
Programme / Project	<ul style="list-style-type: none">Changes in National Policies and funding availabilityDelivery capacity of local authority partners.	<ul style="list-style-type: none">Effect on pace of delivery of either current or future priorities	<ul style="list-style-type: none">Performance Management FrameworkParliamentary Statement/ Announcement		

Appendix 1 – Strategic Risk and Opportunity Register

	particularly in tougher funding landscape		
NECA Plan / Our Values	<ul style="list-style-type: none">Changes in National Policies and funding availability	<ul style="list-style-type: none">Changes to the North East CA OfferImpact on delivery of ambitions	<ul style="list-style-type: none">Performance Management Framework
Morale	<ul style="list-style-type: none">Changes in national policy and funding availability	<ul style="list-style-type: none">Morale negatively impacted due to uncertainty over future arrangements	<ul style="list-style-type: none">Staff survey
Reputation	<ul style="list-style-type: none">Changes in National Policies and funding availability	<ul style="list-style-type: none">Adverse impact on relationships with some stakeholders.	<ul style="list-style-type: none">Performance management frameworkLocal mediaAnecdotal
Legal / Regulatory	<ul style="list-style-type: none">Changes in national policy and law	<ul style="list-style-type: none">Negative effect on ability of CA and/or partners to deliver	<ul style="list-style-type: none">Performance management frameworkLegal / policy advice
Existing Controls		How does it reduce the risk?	Senior Officer:
		How are we assured of the control in place?	
1. Membership of networks/ relationships built with key figures nationally and locally		Allows for some forward planning if see change of direction being flagged	Huw Lewis
		Assurance Source: <ul style="list-style-type: none">SLT and other senior managers ensuring they and the North East CA are visible to the policy makers and decision takers.Attendance and invitations to events/meetings/conferences etc.	
2. Workforce development plan/process		Allows for timely recruitment /reorganisation if see change of direction being flagged/get notice of change	Tracey Elvin
		Assurance Source: <ul style="list-style-type: none">Corporate reporting	
3. Reading of sector related press/publications/blogs to do Horizon scanning		Allows for early discussions and testing of ideas/solutions and wider sector collaboration/response.	Alan Reiss
		Assurance Source: <ul style="list-style-type: none">Reports to Cabinet and SLT	
4. Deep understanding of evolving landscape		SLT discussions and policy briefings on devolution policy	Alan Reiss
		Assurance Source: <ul style="list-style-type: none">Reports to SLT	
5. Local partnership arrangements		Regular sessions of NE CXs, informal Cabinet, portfolio meetings, officer groups e.g. TOG	Alan Reiss

Appendix 1 – Strategic Risk and Opportunity Register

		Assurance Source: <ul style="list-style-type: none">• NE CXs and informal Cabinet agendas and minutes		
Current Score of Risk (as at date new risk raised 21 July 2025):				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
D	2	D2 (A)	It is relatively early in the parliamentary term and therefore a substantial shift nationally away from devolution is possible but not regarded as likely, particularly given the publication of the English Devolution and Community Empowerment Bill.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Establishment of central policy, planning and performance function		Increased ability to horizon scan, understand, shape and prepare for proposed developments	Alan Reiss	1 December 2025
2. Introduction of refreshed performance management framework		Improved reporting on performance, in terms of both impact of investments and overall performance of the region.	Alan Reiss	1 November 2025
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
E	3	E3 (G)	Aim is to reduce likelihood through demonstrating successfully that the devolution model can deliver improved outcomes in the North East and reducing impact of any shifts in politics or partnerships.	

New risk raised: 21 July 2025 by SLT and developed by Alan Reiss

Agreed by SLT: 30 July 2025

Appendix 1 – Strategic Risk and Opportunity Register

Risk Subject	St010: Securing funding to deliver objectives (new risk)		Risk Owner:	Alan Reiss	
Risk Detail					
There is a risk that the CA may not receive sufficient funding and/or cannot access funding it needs to deliver missions and objectives.					
Opportunity					
The CA is going to be designated an Established Mayoral Strategic Authority, giving it access to the widest range of powers and funding available, and an integrated settlement. This is seen as an interim position pending further development of the model from 2028 onwards.					
Links to Corporate Plan					
Home of real opportunity	A North East we are proud to call home	Home to a growing and vibrant economy for all	Home of the green energy revolution	A welcoming home to global trade	
x	x	x	x	x	
Cause of Risk					
This risk has been raised to reflect the potential that the CA is reliant on the allocation of funding to successfully deliver its objectives and missions. There is the potential that funding opportunities may not be sufficient and/or the CA cannot access the funding it needs.					
Consequences of the risk materialising and risk indicators					
	Trigger	Consequence		Supporting Trend Data	
NECA Finances	<ul style="list-style-type: none">• Failure of North East CA or our delivery partners to deliver programmes within funding window	<ul style="list-style-type: none">• Impact on future award of funding• Potential clawback of funding if requirements not met.• Impact on added value		<ul style="list-style-type: none">• Performance Management Framework• Investment Programme Board / Programme and Project monitoring	
Local economy	<ul style="list-style-type: none">• Programme and projects do not deliver expected benefits / stakeholder expectations	<ul style="list-style-type: none">• Constraint of growth and delivery of missions• Impact on future investments in the region /leverage• Loss of confidence in the CA's ability to support economic improvement		<ul style="list-style-type: none">• Performance Management Framework• Investment Programme Board / Programme and Project monitoring• Evaluation	
Programme / Project	<ul style="list-style-type: none">• Insufficient funding to establish programmes and projects necessary to support achievement of missions• Insufficient capability to translate funding	<ul style="list-style-type: none">• Impact / constraint on Investment programme		<ul style="list-style-type: none">• Performance Management Framework• Investment Programme Board / Programme and Project monitoring• Evaluation	

Appendix 1 – Strategic Risk and Opportunity Register

	into programme delivery		
NECA Mission	<ul style="list-style-type: none">• Insufficient funding to establish programmes and projects necessary to support achievement of missions	<ul style="list-style-type: none">• Impact on achievement of North East CA priorities and missions• Impact on ability to support partners to deliver activities needed to achieve priorities and missions	<ul style="list-style-type: none">• Performance Management Framework• Investment Programme Board• Budget setting
Morale	<ul style="list-style-type: none">• Insufficient resourcing to enable officers to develop / complete activities to support mission• Criticism around lack of delivery / perceived lack of results• Pressure from partners competing for funding	<ul style="list-style-type: none">• Low retention rates and high staff turnover• Increased staff absences• Negative feedback from staff• Impact on performance	<ul style="list-style-type: none">• Staff survey results• HR performance data
Reputation	<ul style="list-style-type: none">• Non delivery• External events• Overview & Scrutiny Committee• Perception of corporate responsibilities	<ul style="list-style-type: none">• Adverse impact on reputation• Government lose confidence in ability to deliver devolution deal• Local communities lose confidence in CA ability to make a difference to life and communities	<ul style="list-style-type: none">• Media coverage• Complaints
Legal / Regulatory	<ul style="list-style-type: none">• Tendency towards non-compliance with funding conditions	<ul style="list-style-type: none">• Adverse impact on reputation• Possible legal challenge• Reduced future funding allocations	<ul style="list-style-type: none">• Poor audit results• Assurance framework compliance failures
Existing Controls:		How does it reduce the risk?	Senior Officer:
		How are we assured of the control in place?	
1. Devolution deals negotiated with Government		Deals have led to funding being secured for the region	Alan Reiss
		Assurance Source: <ul style="list-style-type: none">• Devolution deals published	
2. Established Mayoral Strategic Authority Status		Provides access to additional funding and flexibilities	Mags Scott
		Assurance Source: <ul style="list-style-type: none">• Reports to SLT and Cabinet	

Appendix 1 – Strategic Risk and Opportunity Register

Current Score of Risk (as at date new risk raised 21 July 2025):				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
C	2	C2	Over time, given the national economic position, it is likely that the funding available will fall short of what is truly required to deliver the CA's objectives.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Sharpened delivery mechanisms e.g. SAF Review		Increases the CA's capability to deliver and therefore increase case for further devolution of future funds.	Mags Scott	1 December 2025
2. Integrated Settlement arrangements		Increases the CA's capability to deliver and therefore increase case for further devolution of future funds.	Mags Scott	1 April 2026
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
D	2	D2	Aim for reduction in likelihood – but impact of insufficient funding is always likely to be significant.	

New risk raised: 21 July 2025 by SLT and developed by Alan Reiss
 Agreed by SLT: 30 July 2025

Appendix 1 – Strategic Risk and Opportunity Register

Risk Subject	St011:Reputation (new risk)		Risk Owner:	Huw Lewis	
Risk Detail					
There is a risk that if the role / purpose/ activities of the North East CA are not clearly understood or seen as relevant by communities across the region, it could undermine democratic engagement and the perceived legitimacy of its work.					
Opportunity					
By raising awareness of the role of the CA and its projects we can help increase the participation in the services and delivery that we support.					
Links to Corporate Plan					
Home of real opportunity	A North East we are proud to call home	Home to a growing and vibrant economy for all	Home of the green energy revolution	A welcoming home to global trade	
x	x	x	x	x	
Cause of Risk					
The CA is a new public body with a new role so initial awareness of its existence and purpose is low.					
Consequences of the risk materialising and risk indicators					
	Trigger	Consequence		Supporting Trend Data	
NECA finances	<ul style="list-style-type: none">Private Sector not aware of CA investment	<ul style="list-style-type: none">Businesses may not wish to invest in the regionFunding may be lost		<ul style="list-style-type: none">Milestone tracking leading up to 2028 Mayoral ElectionsActive engagement levels in specific CA consultation and engagement activity, such as the Local Growth Plan and Bus reform.	
Local economy	<ul style="list-style-type: none">Stakeholders unaware of or not engaging in CA initiatives and consultations	<ul style="list-style-type: none">Lack / reduction of investment Reduction in visitors to the region		<ul style="list-style-type: none">Milestone tracking leading up to 2028 Mayoral ElectionsSatisfaction among stakeholders in their contact with the CA	
Programme / Project	<ul style="list-style-type: none">Stakeholders unaware of or not engaging in CA initiatives and consultations.	<ul style="list-style-type: none">Funding may be reduced which could delay deliveryLost opportunities to strengthen programme/ projects and maximise impact of our investment.		<ul style="list-style-type: none">Milestone tracking leading up to 2028 Mayoral ElectionsSatisfaction among stakeholders in their contact with the CA	

Appendix 1 – Strategic Risk and Opportunity Register

Health, Safety & Wellbeing	<ul style="list-style-type: none">Stakeholders unaware of or not engaging in CA initiatives.	<ul style="list-style-type: none">	
NECA Missions	<ul style="list-style-type: none">Stakeholders unaware of or not engaging in CA initiatives.	<ul style="list-style-type: none">Key ambitions, objectives and missions may not be delivered	<ul style="list-style-type: none">Milestone tracking leading up to 2028 Mayoral ElectionsSatisfaction among stakeholders in their contact with the CA
Morale			
Reputation	<ul style="list-style-type: none">The local population does not perceive positive change or initiativesLow turnout in Mayoral elections	<ul style="list-style-type: none">Lack of trust in the CA to improve the regionGovernment lose confidence to deliver the Devolution DealA weakened democratic mandate may affect the CA's ability to advocate effectively at national level.	<p>Milestone tracking up until the 2028 Mayoral Elections</p> <ul style="list-style-type: none">Awareness of the CA, its delivery areas, its missions and priority areas.Awareness of the CA, its delivery areas, its missions and priority areas
Legal / Regulatory			
Existing Controls:	How does it reduce the risk?		Senior Officer:
	How are we assured of the control in place?		
1. Delivery of the Communication Strategy 2025 -28	The strategy sets out the means by which we continually expand awareness, trust and relationships.		Huw Lewis
	Assurance Source: <ul style="list-style-type: none">Approved Communication Strategy 2025-28Monthly and quarterly reports on impact against plans to SLTSLT agenda, reports and minutes		
2. Formation and delivery of communication plans tailored to individual work streams.	Targets for impact against workstream aims agreed individually with accountable director.		Huw Lewis
	Assurance Source: <ul style="list-style-type: none">Performance Indicators reported at key milestones to workstream lead.		
3. Partners delivering projects with /or for the CA highlight its role and funding support.	CA funded projects are clearly branded and referred to in 3 rd party material such as websites, hoardings and literature and reports.		Huw Lewis
	Assurance Source:		

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		<ul style="list-style-type: none">• Clear contractual guidelines are present and highlighted in Grant Funding Agreements (GFAs)• Programme managers audit use and appearance of CA branding		
4. Media and communications work by Government, LA and other partners highlight role of CA.	The CA leverages opportunities to raise its profile through wider networks.	Assurance Source: <ul style="list-style-type: none">• Formal protocols exist to manage communication with partners.• Protocols are reviewed at least annually by both parties.	Huw Lewis	
Current Score of Risk (as at date new risk was raised 8 July 2025):				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
B	3	B3	Initial surveys show low awareness of the CA comparative to delivery programmes that have already started.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
No new controls identified				
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
D	3	D3	Through the embedding of the controls and raising the awareness of the CA and its programmes / initiatives public and stakeholder perception should improve.	

New risk raised: 21 July 2025 by SLT and developed by Huw Lewis
 Agreed by SLT: 30 July 2025

Appendix 2 – Closed and de-escalated risks and opportunities

Risk Subject:	St001 - Transport Funding and Scale (closed)	Risk Owner:	Tobyn Hughes
Risk Detail:			
There is a risk that funding is not sufficient to deliver the commitments set out in the Transport Programme and Local Transport Plan, or use of funding is constrained because of Government conditions.			
Opportunity:			
There is an opportunity through further devolution to work with the Government to have access to a more stable longer-term funding stream for transport, whose prioritisation and conditions of use are determined by the North East CA.			
Cause of Risk:			
<p>This risk reflects the scale and breadth of the Transport Programme and its overarching impact across the North East CA. Transport Programme deliverables often act as enablers for other portfolios to deliver against their ambitions.</p> <p>Government itself is fiscally constrained, and its historical approach has been to provide “stop-start” funding allocations for transport to deliver central Government policy initiatives, resulting in transport funding being time-bound, its use and conditions closely managed by civil servants, and has often required competitive bidding.</p> <p>The ability to draw down future Government funding for transport is often dependent on the successful expenditure of existing funding within Government-defined criteria and delivery periods, thus creating a circular problem. Insufficient resources or time to prepare projects for delivery and major changes to schemes in the agreed delivery programme by partners can both lead to under-delivery by the North East CA as a whole and result in Government reducing the resources it makes available to the North East CA in future.</p> <p>This risk therefore arises from the quantum of Government funding to deliver the Transport Programme, its conditions, and the quality of the North East CA’s delivery.</p>			
Risk Score (at time closure was agreed)			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full RAG	Reasons:
D	2	D2 (A)	Risk to close and relevant elements incorporated within new risks

Approved by SLT: 30 July 2025

Appendix 2 – Closed and de-escalated risks and opportunities

Risk Subject:	St002 - Transport – Operational (closed)	Risk Owner:	Tobyn Hughes
Risk Detail:			
There is a strategic and reputational risk for the North East CA that transport operations and projects are delivered through a complex array of bodies, some of which are outside the North East CA's direct sphere of influence. The recent failure of the Gateshead flyover is an example of the risks that ageing infrastructure can pose to transport operations.			
Opportunity:			
Formalised partnership working with partners such as National Highways and Great British Railways, increases the opportunity to collaborate with an aim of a more reliable network. The integration of maintenance funding into the CRSTS programme and the introduction of a regional Transport Asset Management Plan presents an opportunity to consider how funding is identified and deployed for asset maintenance and renewal in a more structured and targeted way. There are also opportunities for greater regional collaboration on the procurement of goods and services to realise economies of scale and enhanced value for money.			
Cause of Risk:			
This risk has been raised because the governance of transport operations is complex in the region, and although the North East CA is the Local Transport Authority with overall strategic responsibility, many transport functions projects are delivered by partners through funding agreements, delegations, by arm's-length arrangements and contracts with the private sector. This can result in lack of clarity over accountabilities, policy direction, and potentially lead to reputational damage. Furthermore, some key aspects of transport lie wholly outside the North East CA's current powers (e.g. strategic roads, national railways and commercial bus services) contrary to a commonly held public perception that the North East CA should be able to control or influence them.			
Risk Score (at time closure was agreed)			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full RAG	Reasons:
E	1	E1 (A)	Risk to close and relevant elements incorporated within new risks

Agreed by SLT: 30 July 2025

Appendix 2 – Closed and de-escalated risks and opportunities

Risk Subject:	St003: Inclusive Growth (closed)	Risk Owner:	Rob Hamilton / Adrian Dougherty
Risk Detail:			
There is a risk that North East CA's ambition on inclusive growth and creating opportunities for all, may not deliver planned outcomes to improve wellbeing for all, including addressing child poverty whilst reducing inequality and removing barriers.			
Opportunity:			
Embedding our ambitions on inclusive growth and child poverty in everything we do, creating a fairer North East, working with partners to create good jobs, and increasing opportunities for our residents.			
Cause of Risk:			
<p>Whilst many factors are within NECA's influence, the main issue to flag this quarter is increasing concerns about the world and UK economies (and public finances) – exacerbated by instability in global trading relationships and tariffs as a result of US policies. Major forecasters, including the IMF, have downgraded their growth forecasts for the UK for this year and next – although they are not predicting a recession.</p> <p>A downturn in the economy creates direct risks to the Inclusive Growth outcomes being sought by the Combined Authority – including if businesses are either directly affected by changes in US policies or impacted by wider changes in economic conditions. There are also additional risks caused by weaker public finances and if there is a reduction in potential future levels of investment by Government in our strategic priorities (and post-SR resources for the Combined Authority).</p> <p>Failure to achieve the planned outcomes to reduce inequality and remove barriers to ensure opportunities and jobs are available to traditionally underserved groups, present a risk of further widening the gap which will have impacts both in respect of health and wellbeing, and an inability to meet current and future employer demand and grow a more resilient local economy.</p>			
Risk Score (at time closure was agreed)			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG Prev score	Reasons:
E	2	E2 (A)	Risk to close and relevant elements incorporated within new risks

Agreed by SLT: 30 July 2025

Appendix 2 – Closed and de-escalated risks and opportunities

Risk Subject:	St004: Net Zero (closed)	Risk Owner:	Rob Hamilton
Risk Detail:			
There is a risk that North East CA's Net Zero ambitions may not be achieved with insufficient funding and resources and should it not prove possible to form the necessary coalition of partners, including across the public and VCSE sectors, businesses and residents.			
Opportunity:			
There is an opportunity to lead as an example on how to manage Net Zero at a regional level, grow the low carbon economy, and to support LAs to achieve their targets			
Cause of Risk:			
<p>This risk has been raised to reflect the importance on the work North East CA will undertake to progress Net Zero and low carbon growth throughout the region and scale of work required across all portfolios to achieve this.</p> <p>North East CA will work with Local Authorities and external bodies to achieve our strategic ambitions in respect of Net Zero, however it is acknowledged that there will be significant activity in this area outside the Combined Authority's direct control.</p> <p>A number of schemes are also externally funded which may result in certain requirements being met to be successful in winning funding bids and preventing clawback.</p> <p>As this risk cuts across all portfolios there is collective Cabinet responsibility, this creates both an opportunity to truly embed Net Zero considerations across portfolio activity but also a risk that there may be an assumption by Portfolio Leads that it is being progressed elsewhere in the Combined Authority, resulting in lower outcomes. This could also result in the perception that North East CA is not adequately responding to the climate crisis or delivering against ambitions set out in devolution deals and mayoral manifesto.</p>			
Risk Score (at time closure was agreed)			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full RAG	Reasons:
C	3	C3 (A)	Risk to close and relevant elements incorporated within new risks

Agreed by SLT: 30 July 2025

Appendix 2 – Closed and de-escalated risks and opportunities

Risk Subject:	St007: Accessing data to allow performance reporting (de-escalated to Directorate Level)	Risk Owner:	Alan Reiss
Risk Detail:			
<p>There is a risk that until we have fully integrated systems and digitalised/automated processes across the five directorates, corporately, we will not be able to easily identify what data is collected where and how it is processed to easily allow performance reporting.</p> <p>Until our systems are aligned an interim process will need to be created to collate data from multiple sources to enable performance reporting. This will be complex due to the inconsistencies around data processing and multiple systems in use across the organisations and may result in the North East CA being unable to deliver ambitions related to transparent and accurate performance management, at a pace which aligns with stakeholder expectations.</p>			
Opportunity:			
<p>To create a data and digital strategy which builds upon learnings from five legacy organisations to ensure that the data we collect and the systems and processes which underpin collection and performance reporting are ambitious and innovative.</p> <p>Utilising data is fundamental to both enabling the delivery and accurate reporting of performance against our corporate plan and missions. To enable data-driven decision making, we need to effectively utilise the data available to us, from both internal and external sources.</p> <p>Alongside data available from external sources, having the ability to utilise all data from our various delivery programmes across the North East CA and operational data from arms-length bodies delivering on our behalf, such as Nexus, is crucial to our data ambitions.</p> <p>Currently, due to disjointed ways of work working, poor or missing processes, lack of consistent systems leading to siloed data collection and storage it is not always possible to access this data. When this data is accessible, due to disjointed data collection, collation and processing mechanisms across different teams there can be data quality and reconciliation issues.</p> <p>Not only does this impact our ability to utilise this data to inform decision making, it also negatively impacts our ability to accurately and consistently report on the impact of our investments and interventions.</p>			
Cause of Risk:			
<p>This risk has been raised to reflect the maturity of the organisation following the transition of five organisations each with their own data cultures, ways of working and digital systems and processes into the North East CA. Until relevant systems and processes are operationalised, the North East CA will have to rely on manual intervention for collating data in relation to requests for performance information and reporting, where automated systems are not in place.</p>			
Risk Score (at time de-escalation was agreed)			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full RAG	Reasons:
A	4	A4 (A)	Following discussions it was agreed that this risk would be de-escalated to Directorate level for ongoing management and reporting.

Agreed at SLT: 30 July 2025

Appendix 3 – Risk scoring matrix

A				
B				
C				
D				
E				
F				
	4	3	2	1

Likelihood:

A Very high / certain

B Highly likely

C Medium / likely

D Low / possible

E Very low / rare

F Negligible / almost impossible

Impact:

1 Major

2 Significant

3 Moderate

4 Minor

Red risks are to be managed down as a matter of urgency

Amber risks are to be managed down in the medium term and monitored

Green risks considered low priority but are also monitored

Audit and Standards Committee

16 September 2025

Subject: The North East Combined Authority Strategic Risk Deep Dive: Organisational Capacity

Report of: Mags Scott, Director of Finance and Investment

Report Summary

As part of the North East CA's approach to risk management it was agreed with Audit and Standards Committee that a series of 'deep dives' would be scheduled to provide an opportunity for the Committee to review, in detail, each of the strategic risks, understand mitigating controls, and gather assurance that target risk scores are appropriate and achievable.

This report supports the next in a series of these 'deep dives' and will focus on Strategic Risk St006 relating to Organisational Capacity.

Recommendations

The Audit and Standards Committee is recommended to consider and comment upon the Strategic Risk St006 Organisational Capacity, including the description, scoring and proposed management actions associated with the risk.

1. Introduction

- 1.1 In September 2024, Audit and Standards Committee and Cabinet agreed the North East CA's Risk Management Framework and an initial set of strategic risks.
- 1.2 In line with the Risk Management Framework a formal, quarterly review of strategic risks and opportunities is undertaken by the Senior Leadership Team. The latest update is to be considered by the Committee as a separate item on this agenda.
- 1.3 The North East CA Constitution incorporate the terms of reference of the Audit and Standards Committee. The Committee's role in respect to risk is described therein as:

Function: To review and assess the Authority's risk management, internal control and corporate governance arrangements.

Activities: Consider the effectiveness of the Authority's risk management arrangements and the control environment; review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.

Provided that: The Committee's audit role is to review the relevant procedures of the Authority, and to maintain an overview on the framework of governance, risk management and control within the Authority, but not to make or review policy.

- 1.4 As part of our approach to ensuring regular and transparent risk reporting, it was agreed that Audit and Standards Committee will undertake a series of Strategic Risk 'deep dives'. This provides an opportunity for Audit and Standards Committee to review, in detail, each of the strategic risks, and test that planned controls and target risk scores are appropriate and achievable. The Committee

has previously undertaken deep dives in relation to St003 Inclusive Growth and St008 Integrated Settlement.

- 1.5 The Committee is today asked to review St006 Organisational Capacity. A description of the risk, scoring and proposed management actions are set out in Appendix 1 to a separate report included in these agenda papers relating to the Strategic Risk Register. (See Item 5 on pages 15 to 18.)
- 1.6 Feedback from the Committee will be shared with the Senior Leadership Team and incorporated into the upcoming formal Strategic Risk Review, due for Cabinet consideration in March 2026.

2. Potential Impact on Objectives

- 2.1 The North East CA is clear on its ambition to catalyse sustainable inclusive economic growth, making the North East one of the best places to live, work and invest. The Risk Management Framework and identification and assessment of risk will support delivery of our vision, ambitions and priorities.

3. Key Risks

- 3.1 Should the North East CA not manage and mitigate risk in a disciplined, co-ordinated and proportionate way it this may negatively impact on our ability to deliver, prevent us seizing opportunities or lead to taking risk outside of our risk tolerance.

4. Financial and Other Resources Implications

- 4.1 The introduction of an effective approach to risk management will support sound financial management of projects and programmes.
- 4.2 Risk management is an integral part of decision-making, service delivery and managing the Combined Authority and, as such, falls within normal working practices covered through current budgeted resources.

5. Legal Implications

- 5.1 Effective risk management supports the North East CA to meet its statutory obligations and deliver in line with the Single Assurance Framework.

6. Equalities Implications

- 6.1 There are no direct equalities implications arising out of the recommendations in this report. However, the effective risk management supports the North East CA to meet its obligations in respect of its Public Sector Equality Duty.

7. Consultation and Engagement

- 7.1 The approach to developing the Risk Management Framework and strategic risks has included ongoing engagement with the Senior Leadership Team and Heads of Service within the North East CA.

8. Appendices

None.

9. Background Papers

[The North East Combined Authority Single Assurance Framework](#)
[Audit and Standards Committee Agenda, 17 September 2024](#)
[Audit and Standard Committee Agenda, 8 April 2025](#)

10. Contact Officers

Chrisi Page, Head of Investment Programmes
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11. Glossary

Not applicable

16 September 2025

Subject: Draft Statement of Accounts 2024-25

Report of: Mags Scott, Director of Finance and investment

Report Summary

This report presents the unaudited Statement of Accounts for the year ended 31 March 2025 to the Audit and Standards Committee and summarises the key aspects of the accounts. The draft accounts were published on the North East CA's website on 15 July 2025 to allow public inspection, in line with statutory requirements.

The unaudited Statement of Accounts is attached as Appendix 2. They represent the first set of accounts for the North East Combined Authority and cover the period from 7 May 2024 (when the North East CA was established) to 31 March 2025.

Recommendations

The Audit and Standards Committee is recommended to review the unaudited accounts for 2024/25 and raise any issues or comments so that these can be taken into consideration when the audited accounts are published.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 Each year the Authority is required to produce a detailed Statement of Accounts which provides information to all stakeholders and explains in detail how the authority uses its resources, the net value of the authority (in terms of its assets, liabilities and reserves) and an indication of its overall financial health.
- 1.2 The unaudited Statement of Accounts for the North East CA was published on the authority's website on 14 July, and subject to a public inspection period from 15 July to 26 August. No enquiries or objections were raised during this period.
- 1.3 The external review of the accounts by the external auditor (Forvis Mazars LLP) has commenced, and, as reported by the external auditor via the Audit Strategy Memorandum presented to the Committee at the last meeting, the main audit is scheduled for completion in January 2026. The final (audited) Statement of Accounts is therefore scheduled for consideration by members of the Audit and Standards Committee at its meeting on 27 January 2026 and thereafter for consideration and approval by the North East CA Cabinet on 3 February 2026.

The Statement of Accounts

- 1.4 The Statement of Accounts for 2024-25 has been prepared in accordance with the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the Accounts and Audit (England) Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Code of Practice on Local Authority Accounting 2024-25 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.5 The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

- 1.6 The Narrative Report published alongside the accounts provides information about the authority, including key issues affecting its accounts. It also provides a summary of the financial position at 31 March 2025 and a summary of non-financial performance. Its purpose is to provide an understandable guide to the most significant aspects of the authority's financial performance in the year, and its financial position at the year-end. The Narrative Report focuses on the matters that are of most relevance to the principal users of the statement of accounts, and complement the information provided in the statement of accounts. It also provides a forward look at key priorities for future years for the authority.
- 1.7 There are four core statements providing information on the financial activities and position of the authority, which are supported by a series of notes to the accounts:

Comprehensive Income and Expenditure Statement (CIES) – page 8

- 1.8 This financial statement shows the accounting cost of providing services in the year, in line with the technical accounting requirements of International Financial Reporting Standards (IFRS). However, some of the cost charged into this statement are not funded by either central government funding or other sources of income received by the authority, and are technical adjustments required to fulfil IFRS reporting requirements. These technical differences are reconciled through the Movement in Reserves Statement.
- 1.9 For 2024-25 the authority is reporting total comprehensive income of £77.571m. This reflects the movement in the balance sheet from the balances that transferred across to the authority from its predecessor combined authorities of £543.774m, to the net asset figure on 31 March 2025 of £621.345m. The CIES is broken down into various component elements.
- 1.10 The Net Cost of Services reported in the CIES is £35.917m and is made up of the following:
- a) Gross expenditure of £445.659m
 - b) Gross income of £409.742m.
- 1.11 The Net Cost of Services position is then adjusted for a number of central and corporate items to derive a net surplus on the provision of services of £74.701m. The main adjustments are summarised below:
- a) Financing and Investment Income and Expenditure – net £16.520m surplus. This includes interest payable and receivable along with accounting adjustments such as pensions net interest on the defined benefit pension scheme liability.
 - b) Taxation and non-Specific Grant Income – £94.098m income, comprising the Transport levies from constituent local authorities and retained business rates growth income from enterprise zones.

Movement in Reserves Statement (MiRS) – page 7

- 1.12 The MiRs reports on the movement in the value of reserves held by the authority in the first year of its operation. The MiRS makes a distinction between reserves which are classified by the Code as “usable” (backed by cash flows which can be used to support future service provision and fund future revenue and capital spending requirements) and those reserves which are classified as “unusable” (technical accounting reserves to allow the authority to comply with statutory accounting arrangements for local authorities).
- 1.13 Earmarked reserves are held for specific future purposes, some are held as a corporate earmarked reserve; some relate to grant funding received in advance of expenditure being defrayed or held on behalf of third parties; and others for specific service initiatives. Further detail is shown in Note 22 within the statements.

- 1.14 The authority's usable reserves have increased during 2024-25 by the net amount of the following:
- a) The General Fund Reserve has decreased from £25.569m transferred from the former combined authorities to £16.394m. This reserve is held to cushion the impact of uneven cash flows, unexpected events, or emergencies and has been reduced as amounts previously unallocated have been earmarked for future expenditure.
 - b) Earmarked reserves have increased by a net 3.3% from £184.559m transferred from the former combined authorities to £190.556m.
 - c) The capital grants unapplied reserve has increased by a net 49.6% to from £183.951m transferred from the former combined authorities to £275.122m.
- 1.15 The authority holds unusable reserves of £139.272m (compared to £149.696m transferred in from the previous combined authorities). These reserves are held for various reasons and are technical reserves which offset technical financial adjustments required under IFRS. These unusable reserves account for items such as:
- a) The long-term costs of pension liabilities
 - b) The underlying long-term financing of the authority's borrowing to fund capital expenditure
 - c) Accounting for past revaluations of the authority's property, plant and equipment assets and;
 - d) Absorbing timing differences arising from different arrangements for accounting for income and expense relating to certain financial instruments.
- 1.16 These reserves are not available for spending and will not impact on the authority's immediate or medium-term budget position. These reserves do however need to be held for statutory accounting purposes. Details of movements on unusable reserves are shown in note 23.

Balance Sheet – page 9

- 1.17 The Balance Sheet represents the financial net value and worth of the authority as at 31 March 2025. There are various elements to the Balance Sheet which can be explained in more detail and can be split down between three elements:
- a) What the authority owns
 - b) What is owed to the authority by third parties
 - c) What the authority owes to third parties
- 1.18 The net value of the Balance Sheet is underpinned by the combination of usable and unusable reserves.
- 1.19 The financial position of the authority remains healthy. The statement of accounts shows that the authority's net assets position was £621.345m at 31 March 2025, which represents an increase of £77.571m during 2024-25, which is mainly due to:
- a) An increase in short term investments and cash and cash equivalents representing monies received by the authority (such as grants) in advance of expenditure;
 - b) Decrease in long-term borrowing due to the repayment of £24m of Lender's Option Borrower's Option (LOBO) loans during the year, which will achieve savings to the authority over the longer term.
- 1.20 The authority's net pension fund liability at 31 March 2025 (£0.480m) relates to unfunded liabilities (discretionary benefits such as early retirement awards) which sit outside the funded part of the scheme and are paid as incurred on a monthly basis at a cost of approximately £0.05m per annum. The overall funded pension position was a notional net surplus of £16.770m, although the asset value is restricted to nil on the balance sheet because, in accordance with IAS 19, an asset ceiling has been applied to the value of the surplus. The authority's gross pension fund assets and liabilities are subject to detailed technical valuations each year as part of the production of the financial statements, and the assumptions used are audited. Fluctuations in these valuations are caused by a range of actuarial assumptions, which do not directly impact on the in-year budget and financial planning arrangements. The Tyne and Wear Pension Fund undertakes a triennial review of its pension fund assets and liabilities to determine a suitable rate of pension fund employer contributions to ensure the fund maintains a stable financial position. The liabilities associated with the pension fund are long term and will not crystallise in the short term.

Cash Flow Statement – page 10

- 1.21 The Cash Flow Statement records the inflows and outflows of cash within the authority, the overall cash movements during the financial year and distinguishes between cash activities linked to operational, financing and investing activities.

Group Accounts – from page 83

- 1.22 The authority produces Group Accounts which comprise the accounts of the authority, consolidated with the results of Nexus (Tyne and Wear Passenger Transport Executive) as a subsidiary. Core financial statements and notes to the accounts are provided. The accounts of Nexus are subject to separate external audit, also by Forvis Mazars.

Annual Governance Statement

- 1.23 The North East CA has a statutory duty under the Accounts and Audit Regulations 2015 to conduct a review of the effectiveness of its governance framework, including the system of internal control and prepare an Annual Governance Statement (AGS). The AGS forms part of the financial statements for 2024/25 and will be considered as part of the audit of these statements. A draft AGS was presented to the Committee at its last meeting when members referred to Section C of the Statement and asked for additional evidence to demonstrate how the principles of good governance were applied by the Authority in defining its desired outcomes and benefits as set out in its Corporate Plan. Since the last meeting officers have reviewed and updated the hyperlinks contained in that section of the AGS in consultation with the Chair of the Committee. An updated version of the AGS has been produced and this is attached as Appendix 3.

2. Potential Impact on Objectives

- 2.1 The production of the Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations.

3. Key Risks

- 3.1 There are no risk implications arising from this report.

4. Financial and Other Resources Implications

- 4.1 There are no financial or other resources implications arising from this report.

5. Legal Implications

- 5.1 The Statement of Accounts complies with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2024-25 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

6. Equalities Implications

- 6.1 There are no equalities implications arising from this report.

7. Consultation and Engagement

- 7.1 The draft accounts were published on the authority's website on 15 July 2025 and subject to a public inspection period from 16 July to 26 August 2025. They will be subject to external audit, and the results of the audit will be reported back to the Audit and Standards Committee to be taken into account in consideration of the final audited accounts in January 2026.

8. Appendices

Appendix 1 – Narrative Report 2024-25

Appendix 2 – Statement of Accounts 2024-25

Appendix 3 – Annual Governance Statement July 2025

9. Background Papers

None

10. Contact Officers

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Elizabeth Kerr, Head of Governance, elizabeth.kerr@northeast-ca.gov.uk

11. Glossary

CIPFA Chartered Institute of Public Finance and Accountancy

CIES Comprehensive Income and Expenditure Statement

IFRS International Financial Reporting Standards

LOBO Lender's Option Borrower's Option

MiRS Movement in Reserves Statement

Narrative Report by the Chief Finance Officer 2024/25

Narrative Report by the Chief Finance Officer

Introduction

Welcome to the North East Combined Authority's (the Authority) Annual Statement of Accounts for 2024/25. The statements have been prepared in accordance with the requirements of the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

This narrative report aims to provide information so that members of the public, Councillors, partners, stakeholders and other interest parties are able to have:

- A full and understandable explanation of the overarching financial position of the Authority and the financial performance for the year 2024/25;
- Confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner;
- Assurance that the financial position of the Authority is sound and secure.

This narrative report provides information about the Authority, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2025 and non-financial performance and an executive summary of the Authority's achievements in 2024-25. The purpose is to provide an understandable guide to the most significant aspects of the Authority's financial performance, year-end financial position and cash flows. The narrative report focuses on matters that are of relevance to the principal users of the statement of accounts. As well as complementing and supplementing the information provided in the accounts, it also provides a forward look at the factors likely to impact the Authority in the future.

About the North East Combined Authority

The North East Combined Authority was formed on 7 May 2024. It is led by an Elected Mayor and Cabinet and covers the seven local authority areas of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

North East England is unique in its diversity. It's also uniquely placed to become the home of real opportunity. Our Combined Authority stretches from vibrant and fast-evolving cities to wild, open countryside and coastlines; whose communities are custodians, living and working in an historic natural environment.

The Authority will focus on delivery, ensuring we have real impact. This means setting clear, long-term goals that contribute to a bold vision of change. The vision and priorities of the Authority are set by the Mayor and Cabinet, and delivered through the five key missions agreed and set out in the Corporate Plan:

Home of real opportunity – Our region is a great place to live and work, but too many people face challenges to success. We will implement policies which help to overcome those challenges – from skills training to child support.

A North East we are proud to call home – Where we live matters. The people of the North East are rightly proud of their local identity and want services and policies that support them to live here.

Home to a growing and vibrant economy for all – We will ensure people have the skills to access work and provide the right conditions for economic growth. We will ensure support and investment in a wide range of economic drivers: from advanced manufacturing to the cultural sector, from skills training to good transport.

Home of the green energy revolution – We will grasp the opportunity that net zero presents to the North East. Not only will we transition to a green economy, creating thousands of jobs and reducing carbon emissions, we'll build the new technologies and solutions needed for the UK to decarbonise too.

A welcoming home to global trade – The North East is an exporting powerhouse and the Mayoral Combined Authority will build on that global reputation to maximise international opportunity. We will secure more global inward investment and increase our export output, including a focus on our cultural exports.

Governance and Structure

The North East Combined Authority is democratically governed by the Mayor and the Cabinet.

The **Cabinet** is the main decision-making body of the North East Combined Authority. It is made up of the Mayor and the leaders of each of the seven constituent authorities. There are also two non-voting members representing the business and community and voluntary sectors.

Advisory boards bring together key stakeholders to support and advise the Cabinet in steering and delivering the Authority's strategies and programmes. For the period covered by the the 2024/25 financial statements, these boards were:

- **Business and Economy Board** – this board brings together industry leaders and stakeholders to drive economic growth, investment and prosperity across the region.
- **Culture, Creative, Tourism and Sport Advisory Board** – this board will support the development of the early priorities set out in the Strategic Portfolio Plan.

- **Environment, Coast and Rural Advisory Board** – this board supports sustainable growth, environmental resilience and rural development to enhance the region’s natural assets and communities.
- **Finance and Investment Advisory Board** – this board provides strategic oversight on funding and investment to drive economic growth and long-term prosperity across the region.
- **Housing and Land Advisory Board** – this board works to improve the range, quality and affordability of housing, drive economic growth and productivity and support the most vulnerable. It also champions community regeneration, town centre revitalisation and infrastructure investment to make the North East a great place to live, work and invest.
- **Transport Advisory Board** – this board shapes the region’s transport investment programme, supporting the development and delivery of the Local Transport Plan, aligning policies across sectors, and advising on funding opportunities. It plays a key role in ensuring effective transport integration, project delivery and collaboration with government and industry partners to improve connectivity and economic growth.
- **Public Service Reform Advisory Board** – this board will support the North East CA to take on a convening role in the reform of public service in our region, bringing together local authorities, cross-sector partners and national government to transform the North East’s public services and tackle underlying inequalities.
- **Education, Inclusion and Skills Advisory Board** – this board fosters collaboration, data-driven decision-making and strategic thinking to address key regional challenges, promote equality and advocate for the region’s education and skills agenda.

The Authority has two committees appointed to review its work. They are made up of councillors from the constituent authorities.

- **Audit and Standards Committee** - the Audit and Standards Committee supports and monitors the governance, risk management, external audit, internal audit and financial reporting of the North East CA, ensuring they are managed to a high standard of openness, integrity and accountability.
- **Overview and Scrutiny Committee** – effective scrutiny arrangements are an essential component of local democracy, enhancing accountability and transparency of decision making and enabling local councillors to represent the views of their constituents.

Key delivery achievements of the first 12 months

The first year of the Mayor and Combined Authority has been marked by both the achievement of immediate impact on the lives of people in the North East,

alongside developing plans and investments that will lay the foundations for further improvements in outcomes over the short, medium and longer term.

Highlights include:

- **Agreement to make around £500 million of public investment** in the North East, including transport, housing, skills, culture and child poverty prevention.
- Creation of the UK's first **Child Poverty Reduction Unit**, the co-development of a regional Child Poverty Action Plan to be launched this summer and delivery of 1,000 baby boxes to families with new babies, supported over 4,500 pupils across the region to take part in extra-curricular activities, with £1.5m in annualised benefit gains for families as a result of advisors in schools and communities.
- Launch of the **Mayor's Childcare Grant**, which will provide support of up to £6,800 to families in County Durham with at least one child under five, before potentially being expanded.
- Delivery of Round 1 of the **Mayor's Opportunity Fund** which awarded 22 grants totalling £264,210 to grassroots organisations providing small-scale community projects. Round 2 will launch in June 2025, investing £225,000 more in grassroots organisations and small charities that help to tackle poverty and increase opportunity for people living in our most disadvantaged neighbourhoods.
- Committing investment to deliver **800 new homes**, with 2,200 more in the pipeline, while agreeing the North East Strategic Place Partnership with Homes England to speed up regeneration.
- Approved Investment Fund, Investment Zone and Trailblazer programmes which will create nearly **3,000 jobs and back almost 650 businesses to grow** in the region.
- Began delivering Skills Bootcamps and Adult Skills provision which will support over **52,000 people with skills**, training and back to work support.
- Providing £18m funding to **revitalise South Shields Town Centre** through the relocation of South Tyneside College and its world-famous marine school to a central site.
- Approval of £17m funding to support **jobs and local communities** through a new Environmental Stewardship, Coast and Rural Growth Investment Plan.
- Launch of the North of England's **first Carbon and Nature Marketplace**, opening the way for North East firms to use carbon credits to fund environmental schemes close to home.
- Publication of the Mayor's **Local Transport Plan** following consultation with over 16,000 members of the public supporting the ambition to create a safe, fully integrated and green public transport network. The first two years of the plan will see £800 million of investment into the region's transport network.
- Beginning the process to **bring buses back into public control**, through the start of a programme to assess the benefits of franchising.

- Starting the work to bring **Metro to Washington** through £8m funding for a detailed business case and technical and environmental studies along the northern part of the Leamside Line and out from South Hylton in Sunderland.
- Sustainable transport funding of more than £200m approved for projects including a new Shields Ferry landing, new ticket gates for Metro stations, **100km of improved walking, cycling and wheeling routes** and delivery of **20 new zero emission buses**, with a further 75 buses on order.
- Keeping the cost of bus travel low: Young people aged 21 or under have made **22.8 million journeys at £1 single and £3 all day fares** guaranteed by the Mayor in the last 12 months. More than 6.2 million adults have taken advantage of the £2.50 maximum 'Mayor's Fare' for bus travel in the region subsidised since January 2025.
- Extending **Kids Go Free on public transport** across all school holidays until 2026, in a deal with bus operators to ease the cost for families and inspire visits to town centres and visitor attractions.
- Funding the £15.8m installation of up to **1,000 new EV charging points** over the coming years, focused on rural villages and housing estates without off-street parking but spread throughout the region.
- Publication of the interim **Local Growth Plan**, which sets out our ambitions to drive investment and jobs, both in six key sectors and across the foundational economy.
- Setting up the £70m North East Investment Fund to back small businesses and help them grow, with a target to **invest in 470 firms and create 2,300 new jobs** over 15 years, as part of our wider jobs creation programme.
- Securing **£50m of investment** from Japanese car firm Jatco, adding to our work-leading strengths in advanced manufacturing, car making and electric vehicles.
- Secured investments into the region which will create **over 2,000 jobs**.
- Championing regional culture and creative industries through a cultural events programme, including landing the **MOBO Awards and Mercury Music Prize** in the region and attracted a new national Centre for Writing.

Despite being in its first year, the position, potential and effectiveness of the North East Combined Authority has been recognised by the Government identifying this as one of only four areas of the country with an "Established Mayoral Strategic Authority". This paves the way for access to the full range of funding, flexibilities and powers available through an Integrated Financial Settlement from 2026-27. This success reflects the work carried out by partners and regional leaders in establishing a new Combined Authority at pace and bringing together predecessor organisations to create the new strategic body.

As a convener, the North East CA has harnessed the collective knowledge, experience and resource available across the region, through nurturing existing relationships and building new ones to drive forward delivery to achieve the missions set out in the Corporate Plan.

Delivery Priorities for Year Two

In the second year, delivery of the region's five missions will continue, alongside preparing for the implementation of the Integrated Settlement in 2026. Priorities include:

- Launch of a five-year **Child Poverty Action Plan** setting out how the North East CA will use the collective levers and resources available to prevent and reduce child poverty.
- Launch of the **New Deal for North East Workers** including the implementation of Shine, which will provide support for employers of all sizes to be recognised for their good work credentials or work towards improvements through a tiered assessment and reward system.
- Delivery of the £50m **Connect to Work** scheme to help thousands of people with disabilities and health conditions get into work.
- Launch of a **High Streets Commission** exploring and testing the best ideas to revitalise our town and city centres with the people who live there.
- **Making public transport easier to use** through the roll out of new smart payment technology across bus, Metro and rail through the Smart Travel Evolution Programme.
- Progressing the **next steps of our programme to reform buses**, including completing our Franchising Scheme Assessment ahead of public consultation.
- Deliver improvements to access and information, as well as **new shelters at bus stops** across the region in a programme which will eventually reach 639 locations.
- Advance the introduction of new Metro trains with half the new fleet (23 trains) to be carrying passengers by spring 2026, with the remaining 23 entering service by the end of 2026.
- Finalisation of the region's **Local Growth Plan** and associated support for major inward investment.
- Delivery of a revised approach to **boost tourism and create new jobs** as we seek to double the size of the visitor economy in the next 10 years.
- Progressing the next stage of **major regional investment programmes** including the Leamside Investment Corridor, Durham Investment District, Tyne Economic Corridor as well as support for our core and emerging strengths in green energy, advanced manufacturing and automotive, and AI.
- Launch of the North East **offshore wind programme**, including the delivery of the £1m Technology, Innovation in Green Growth for Offshore Renewables programmes.
- Step-up delivery of the £69m Capital Regeneration Programme and £49m Brownfield Housing Fund Programme which will see more **new quality and affordable homes** start to be built.
- Build on our robust evidence base to develop a **Homelessness prevention blueprint**.

- Launching a region-wide one-stop-shop warm homes service, including a £1 million fund, to provide advice and the opportunity to apply for a loan to 800+ residents. Bringing together key regional stakeholders to form a Warm Homes North East Taskforce that will develop the long term strategy and action plan to ensure we tackle cold, damp homes and fuel poverty, and prepare for devolved funding for retrofit by 2028.
- Develop a **Spatial Development Strategy** for the region that helps to enable our growth priorities and infrastructure requirements underpinning our Local Growth Plan.
- Design localised provision of high quality **all-age career guidance** for local residents.
- Launch of the £10 million North East CA Economic Inactivity Trailblazer to develop and test new and innovative ways to address the persistent challenges of economic inactivity. The aim of this activity is to harness untapped human potential to help grow our economy, raise living standards, reduce child poverty and create opportunities from which everyone can benefit.

Financial Performance

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of North East CA's revenue expenditure against its operational budget is set out in Table 1 below.

Table 1:

All numbers in £m	Revised budget 2024- 25	Quarter 3 forecast	31 March 2025 Outturn	Variance (actual vs Q3 forecast)
Employees	14.460	12.971	11.775	(1.196)
Premises	0.433	0.472	0.306	(0.166)
Supplies and Services	92.409	92.509	91.997	(0.512)
Third Party Payments	0.399	0.560	0.361	(0.199)
Central Support and Other Recharges	13.800	13.800	10.355	(3.445)
Total Expenditure	121.501	120.312	114.488	(5.518)
Grants and Contributions	(108.706)	(108.756)	(108.054)	0.217
Unallocated interest	(1.730)	(1.730)	(9.104)	(7.374)
Other Income	(0.685)	(0.685)	(0.376)	0.309
Recharges	(0.509)	(0.509)	(0.791)	(0.282)
Total Funding	(111.630)	(111.680)	(118.325)	(6.645)
Funding Towards capital financing costs from Tyne Tunnels	(9.872)	(9.872)	(9.872)	0.000
Net Budget	0.000	(1.240)	(13.403)	(12.163)

Expenditure totalling £114.488m was lower than the revised budget of £121.501m due to savings on salaries as a result of a number of vacancies; and savings on Corporate contingencies and capital financing charges. Income at £118.325m was higher than the revised budget of £111.630m due to higher interest on short term investments being received as a result of interest rates and balances being higher than budgeted.

Outturn expenditure on the Authority's capital and revenue delivery programmes is shown in table 2 below, with further explanations provided in the subsequent paragraphs.

All numbers in £m	2024-25 Revised Programme	2024-25 Provisional Outturn	Variance
Investment Fund incl. Legacy	38.325	28.832	(9.493)
Brownfield Housing Fund	18.047	12.188	(5.859)
Early Capital Regeneration	25.450	23.175	(2.275)
Investment Zones	2.716	0.920	(1.796)
Enterprise Zones	15.035	18.010	2.975
Transport programmes	199.700	142.161	(57.539)
Adult Skills Funding	51.422	53.145	1.724
Skills Bootcamps	17.000	10.269	(6.731)
Free Courses for Jobs	3.447	3.906	0.459
Trailblazer	8.745	3.562	(5.183)
UK Shared Prosperity Fund and Multiply*	24.816	40.988	16.172
Rural England Prosperity Fund	3.044	2.978	(0.066)
Connect to Work	0.000	0.124	0.124
Economic Inactivity Trailblazer	0.000	0.079	0.079
Total	407.747	340.337	(67.412)

The North East Devolution Deal grants the North East CA control over a £48 million per year **investment fund** for 30 years (phased £34 million revenue, £14 million capital) to support regional growth and long-term priorities. Over the next five years, the fund totals £240 million, with 10% allocated to funding North East CA operating costs. To date, £115.84 million has been committed across nine North East CA projects, NTCA legacy commitments, and the operating costs. In May 2024, the North East Combined Authority Cabinet resolved that decisions made by the former North East Combined Authority and North of Tyne Combined Authority would be recognised as decisions of the Authority. Consequently, several NTCA Investment Fund projects remain active under the NTCA Legacy Investment Fund programme. The programme is supported by £39.41m carried forward from 2023/24 NTCA Investment Fund, with an additional £27.34m committed

from the North East CA Investment Fund. The provisional outturn for 2024-25 is £29.042m against the revised budget of £38.325m.

The **Brownfield Housing Fund** (BHF) total allocation is £49.2m from 2020/21 to 2025/26, of which £47.15m has been committed to projects covering the North and South of Tyne. The programme is forecast to leverage £198.3m of private sector investment. Approved projects are forecasting the creation of 2,797 homes, in addition to 71.10ha of Brownfield land which will be remediated. There will be a delay before outputs are realised, reflecting the early stage of our intervention, which acts as a catalyst for attracting private sector investment to fully regenerate the respective sites. The North of Tyne and South of Tyne BHF are managed as a single programme, with both programmes now due to end in March 2026 following recent confirmation from Government. Provisional outturn for 2024-25 is £12.188m against the revised budget of £18.047m, with re-phasing of capital works underspend into 2025-26.

The **Early Capital Regeneration** programme totals £69m and includes £20m allocated in December 2022 as part of devolution deal negotiations, the additional £35m for development of the Crownworks Studio, Forth Yards and Health Innovation Neighbourhood sites, and £14m of Investment Fund, allocated by NTCA in September 2023. The pipeline of capital activity was agreed in September 2023 with further project approvals since. Contracting has taken longer than originally anticipated, and a number of projects have undertaken delivery at risk. The provisional 2024-25 outturn is £22.6m against the revised budget of £25.6m.

Investment Zones (IZs) were announced in the Spring Budget 2023 to catalyse the development of high-potential clean energy and green manufacturing clusters, with total Government support of £160 million over the next 10 years. The North East has agreed a funding profile for the first 5 years of the IZ (£33m Capital and £22m Revenue), and the 10 year programme is expected to leverage £3bn investment and create more than 4,000 jobs. The main aim is to boost productivity and growth with Investment Zones designed to harness local sector strengths to increase inward investment and create jobs on designated sites. Work has been undertaken in collaboration with Local Authorities, Universities, Catapults and businesses to develop the pipeline. At 31 March 2025 three proposals had been approved with a total value of £26.4m, and a further two proposals were approved by Finance and Investment Board at its meeting on 27 May 2025 for recommendation to Cabinet and officer approval. Four projects are in development and expected to seek approval in the next 12-18 months. Expenditure during 2024-25 was £0.920m against the budget of £2.7m; this will ramp up through 2025-26 as the approved projects enter their delivery phase.

2024-25 represents year 13 of the round 1 **Enterprise Zone** sites and year eight of the round two sites. Constituent local authorities' capital spend for Enterprise Zones is funded by loans financed by the North East CA, which are covered by business rates income.

Expenditure of £18.033m was incurred during 2024/25, primarily on the International Advanced Manufacturing Park, Jade Business Park and Holborn sites.

The total revised programme for **Transport** revenue and capital projects was £199.7m, with outturn expenditure to 31 March 2025 of £142.2m. Slippage and underspend against the programme was primarily on Local Transport Plan (LTP), Bus Service Improvement Plan (BSIP) Capital, Active Travel Fund (ATF), Transforming Cities Fund (TCF) and Levelling Up Fund (LUF) projects.

Following the establishment of the North East CA on 7 May 2024, all Local Transport Plan funding (including Highways Maintenance and Integrated Transport Block grant) will be paid to North East CA, with onward payments of funding made to constituent councils. The first quarterly payment (£13.1m) was made before the establishment of the North East CA and therefore is not included within outturn expenditure. Similarly, the first quarter of Integrated Transport Block funding (£3.5m) was accounted for in the 2023/24 accounts of the former combined authorities due to the extended financial year end.

BSIP Capital outturn spend was £3.829m against budget of £10.852m. The delivery of the programme is ongoing, however there have been delays in schemes entering into contract, arising from the progression of required legal orders and local consultation. This has therefore resulted in lower than expected expenditure. The North East CA is working actively with scheme promoters – chiefly local authorities – to support in reducing delays wherever possible, with mitigations in place to ensure schemes are capable of delivering the to the required BSIP programme timescales.

Delivery is underway associated with the Levelling up Fund Transport Decarbonisation Programme which is delivering 52 electric buses and 92 electric vehicle chargers. All contracts are in place and the full funding has been released by the Department for Transport ahead of the spend deadline of 31st March 2026. Timescales in securing electrical connections associated with the project remain the highest risk item but steps are in place with Northern Powergrid to mitigate this. Outturn expenditure was £1.607m, with further claims expected during the first quarter of 2025-26.

The Transforming Cities Fund (TCF) programme is well into delivery, with over 90% of the programme grant expended (including Metro Flow). The completion of several schemes has extended into 2025/26 due to minor construction delays, which accounts for the lower than expected expenditure in 2024-25. It is forecast that the remainder of TCF will be spent by 31 March 2026, with the exception of the £4.58m underspend on the Metro Flow scheme, which was reallocated towards the delivery of the North Shields Ferry Landing scheme at the July 2024 Cabinet. The TCF contribution towards this scheme is forecast to be incurred by 31 March 2027.

The delivery of the region's Active Travel Fund programme is ongoing. There have been delays in several schemes entering into contract, which has resulted in lower than expected expenditure. This has largely arisen from delays in finalising detailed designs and

subsequently advancing schemes through the region's shadow Design Review Panel. North East CA is actively working with these scheme promoters to enter into delivery as soon as possible.

The North East Devolution Deal includes a fully devolved **Adult Skills Fund** of circa £69.7m per annum. This includes a ring-fenced allocation for the delivery of Level 3 Adult Skills '**Free Courses for Jobs**' (FCFJ). The allocation for academic year 2024-25 (1st August 2024 to 31st July 2025) has been fully committed via grant funding agreements with 20 adult education providers and procured Contracts for Services with 25 adult education providers. The fund remains fully committed for the academic year 2024-25 and providers are performing well against delivery profiles. Two of the key deliverables have exceeded their targets for this stage of the programme, while a third is on a track. The provisional outturn for 2024-25 is £53.1m for Adult Skills Funding and £3.9m for FCFJ, both broadly in line with budget.

The North East CA secured Grant Funding of circa £18m from the Department for Education for the delivery of **Skills Bootcamps** across the North East region during the financial year 2024-25. This allocation was fully committed via procured Contracts for Services awarded to 23 organisations and includes a £1.2m allocation for operating costs. Scheduled provider performance management meetings undertaken in Nov/Dec 24 resulted in the reallocation of £2.4m of the Skills Bootcamp funds due to under-delivery on contracts for services. A delegated decision report was approved in Jan 25 to redistribute this funding through variations to eight contracts for services where additional demand for provision was evidenced. This demand is particular to growth sector areas such as Green Power, Engineering and Manufacturing, Construction (including retrofit) and Digital. The provisional outturn for 2024-25 is £10.3m against the available budget of £17.0m. This budget included funding for the remainder of the academic year, so expenditure to the end of March is lower. Spend will continue beyond the contract period 31 March 2025 to claim completions and job outcomes for learners who started in Feb/March, with the funding spent in full.

The **UK Shared Prosperity Fund** (UKSPF) aims to enhance local pride and life opportunities across the UK. The 2024-25 outturn covers the final year of the North of Tyne Programme (April 2022–March 2025, which consisted of £45m UKSPF core funding and £3m from the Rural England Prosperity Fund (REPF), supporting 62 approved projects. Full spend was achieved on core UKSPF projects.

The North East CA was successful in securing additional funding from the Department for Work and Pensions, including a £10m **Economic Inactivity Trailblazer** (one year funding) and £52.6m **Connect to Work** programme (over 6 years). Some initial costs on programme mobilisation were incurred during 2024-25; £0.124m for Connect to Work and £0.079m for Economic Inactivity Trailblazer, with delivery to begin during 2025-26.

Statement of Accounts

Within the accompanying Statement of Accounts document the **Comprehensive Income & Expenditure Statement** (CIES, page 5 of the Statement of Accounts) sets out the Authority's financial position for the year before taking account of statutory adjustments required to be made to the accounts. The figures presented in the accounts can appear different from the budgeted capital and revenue income and expenditure as they include accounting adjustments for costs such as Depreciation, Revenue Expenditure Funded by Capital Under Statute and certain pensions account adjustments not included in the revenue budget.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £445.659m. This includes a significant amount of 'Revenue Expenditure Funded by Capital Under Statute' – representing investment in capital assets owned by third parties, not by the Authority itself.

After deducting specific grants and income from fees and charges, the net cost of services was a surplus of £74.701m. Expenditure was funded from sources including the Transport Levies, Government Grants and contributions, interest on external investments, and was a surplus position due to specific capital and revenue grants being credited to the CIES where conditions are met but where they have not yet been applied to fund expenditure, in line with accounting requirements for grants and contributions.

The **Movement in Reserves Statement** (MIRS, page 4 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the period has impacted on the Authority's reserves. There has been an increase in reserves from £543.774m brought across from the former combined authorities at 7 May 2024 to £621.345m at 31 March 2025, mainly due to an increase in the level of capital grants unapplied.

Usable reserves totalled £482.072m on 31 March 2025, which included £190.556m earmarked reserves (including earmarked revenue grants) and £275.122m capital grants unapplied, representing funds committed to meet expenditure requirements in future years.

The **Balance Sheet** on page 7 of the accounts shows total external borrowing of £125.107m at the end of the year, which is split between short term borrowing (£1.774m) and long-term borrowing (£123.333m). This is a decrease compared to the total external borrowing of £148.667m transferred in from the former combined authorities due to repayments made on Equal Instalment of Principal (EIP) loans during the year (£0.667m) and early repayment of some Lenders Option Borrowers Option (LOBO) loans (£24.000m). The average rate of interest on external borrowing for the year was 4.2%, which is comparable with that of the previous combined authorities. No new borrowing has occurred since inception of the North East CA.

The Balance Sheet also shows short-term external investments of £490.024m in the North East CA accounts at the end of the year (compared to £400.119m transferred across from the former NECA and NTCA at 7 May 2024). The increase compared to the previous year is

due to receipt of further grant income from government which has not yet been applied to fund expenditure on projects.

Pensions

The Authority is an employer in the Tyne and Wear Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The fund provides defined benefits based on members' pensionable salary and years of service. In accordance with International Accounting Standard (IAS) 19, the Authority is required to value all pension liabilities that have accumulated at the end of the year consisting of:

- Pension benefits that are being paid out to former employees who have retired;
- Pension benefits earned to date by current employees but not yet paid out.

IAS19 also requires the Authority to value all investments held by the pension fund at market value at the end of the year.

When assets and liabilities at year-end are compared, this results in a surplus or deficit.

North East CA has two types of pension liabilities, described as funded and unfunded. Funded pension liabilities are within the LGPS and are backed by assets attributable to the Authority. For the funded element of the scheme, the North East CA pension fund is in a notional surplus position of £16.770m as at 31 March 2025, although the asset value is restricted to nil on the balance sheet because, in accordance with IAS 19, an asset ceiling has been applied to the value of the surplus.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme, are therefore not backed by assets, and consequently must be paid as incurred on a monthly basis at a cost of approximately £0.05m per annum. At the end of the year there was an unfunded liability of £0.480m.

Note 20 to the accounts provides further analysis and detailed disclosures in relation to pension liabilities.

Group Accounts

The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Nexus (Tyne and Wear Passenger Transport Executive). More details can be found in note G01 to the accounts.

Basis of Preparation and Presentation of Accounts

The Combined Authority completes its accounts on a going concern basis on the presumption that it will continue in existence for the foreseeable future. The Statement of Accounts that follow demonstrates the North East CA's financial performance for the

financial period from 7 May 2024 to 31 March 2025. These accounts are completed in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25. Disclosures are made within the accounts based on an assessment of materiality; a disclosure would be considered material if through omission or misstatement the decision made by the user of the accounts would be influenced.

The accounts for 2024/25 are the first set of accounts for the North East Combined Authority and cover the period 7 May 2024 (when the Authority was created) to 31 March 2025. As a result, statements do not include prior year comparators.

Explanation of sections in Annual Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts**
This outlines the responsibilities of the both the Authority and the Chief Finance Officer for the production and content of the Annual Statement of Accounts.
- **Narrative Report**
Provides a summary of the Authority's financial and non-financial performance for the year.
- **Movement in Reserves Statement (MIRS)**
This statement shows the movement in the year on the different reserves held by the Authority. It shows how the deficit for the year in the Comprehensive Income and Expenditure Statement is adjusted by the costs that are not a charge to local taxpayers.
- **Comprehensive Income and Expenditure Statement**
This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded by local taxpayers and government funding.
- **Balance Sheet**
The balance sheet shows the value as at the balance sheet date of the Authority's recognised assets and liabilities.
- **Cash Flow Statement**
This statement shows the changes in cash and cash equivalents held by the Authority during the reporting period.
- **Expenditure and Funding Analysis**
This analysis shows how annual expenditure is used and funded from resources (government grants and contributions, levies) by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.
- **Accounting Policies and Concepts**
These are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements.
- **Notes to the Financial Statements**

These include information required by the Code and additional material items of interest to assist the reader's understanding of the reported figures.

- **Events after the reporting period and authorised for issue date**

This summarises any major events that happened between the year end and the authorised for issue date. Events coming to light after the authorised for issue date will not be included in the financial statements.

- **Group Accounts**

This includes the accounts for Nexus, the Tyne and Wear Passenger Transport Executive.

- **Glossary of financial terms**

The nature of this document means that technical words are unavoidable. The glossary found at the end of this accounts document is intended to simplify and explain such words.



Statement of Accounts 2024/25
7 May 2024 - 31 March 2025

Unaudited

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

1.0 Statement of Responsibilities for the Statement of Accounts

1.1 The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer's Responsibilities:

The Chief Finance Officer is responsible for the preparation of the Authority and Group Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) 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.
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

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

Certification of the Chief Finance Officer

I hereby certify that the Statement of Accounts for the year ended 31 March 2025, required by the Accounts and Audit Regulations 2015, are set out in the following pages.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the North East Combined Authority and Group at 31 March 2025 and its income and expenditure for the period ended 31 March 2025.

2.1 Movement in Reserves Statement

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 Total Comprehensive Income and Expenditure line shows the accounting cost of providing NECA'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 Authority.

	Note	Usable Reserves				Unusable Reserves	Total Authority Reserves
		General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Total Usable Reserves		
		£000	£000	£000	£000	£000	£000
Opening Balance 7 May 2024		-	-	-	-	-	-
Transferred in from former Combined Authorities		(25,569)	(184,559)	(183,951)	(394,078)	(149,696)	(543,774)
Revised Balance 7 May 2024		(25,569)	(184,559)	(183,951)	(394,078)	(149,696)	(543,774)
Total Comprehensive Income and Expenditure		(74,701)	-	-	(74,701)	(2,870)	(77,571)
Adjustments between accounting basis & funding basis under regulations	03	77,878	-	(91,172)	(13,293)	13,293	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		3,177	-	(91,172)	(87,994)	10,423	(77,571)
Transfers (To)/From Earmarked Reserves	22	5,997	(5,997)	-	-	-	-
(Increase)/Decrease in 2024/25		9,174	(5,997)	(91,172)	(87,994)	10,423	(77,571)
Balance at 31 March 2025		(16,394)	(190,556)	(275,122)	(482,072)	(139,272)	(621,345)

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.

	Note	2024/25 7 May 2024 to 31 March 2025		
		Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000
Corporate Costs		4,419	(43,516)	(39,097)
Economic Growth and Regeneration		93,913	(57,266)	36,647
Finance and Investment		2,394	-	2,394
Operations		3,210	(44)	3,166
Skills, Inclusion and Public Service Reform		97,379	(65,596)	31,783
Transport		244,343	(243,320)	1,023
Cost of Services		445,659	(409,742)	35,917
Financing and Investment Income and Expenditure	04	6,554	(23,075)	(16,520)
Taxation and Non-Specific Grant Income	05	-	(94,098)	(94,098)
(Surplus)/Deficit on Provision of Services		452,213	(526,914)	(74,701)
Re-measurement of the defined benefit liability	20			(2,870)
Other Comprehensive Income and Expenditure				(2,870)
Total Comprehensive Income and Expenditure				(77,571)

2.3 Balance Sheet

The Balance Sheet summarises North East CA's financial position at the end of each year. The Net Assets of the Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories, Usable and Unusable. 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 in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

	Note	31 March 2025 £000
Property, Plant and Equipment	11, 11a	328,738
Right of Use Asset	12	854
Long Term Debtors	16	55,966
Long Term Assets		385,558
Short Term Investments	13	490,024
Short Term Debtors	15	58,526
Cash and Cash Equivalents	17	28,853
Current Assets		577,403
Short Term Borrowing	13	(1,774)
Short Term Creditors	18	(149,080)
Grants Receipts in Advance		-
New Tyne Crossing Deferred Income	19	(5,092)
Current Liabilities		(155,946)
New Tyne Crossing Deferred Income	19	(61,107)
Long Term Borrowing	13	(123,333)
Right of Use Liability	12	(750)
Pension Liability	20	(480)
Long Term Liabilities		(185,670)
Net Assets		621,345
Usable Reserves	21	(482,072)
Unusable Reserves	23	(139,272)
Total Reserves		(621,345)

2.4 Cash Flow Statement

The Cash Flow Statement 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 from 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.

	Note	2024/25 £000
Net surplus/(deficit) on the provision of services		74,701
Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	(69,433)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(225,805)
Net cash flows from Operating Activities		(220,536)
Investing Activities	26	197,114
Financing Activities	27	(25,621)
Net (Decrease)/Increase in cash and cash equivalents		(49,044)
Cash and cash equivalents at the beginning of the reporting period	17	77,984
Cash and cash equivalents at the end of the reporting period		28,940

Note 01: North East Mayoral Combined Authority

On 12 March 2024 the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provided for the establishment on 7 May 2024 of the North East Mayoral Combined Authority (MCA), comprising as constituent councils the seven north-east councils. The Order simultaneously abolished the existing North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA), and the office of the Mayor of North of Tyne.

Section 2.5 of the Local Authority Code of Practice sets out the accounting requirements for combinations of public sector bodies (including local government reorganisation). 2.5.2.2 states that the combination of two or more local authorities into one new authority shall be accounted for using the principles that apply to group reconstructions and shall be accounted for as either a transfer by absorption or a transfer by merger.

The formation of the North East CA and the transfer of functions from NECA and NTCA has been accounted for as a transfer by absorption. This is because a transfer by merger would mean treating the balances as if the North East CA had always been in place, whereas it was a completely new organisation created on 7 May 2024.

As a result, the core financial statements and explanatory notes show results for the first financial year of the North East CA (covering the period 7 May 2024 to 31 March 2025) and do not have prior year comparators.

The accounts for the period ending 31 March 2025 have been prepared on a going concern basis; that is on the assumption that the authority will continue in operational existence for the foreseeable future. This means the Comprehensive Income and Expenditure Statement and the Balance Sheet assume no intention to curtail significantly the scale of the operation.

The following table shows the balances that were transferred into the North East CA from NECA and NTCA, effectively making up the opening Balance Sheet position.

	NECA balances 6 May 2024	NTCA balances 6 May 2024	North East CA opening position
Property, Plant and Equipment	182,387	149,683	332,070
Long Term Debtors	16,300	46,086	62,386
Net Pension Asset	1,740	-	1,740
Long Term Assets	200,427	195,769	396,196
Short Term Investments	161,478	298,546	460,024
Short Term Debtors	2,719	14,405	17,124
Cash and Cash Equivalents	36,587	41,397	77,984
Current Assets	200,784	354,348	555,132
Short Term Borrowing	(1,076)	(883)	(1,959)
Short Term Creditors	(89,305)	(96,672)	(185,977)
Grants Receipts in Advance	(157)	(5)	(162)
New Tyne Crossing Deferred Income Balance	(2,797)	(2,295)	(5,092)
Current Liabilities	(93,335)	(99,855)	(193,190)
Long Term Borrowing	(81,654)	(67,013)	(148,667)
New Tyne Crossing Deferred Income Balance	(36,084)	(29,613)	(65,697)
Long Term Liabilities	(117,738)	(96,626)	(214,364)
Net Assets	190,138	353,636	543,774
Usable Reserves	(126,260)	(267,818)	(394,078)
Unusable Reserves	(63,878)	(85,817)	(149,695)
Total Reserves	(190,138)	(353,635)	(543,773)

Note 02: Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority (i.e. government grants and contributions) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2024/25 7 May 2024 to 31 March 2025				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	(44,006)	-	4,970	(61)	(39,097)
Economic Growth and Regeneration	23,982	12,665	-	-	36,647
Finance and Investment	1,776	618	-	-	2,394
Operations	3,166	-	-	-	3,166
Skills, Inclusion and Public Service Reform	28,615	3,168	-	-	31,783
Transport	101,880	(100,857)	-	-	1,023
Cost of services	115,413	(84,406)	4,970	(61)	35,916
Other Income and Expenditure	(112,236)	-	120	1,498	(110,618)
(Surplus)/Deficit on Provision of Services	3,176	(84,406)	5,090	1,437	(74,702)
Opening General Fund and Earmarked Balances	-				
Transferred in from former combined authorities	(210,127)				
Revised General Fund and Earmarked Balances	(210,127)				
Closing General Fund and Earmarked Balances	(206,951)				

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and adjusts for:

- Other operating expenditure - adjusts for capital disposals 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 financing 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.

- 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 those receivable in the year to those receivable without conditions or for which conditions were satisfied during 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 Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension 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.
- For financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

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

- For financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Note 02a: Income and Expenditure Analysed by Nature

	2024/25 £000
Expenditure	
Employee benefit expenses	15,710
Other service expenses	281,917
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	148,032
Interest payments	6,555
Total expenditure	452,213
Fees, charges and other service income	(39,117)
Interest and investment income	(23,075)
Income from transport levy	(85,953)
Government grants and contributions	(365,844)
Other income	(12,926)
Total income	(526,914)
(Surplus)/Deficit on the provision of services	(74,701)

Note 03: Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	2024/25			
Adjustments between Accounting Basis and Funding Basis Under Statute	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account (CAA)				
Reversal of items debited or credited to the CIES:				
Charges for depreciation and impairment of non current assets	(3,731)	-	-	3,731
Other income that cannot be credited to the General Fund	4,590	-	-	(4,590)
Capital grants and contributions applied	74,292	-	-	(74,292)
Revenue expenditure funded from capital under statute	(144,009)	-	-	144,009
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	1,751	-	-	(1,751)
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account				
Grants and contributions unapplied credited to the CIES	151,513	-	(151,513)	-
Application of grants to capital financing transferred to the CAA	-	-	60,341	(60,341)
Adjustments involving the Capital Receipts Reserve				
Loan principal repayments	-	1,307	-	(1,307)
Application of Capital Receipts to repayment of debt	-	(1,307)	-	1,307
Adjustments involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(1,498)	-	-	1,498
Adjustments involving the Accumulated Absences Adjustment Account				
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	61	-	-	(61)
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(5,150)	-	-	5,150
Employer's pension contributions and direct payments to pensioners payable in the year	60	-	-	(60)
Total Adjustments	77,878	-	(91,172)	13,293

Note 04: Financing and Investment Income and Expenditure

	Note	2024/25
		£000
Interest Payable and Similar Charges		6,434
Interest Payable on defined benefit liability	20	120
Interest Receivable and similar income		(23,075)
Total		(16,520)

Note 05: Taxation and Non Specific Grant Income

	2024/25
	£000
Transport Levy	(85,953)
Business Rates Growth Income	(8,145)
Total	(94,098)

Note 06: Grant Income

	2024/25
	£000
Adult Skills Fund	(41,248)
Active Travel Fund	(2,084)
Brownfield Housing Fund Capital	(10,778)
Bus Service Improvement Plan Capital	(34,389)
Bus Service Improvement Plan Revenue	(22,461)
Combined Active Travel Fund	(1,627)
Careers and Enterprise Primary Income	(652)
Crownworks Trailblazer	(25,000)
City Region Sustainable Transport Fund Capital	(43,968)
City Region Sustainable Transport Fund Revenue	(7,009)
Free Courses for Jobs	(2,889)
Investment Fund Revenue	(23,275)
Investment Zones Capital	(4,650)
Investment Zones Revenue	(2,379)
Local Electric Vehicle Infrastructure Capital	(15,829)
Local Transport Plan	(56,425)
Levelling Up Fund Capital	(15,553)
Made Smarter	(886)
Mayoral Capacity Funding	(2,750)
Multiply	(1,053)
Other Grants and Contributions (individually less than £0.5m)	(6,000)
Rural England Prosperity Fund	(2,217)
Skills Bootcamps	(10,377)
Trailblazer Revenue	(2,403)
UK Shared Prosperity Fund	(29,942)
Total	(365,844)

Note 7: Members' Allowances

The Authority paid the following amounts to the elected Mayor and to independent members of its various committees during the year. Representatives from constituent authorities receive no allowances from the North East CA.

	2024/25 £000
Elected Mayor	86
Chair of Audit and Standards Committee	2
Independent Person	1
Total	89

Note 08: Officers' Remuneration

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

	Salary, Fees and Allowances £000	Pension Contributions £000	Total £000
Chief Executive	144	-	144
Director of Transport	129	-	129
Director of Finance and Investment (to 31 December 2024)	92	-	92
Director of Finance and Investment (from 15 October 2024)	64	-	64
Director of Skills, Inclusion and Public Service Reform (from 3 March 2025)	12	-	12
Director of Economic Growth and Innovation (from 5 March 2025)	10	-	10
Director of Operations (from 10 March 2025)	9	-	9

The number of officers who received remuneration greater than £50,000 excluding employers' pension contributions (inclusive of Senior Employees disclosed above) was as follows:

	2024/25 £000
£50,000-£54,999	23
£55,000-£59,999	8
£60,000-£64,999	5
£65,000-£69,999	2
£70,000-£74,999	5
£75,000-£79,999	3
£80,000-£84,999	1
£85,000-£89,999	0
£90,000-£94,999	3
£95,000-£99,999	0
£100,000-£104,999	1
£105,000-£109,999	0
£110,000-£114,999	0
£115,000-£119,999	0
£120,000-£124,999	0
£125,000-£129,999	1
£130,000-£134,999	0
£135,000-£139,999	0
£140,000-£144,999	1
Total	53

During the period there were no exit packages or termination benefits agreed or paid.

Note 09: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspection and for non-audit services provided by the Authority's external auditors.

	2024/25 £000
Scale fee for the audit of the Statement of Accounts	146
Total	146

Note 10: Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the 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 Authority.

In this context, related parties include:

- Central Government
- Members of the Authority
- Officers of the Authority
- North East CA Constituent Authorities
- Other Public Bodies
- Other Entities

Central Government

Central Government is responsible for providing the statutory framework within which the Authority operates, provides much of its funding in the form of grants and prescribes the terms of some of the transactions that the Authority has with other parties (e.g. Concessionary Fares reimbursement). Grants received from government departments are set out in Note 06.

Elected Members of the Authority

Members of the Authority have a direct control over the Authority's financial and operating policies. No members allowances are payable to elected members of the Authority. During 2024/25 no works or services were commissioned from companies in which any members had an interest.

Officers

There has been no pecuniary interest involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Authority.

North East CA Constituent Authorities

The Leaders of the seven NECA constituent Authorities serve as members of the North East CA Cabinet. Details of material transactions with the seven Authorities are set out in the table below.

Other Public Bodies

The Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus). North East CA sets the policy which is delivered by Nexus, and agrees its budget and revenue grant. Details of material transactions with Nexus are set out in the table below.

Other Entities

Newcastle International Airport Ltd - the seven Constituent Authorities of the North East CA are shareholders in Newcastle Airport. There were no material transactions with Newcastle International Airport Ltd during the year.

	2024/25			
	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000
North East CA				
Durham	268	(15,797)	44,040	(13,433)
Gateshead	106	(13,507)	7,175	(367)
Newcastle upon Tyne	106	(19,843)	13,080	(6,501)
North Tyneside	624	(11,203)	15,791	(4,869)
Northumberland	438	(797)	25,199	(10,867)
South Tyneside	106	(8,722)	4,436	-
Sunderland	106	(19,044)	12,769	(1,613)
Other Public Bodies				
Nexus	1,259	(1,221)	74,578	(9,828)

Note 11: Property, Plant and Equipment (excluding Highways Infrastructure Assets)

	2024/25			
	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment (excluding Highways Infrastructure Assets)	Service Concession Assets included in Property, Plant and Equipment (excluding Highways Infrastructure Assets)
	£000	£000	£000	£000
Cost or Valuation				
At 7 May 2024	-	-	-	-
Balances transferred in	5,688	1,729	7,417	-
Adjusted opening balance 7 May 2024	5,688	1,729	7,417	-
Additions	-	289	289	-
Reclassification from Assets Under Construction (to highways infrastructure, see note 11a)	-	(2,017)	(2,017)	-
Impairment recognised in the Surplus on the Provision of Services	-	-	-	-
Other Adjustments	1	(1)	-	-
At 31 March 2025	5,689	-	5,689	-
Accumulated Depreciation and Impairment				
At 7 May 2024	-	-	-	-
Balances transferred in	(2,593)	-	(2,593)	-
Adjusted opening balance 7 May 2024	(2,593)	-	(2,593)	-
Depreciation charge for the Year	(300)	-	(300)	-
At 31 March 2025	(2,893)	-	(2,893)	-
Net Book Value				
At 7 May 2024	-	-	-	-
Balances transferred in	3,095	1,729	4,824	-
Adjusted opening balance 7 May 2024	3,095	1,729	4,824	-
At 31 March 2025	2,796	-	2,796	-

There were no material capital commitments relating to Property, Plant and Equipment at the balance sheet date of 31 March 2025.

Note 11a: Property, Plant and Equipment (Highways Infrastructure Assets)**Movements on balances**

In accordance with the temporary relief offered by the Update to the Code on Infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2024/25
	£000
Net book value (modified historical cost)	
At 7 May 2024	-
Balances transferred in	327,254
Adjusted opening balance 7 May 2024	327,254
Reclassification from assets under construction	2,017
Derecognition	-
Depreciation	(3,322)
Impairment	-
Other movements in cost	(7)
At 31 March 2025	325,942

Reconciliation to Balance Sheet

	2024/25
	£000
Infrastructure assets	325,942
Other PPE assets	2,796
Total PPE assets	328,738

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

Structures - net book value

North East CA has estimated a net book value at 31 March 2025 for its structures at £325.945m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

Northbound vehicle tunnel	58 years
Southbound vehicle tunnel	106 years
Pedestrian and cyclist tunnels	58 years

Depreciation for the tunnels (and total annual depreciation for 2024/25 on structures) is £3.322m.

Note 12: Leases

The North East CA leases certain buildings and equipment under leases where financial assessment has provided evidence that leasing provides better value for money than outright purchase. Leases for buildings are predominantly for office space.

Note 12.1 Right of Use Assets

	2024/25	
	Property (Land and Buildings) £000	Total £000
Cost or Valuation		
At 7 May 2024	-	-
IFRS 16 implementation adjustments for operating leases held by NTCA and NECA acquired via the formation of the North East CA	963	963
Additions - Lease liability	-	-
Remeasurements of lease liability	-	-
Impairments charged to operating expenses	-	-
Depreciation eliminated on revaluation	-	-
Disposals - Lease termination	-	-
At 31 March 2025	963	963
Accumulated Depreciation and Impairment		
At 7 May 2024	-	-
IFRS 16 implementation adjustments for operating leases held by NTCA and NECA acquired by the formation of the North East CA	-	-
Provided during the year - right of use asset	(109)	(109)
Depreciation eliminated on revaluation	-	-
Disposals - Lease termination	-	-
At 31 March 2025	(109)	(109)
Net Book Value		
At 7 May 2024	-	-
At 31 March 2025	854	854

Note 12.2 Revaluation of property right of use assets

Revaluation of property right of use assets: The North East CA assesses each lease on an individual basis using cost as a proxy for fair value or current value in existing use for its right of use assets when one of the following conditions apply. a) The economic life of the asset, judged as the lease term, is shorter than full revaluation cycle. b) There is provision within the agreement to update the lease payment terms to reflect market conditions on a regular basis and there is not a high risk that the fair value of the asset will fluctuate in the interim period. The North East CA has therefore applied the cost model to its right of use assets.

Note 12.3 Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the statement of financial position.

	2024/25
	Total £000
IFRS 16 Implementation - adjustment for acquired operated leases	963
Lease additions	-
Lease liability remeasurements	-
Interest charge arising in year	40
Early terminations	
Lease payments	(137)
Carrying value at 31 March 2025	866

Note 12.4 Maturity analysis of future lease payments

	2024/25
	Total £000
Undiscounted future lease payments payable in:	
- less than one year	156
- later than one year and less than five years	741
- later than five years	111
Total gross future lease payments	1,008
Finance charges allocated to future periods	(142)
Net lease liabilities at 31 March 2025	866
Of which:	
- current	116
- non-current	750

Note 13: 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 2025	31 March 2025	31 March 2025	31 March 2025
	£000	£000	£000	£000
Amortised cost	-	55,966	490,024	46,110
Total financial assets	-	55,966	490,024	46,110
Non-financial assets	-	-	-	14,783
Total	-	55,966	490,024	60,893

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 NECA's financial assets fit these criteria and are classified at amortised cost.

Short term debtors

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 the Authority.

	Non-current		Current	
	Borrowings	Creditors	Borrowings	Creditors
	31 March 2025	31 March 2025	31 March 2025	31 March 2025
	£000	£000	£000	£000
Amortised cost	(123,333)	-	(1,774)	(149,080)
Total financial liabilities	(123,333)	-	(1,774)	(149,080)
Non-financial liabilities	-	-	-	-
Total	(123,333)	-	(1,774)	(149,080)

The contractual terms for North East CA'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 up as follows:

	2024/25		
	£000	£000	£000
	Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
Interest expense	6,554		6,554
Total expense in Surplus on Provision of Services	6,554	-	6,554
Investment income		(23,075)	(23,075)
Total income in Surplus on Provision of Services	-	(23,075)	(23,075)
Net (gain)/loss for the year	6,554	(23,075)	(16,520)

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 2025 using the following methods and assumptions:

- 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 2024/25 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.

- 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:

	Level	31 March 2025	
		Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost	2	(125,107)	(97,151)
Total		(125,107)	(97,151)
Financial Assets at amortised cost			
Held to maturity investments	1	490,024	490,024
Nexus loan debtor	2	28,418	22,266
Other loan debtors	2	27,548	27,548
Total		545,990	539,838

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

Note 14: Nature and Extent of risks arising from Financial Instruments

The 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 Authority.
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and financial market movements.

The 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 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 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 Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the 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: The UK's former AAA rating has been affected by the global financial crisis and the decision to leave the European Union.

Rating		2024/25 £000
UK Government (Debt Management Office) AAA		160,000
UK Local Authorities AA		65,000
Banks (less than 1 year) AA		-
Banks (less than 1 year) AA-		60,000
Banks (less than 1 year) A+		135,000
Banks (less than 1 year) A		40,000
Banks (less than 1 year) A-		30,000
n/a - investments with unrated building societies ¹		-
Total Short-Term Investments		490,000

¹ In line with its agreed Investment Strategy, North East CA places investments for up to 1 year and up to £5m each with UK building societies without credit ratings with assets greater than £250m.

The 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 Authority's deposits, but there was no evidence at the 31 March 2025 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 Authority. The 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 Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the 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 Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The 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 2025 £000
Between 1-2 years	(333)
Between 2-5 years	-
Between 5-10 years	(5,000)
More than 10 years	(118,000)
	(123,333)
Less than 1 year	(1,774)
Total borrowing	(125,107)

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

Market (Interest Rate) Risk

The 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 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 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 2025 £000
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	(3,335)
Impact on the (Surplus)/Deficit on Provision of Services	(3,335)

The increase in interest payable on variable rate borrowings is nil, because all North East CA's borrowings 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 £12.801m 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.

Note 15: Short Term Debtors

	31 March 2025 £000
Central Government bodies	12,415
Other local authorities	10,087
Other entities and individuals	36,024
Total	58,526

Note 16: Long Term Debtors

	31 March 2025 £000
Amounts due from Nexus	28,418
Loans	27,548
Total	55,966

Note 17: Cash and Cash Equivalents

	31 March 2025 £000
Cash held in Authority's bank account	14,375
Cash equivalents	14,479
Total	28,853

Note 18: Short Term Creditors

	31 March 2025 £000
Central government bodies	(728)
Other local authorities	(29,580)
Other entities and individuals	(118,773)
Total	(149,080)

Note 19: Private Finance Initiatives and Similar Contracts

In November 2007, the then Tyne and 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 on 25 February 2011, and the refurbished original tunnel opened on 21 November 2011. Both are included on the Authority's balance sheet within highways infrastructure.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 31 March 2025 value of £66.199m.

	Deferred Income Release
	2024/25 £000
Payable within 1 year	(5,092)
Payable within 2 to 5 years	(20,369)
Payable within 6 to 10 years	(25,461)
Payable within 11 to 15 years	(15,277)
Payable within 16 to 20 years	-
Total	(66,199)

Payments

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

In the period covered by these accounts, the total payment under the contract was £29.010m.

Note 20: Defined Benefit Pension Schemes

The Authority participates in two post-employment schemes:

- (i) The largest of the two, the Tyne and Wear Pension Fund is administered locally by South Tyneside Council - this is a funded, defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments.
- (ii) Unfunded defined benefit arrangements for the award of discretionary post-employment benefits upon early retirement. Under this type of scheme liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities and cash has to be generated to meet actual pension payments as they fall due.

The Tyne and 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 and Wear, and three members each nominated by the trades 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.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the General Fund is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Amounts recognised in profit and loss and other comprehensive income

	LGPS 2024/25 £000	Discretionary Benefits 2024/25 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	780	-
Settlement cost	4,250	-
Financing and Investment Income and Expenditure		
Interest on net defined benefit liability (asset)	90	30
Pension expense recognised in profit and loss	5,120	30
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Return on plan assets (in excess of)/below that recognised in net interest	700	-
Actuarial (gains)/losses due to changes in financial assumptions	(4,730)	(30)
Actuarial (gains)/losses due to changes in demographic assumptions	(380)	-
Actuarial (gains)/losses due to changes in liability assumptions	1,290	(20)
Adjustment loss/(gain) due to surplus restriction	300	-
Total amount recognised in Other Comprehensive Income	(2,820)	(50)
Total amount recognised	2,300	(20)

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LGPS 2024/25 £000	Discretionary Benefits 2024/25 £000
Opening balance at 7 May 2024	-	-
Transferred in from former combined authorities	(54,630)	(540)
Revised opening balance	(54,630)	(540)
Current service cost	(780)	-
Interest cost	(1,600)	(30)
Contributions by participants	(700)	-
Actuarial gains/(losses) on liabilities - financial assumptions	4,730	30
Actuarial gains/(losses) on liabilities - demographic assumptions	380	-
Actuarial gains/(losses) on liabilities - experience	(1,290)	20
Net benefits paid out	550	40
Past service costs	-	-
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	19,650	-
Closing balance at 31 March 2025	(33,690)	(480)

Reconciliation of the fair value of the scheme assets:

	LGPS	Discretionary Benefits
	2024/25	2024/25
	£000	£000
Opening balance at 7 May 2024	-	-
Transferred in from former combined authorities	72,660	-
Revised opening balance	72,660	-
Interest income on assets	2,230	-
Remeasurement gains/(losses) on assets	(700)	40
Employer contributions	20	-
Contributions by scheme participants	700	(40)
Net benefits paid out	(550)	-
Settlements	(23,900)	-
Closing balance at 31 March	50,460	-

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

	2024/25 £000
Fair value of LGPS assets	50,460
Present value of liabilities:	
- LGPS liabilities	(33,690)
- Impact of unrecognised asset	(16,770)
Surplus / (Deficit) on funded defined benefit scheme	-
Discretionary benefits	(480)
Total net pension asset / (liability) recognised on the balance sheet	(480)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows: active members 25%, deferred pensioners 6% and pensioners 69%.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £34.170m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a pension deficit of £0.480m. 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 2025 is nil. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2026 are £0.04m in relation to unfunded benefits.

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 assessed by Aon, an independent firm of actuaries. Due to the current and unprecedented market conditions, estimates for the pension fund are based on the latest full valuation of the scheme as at 31 March 2022.

The weighted average duration of the defined benefit obligation for scheme members is 14.8 years.

The principal assumptions used by the actuary have been:

	Local Government	Discretionary Benefits
	2024/25	2024/25
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	20.9	20.9
- Women	24.1	24.1
Longevity at 45 for future pensioners:		
- Men	21.8	n/a
- Women	25.2	n/a
Principal financial assumptions (% per annum)		
Rate for discounting scheme liabilities	5.8%	5.8%
Rate of inflation - Consumer Price Index	2.5%	2.5%
Rate of increase in pensions	2.5%	2.5%
Pension accounts revaluation rate	2.5%	n/a
Rate of increase in salaries	4.0%	n/a

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

	31 March 2025		
	% Quoted	% Unquoted	% Total
Equity investments	36.3%	11.8%	48.1%
Property	0.0%	11.1%	11.1%
Government bonds	1.1%	0.0%	1.1%
Corporate bonds	18.1%	0.0%	18.1%
Multi Asset Credit	4.5%	0.0%	4.5%
Cash	1.8%	0.0%	1.8%
Other*	0.0%	15.3%	15.3%
Total	61.8%	38.2%	100.0%

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

A small proportion (10.5%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds.

Actual Return on Assets

	LGPS
	2024/25
	£000
Interest Income on Assets	2,230
Remeasurement gain/(loss) on assets	(700)
Actual Return on Assets	1,530

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis 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)	33.18	33.69	34.20
% change in present value of total obligation	-1.5%		1.5%
Projected service cost (£M)	0.40	0.45	0.50
Approximate % change in projected service cost	-10.2%		10.6%

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)	33.78	33.69	33.62
% change in present value of total obligation	0.2%		-0.2%
Projected service cost (£M)	0.45	0.45	0.45
Approximate % change in projected service cost	0.0%		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	34.43	33.69	33.25
% change in present value of total obligation	2.2%		-1.3%
Projected service cost (£M)	0.48	0.45	0.40
Approximate % change in projected service cost	6.5%		10.2%

Post retirement mortality assumption	- 1 year	Base Figure	+ 1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	34.43	33.69	32.95
% change in present value of total obligation	2.2%		-2.2%
Projected service cost (£M)	0.48	0.45	0.42
Approximate % change in projected service cost	6.5%		-6.6%

* 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

Note 21: Usable Reserves

	Note	31 March 2025 £000
General Fund Balance	22	(16,394)
Earmarked Reserves		(190,556)
Capital Receipts Reserve		-
Capital Grants Unapplied Reserve		(275,122)
Total		(482,072)

The **General Fund Balance** is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the financial year.

Earmarked Reserves are amounts which the 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 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.

Note 22: Transfers (to)/From Earmarked Reserves

This note sets out amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Transferred from former Combined Authorities 7 May 2024	Transfers Out 2024/25	Transfers In 2024/25	Net transfers 2024/25	Balance at 31 March 2025
	£000	£000	£000	£000	£000
Bus Reform reserve	-	(8,500)	473	(8,027)	(8,027)
Election reserve	-	(3,000)	-	(3,000)	(3,000)
Enterprise Zones	(9,101)	(190)	-	(190)	(9,291)
Nexus - Metro Asset Renewal Programme	(8,680)	(383)	-	(383)	(9,063)
Nexus - Metro Fleet Replacement	(10,883)	(473)	-	(473)	(11,355)
Pensions triennial revaluation	-	(1,100)	-	(1,100)	(1,100)
Revenue grants unapplied	(147,401)	(66,437)	89,354	22,917	(124,484)
Strategic Capacity Reserve	(5,760)	-	-	-	(5,760)
Strategic Reserve	(200)	-	200	200	-
Transport Devolution Transition	(2,183)	-	2,183	2,183	-
Tyne Tunnels reserve *	-	(9,946)	-	(9,946)	(9,946)
Washington Metro Loop	(350)	(8,179)	-	(8,179)	(8,529)
Total	(184,559)	(98,207)	92,210	(5,997)	(190,556)

* Tyne Tunnels reserve was included within General Fund balance transferred from NECA, now set aside as an earmarked reserve.

Note 23: Unusable Reserves**Summary**

	31 March 2025 £000
Capital Adjustment Account	(133,014)
Financial Instruments Adjustment Account	662
Revaluation Reserve	(7,401)
Pension Reserve	480
Total	(139,272)

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements 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 amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

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. Note 3 provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2024/25 £000
Opening Balance 7 May 2024	-
Balances transferred from former Combined Authorities	(139,634)
Revised Balance 7 May 2024	(139,634)
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	3,731
Other income that cannot be credited to the General Fund	(4,590)
Revenue expenditure funded from capital under statute	144,301
Write down of long term debtors	1,307
Adjusting amounts written out of the Revaluation Reserve	(146)
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(134,633)
Statutory provision for the financing of capital investment	(1,751)
Capital expenditure charged against the General Fund	(292)
Debt redeemed using capital receipts	(1,307)
Balance at year end	(133,014)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefitting 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.

	2024/25
	£000
Opening Balance 1 April	(836)
Balances transferred from former Combined Authorities	-
Revised Balance 7 May 2024	(836)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	1,498
Balance at year end	662

Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and 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
- Disposed of and the gains are realised

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

	2024/25
	£000
Opening Balance 1 April	-
Balances transferred from former Combined Authorities	(7,546)
Revised Balance 7 May 2024	(7,546)
Difference between fair value depreciation and historic cost depreciation written off to the CAA	146
Balance at year end	(7,401)

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 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.

	2024/25
	£000
Opening Balance 1 April	-
Balances transferred from former Combined Authorities	(1,740)
Revised Balance 7 May 2024	(1,740)
Remeasurements of the net defined benefit liability (asset)	(2,870)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	5,150
Employer's pension contributions and direct payments to pensioners payable in the year	(60)
Balance at year end	480

Note 24: Capital Expenditure and Capital Financing

	7 May 2024 to 31 March 2025 £000
Opening Capital Financing Requirement 7 May 2024	-
Transferred in from former combined authorities	174,527
Revised Opening Capital Financing Requirement 7 May 2024	174,527
Capital Investment	
Property, Plant and Equipment	289
Revenue Expenditure Funded from Capital Under Statute	144,301
Sources of Finance	
Capital receipts - repayment of principal from long term debtors	(1,307)
Government Grants and other contributions	(134,633)
Sums set aside from revenue	
Direct revenue contributions	(292)
Minimum Revenue Provision	(1,751)
Closing Capital Financing Requirement 31 March 2025	181,135
Increase in underlying need to borrow (unsupported by government financial assistance)	6,608

Note 25: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities

	2024/25 £000
Surplus/(Deficit) on the provision of services	74,701
Adjustments to Surplus on Provision of Services for Non-Cash Movements	
Depreciation and Impairment	3,731
Increase/(Decrease) in Creditors	(36,045)
(Increase)/Decrease in Debtors	(37,706)
Movement in Pension Liability	5,090
Other non-cash items charged to the net surplus on the provision of services	(4,590)
	(69,520)
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	(225,805)
Net cash flow from operating activities	(220,623)

The cash flows for operating activities include the following items:

	2024/25 £000
Interest received	23,075
Interest paid	(6,434)

Note 26: Cash Flow Statement - Investing Activities

	2024/25 £000
Purchase of property, plant and equipment, investment property and intangible assets	(399)
Purchase of short-term and long-term investments	(930,000)
Proceeds from short-term and long-term investments	897,500
Other receipts from investing activities	230,013
Net cash flows from investing activities	197,114

Note 27: Cash Flow Statement - Financing Activities

	2024/25 £000
Repayments of short and long-term borrowing	(25,621)
Net cash flows from financing activities	(25,621)

Note 27a: Reconciliation of liabilities arising from Financing Activities

	7 May 2024	Financing Cash Flows	Changes which are not financing cash flows		31 March 2025
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(148,667)	25,334	-	-	(123,333)
Short term borrowings	(1,959)	185	-	-	(1,774)
Total Liabilities from financing activities	(150,626)	25,519	-	-	(125,107)

Note 28: Accounting Standards Issued, Not Yet Adopted

The Authority is required 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. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2025 for 2024/25).

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code:

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8.

IAS 31 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)

This was issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

IFRS 17 Insurance Contracts

Issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

Note 29: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these accounts, the 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

Service Concession Arrangements

The Local Authority Accounting Code of Practice 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 IFRIC 12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC 12:

- 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 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 concessionaire 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 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 creation of the North East CA

On 12 March 2024 the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provided for the establishment on 7 May 2024 of the North East Mayoral Combined Authority (MCA), comprising as constituent councils the seven north-east councils. The Order simultaneously abolished the existing North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA), and the office of the Mayor of North of Tyne.

Section 2.5 of the Local Authority Code of Practice sets out the accounting requirements for combinations of public sector bodies (including local government reorganisation). 2.5.2.2 states that the combination of two or more local authorities into one new authority shall be accounted for using the principles that apply to group reconstructions and shall be accounted for as either a transfer by absorption or a transfer by merger.

The formation of the North East CA and the transfer of functions from NECA and NTCA has been accounted for as a transfer by absorption. This is because a transfer by merger would mean treating the balances as if the North East CA had always been in place, whereas it was a completely new organisation created on 7 May 2024.

As a result, the core financial statements and explanatory notes show results for the first financial year of the North East CA (covering the period 7 May 2024 to 31 March 2025) and do not have prior year comparators.

Note 30: 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 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 Authority's Balance Sheet at 31 March 2025 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
Net Pensions Position	<p>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 Authority with expert advice about the assumptions to be applied.</p>	<p>The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2025 and the projected service cost for the year ending 31 March 2026 are set out below.</p> <p>Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £33.18m, a variance of (£0.51)m, whereas a decrease of (0.1%) p.a. results in an increase to £34.20m, a variance of £0.51m. The percentage change in the present value of the total obligation would be (1.5%) and 1.5% respectively.</p>

		<p>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption: an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation by £0.44m to £34.13m, whereas a decrease of (0.1%) p.a. results in a decrease to £33.25m, a variance of (£0.44)m. The percentage change in the present value of the total obligation would be 1.3% and (1.3%) respectively.</p>
		<p>Post retirement mortality assumption: an adjustment to the mortality age rating assumption of -1 year would change the present value of the total obligation to £34.43m, an increase of £0.74m, whereas an adjustment of +1 year results in a reduction to £32.95m, a reduction of £0.74m. The percentage change in the present value of the total obligation would be 2.2% and (2.2%) respectively.</p>
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	<p>The impact of a change in valuation or useful life would be to affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment in the CIES.</p> <p>These changes do not have an impact on the Authority's General Fund position as funding for such non-cash charges does not come from local authority contributions and grants.</p> <p>Accumulated depreciation totalled around £44m as at 31 March 2025 and a change in methodology resulting in a 1% movement would only change the Balance Sheet by £0.4m.</p>

Note 31: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The 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 proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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 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 Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the 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 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.

- 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 on 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 Authority has a policy of not accruing for manual sundry creditor or sundry debtor provisions 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 less than 90 days 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 Authority's cash management.

4. 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 Authority's financial performance.

5. 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 the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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.

6. 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 fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The 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 Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses are therefore replaced by a 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.

7. 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 Authority. Due to the small number of employees the Authority has, the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year is immaterial and therefore an accrual will not be made. This approach will be reviewed each year to ensure it is still an appropriate treatment.

Termination Benefits

Termination benefits are amounts which would be payable as a result of a decision by the 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 Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the 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 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.

8. Post-Employment Benefits

North East CA is a member 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 and 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 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 Authority are included in the Balance Sheet at their fair value:
 - o Quoted securities at current bid price
 - o Unquoted securities based on professional estimate
 - o Unitised securities at current bid price
 - o 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 Comprehensive Income and Expenditure Statement to the North East CA Corporate line.
- Past service cost – 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 Comprehensive Income and Expenditure Statement as part of the North East CA Corporate line.

- Net interest on the net defined liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. 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 (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) 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 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:
 - o The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - o 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 and Expenditure.
 - o 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 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 Pensions 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 20 to the accounts.

9. 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.
- 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.

10. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets 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:

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

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

11. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the 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 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 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 charged 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 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.
- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

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

- 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 as 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 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 credits to the Financing and Investment Income and Expenditure line in the CIES 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 authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the 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 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 or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of 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 cash flows 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 an instrument was initially recognised, losses are assessed on a lifetime basis. 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 (FVOCI)

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 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 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.

12. Government Grants & Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify 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 Funded from Capital Under Statute) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and 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 Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

13. Property, Plant & Equipment (Excluding Highways Infrastructure Assets)

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

The 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 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 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:

- 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 (existing use value – EUV).

The following useful economic lives are used for North East CA's PPE assets: 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 fair 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).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

De Minimis Levels

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

Impairment

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

Where impairment losses are identified, they are accounted for 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).
- 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 and adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided 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).

Depreciation on all Property, Plant and Equipment assets (except vehicles) is calculated by taking the asset value at the year end, 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 chargeable 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 assets 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 previous losses recognised 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 a 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 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.

14. Leases

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

The Authority as Lessee

The Authority classifies contracts as leases based on their substances. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Measurement

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

Impairment

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

Initial Measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS transition date, if later). The leases are typically for fixed periods in excess of one year but many have extension options.

The Authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Authority's incremental borrowing rate where the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments.

- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date.
- Amounts expected to be payable under a residual value guarantee.
- The exercise price under a purchase option that the Authority is reasonably certain to exercise.
- Lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option.
- Penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent Measurement

The right-to-use asset is subsequently measured using the fair value model. The Authority considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases.
- Leases where rent reviews do not necessarily reflect market conditions.
- Leases with terms of more than five years that do not have any provision for rent reviews.
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases would be adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases would be valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate.
- There is a change in the group's estimate of the amount expected to be payable under a residual value guarantee.
- The Authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the Comprehensive Income and Expenditure Statement.

15. 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 (IFRIC 12) '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 non-current asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria and the Authority therefore recognises the costs of the new tunnel on its 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 cost 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. North East CA 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, North East CA pays a Shadow Toll 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;
- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by the Authority. If the Authority 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 Authority CA 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 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 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 Authority has therefore recognised a deferred credit balance, added to as each of 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.

16. Provisions

Provisions are made where an event has taken place that gives the 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 example, the 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 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the 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.

17. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the 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 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 2024/25.

18. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating 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 in that year to score against 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 Authority.

19. 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 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 charged so that there is no impact on the levy.

19. VAT

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

21. Overheads

The costs of central support services e.g. Finance and Legal Services have been allocated to NECA on the basis of Service Level Agreements in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA). A percentage is allocated to the different areas of NECA activity (e.g. Transport, Economic Development, Corporate) in accordance with estimated work done on each area.

22. Tyne Tunnels Income

Prepayments on permit accounts are received, and the balance on these accounts are accrued as income received in advance at the year end, since these must be refunded to customers should they choose to close their account. Income is recognised at the point the journey is made.

23. Group Accounts

NECA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 to produce Group Accounts to include services provided to Council Tax payers in the North East by organisations other than the Authority itself in which the 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 NECA 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 2024/25 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2024/25 and comparators for 2023/24. 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.

24. Creation of the North East Combined Authority

On 12 March 2024 the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provided for the establishment on 7 May 2024 of the North East Mayoral Combined Authority (North East CA), comprising as constituent councils the seven north-east councils. The Order simultaneously abolished the existing North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA), and the office of the Mayor of North of Tyne.

Section 2.5 of the Local Authority Code of Practice sets out the accounting requirements for combinations of public sector bodies (including local government reorganisation). 2.5.2.2 states that the combination of two or more local authorities into one new authority shall be accounted for using the principles that apply to group reconstructions and shall be accounted for as either a transfer by absorption or a transfer by merger.

The formation of the North East CA and the transfer of functions from NECA and NTCA has been accounted for as a transfer by absorption. This is because a transfer by merger would mean treating the balances as if the North East CA had always been in place, whereas it was a completely new organisation created on 7 May 2024.

As a result, the core financial statements and explanatory notes show results for the first financial year of the North East CA (covering the period 7 May 2024 to 31 March 2025 and do not have prior year comparators).

Note 32: Events After the Balance Sheet Date

Adjusting events after the Balance Sheet date

Where events take place after 31 March 2025 which provide information about conditions existing at 31 March 2025, the financial statements and notes are adjusted to reflect the impact of this information. No such events have taken place.

Non-adjusting Events after the Balance Sheet date

Where events take place after 31 March 2025 which do not relate to conditions at 31 March 2025 but which provide information that is relevant to an understanding of the Authority's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed. No such events have taken place.

North East Combined Authority
Group Statement of Accounts 2024/25
7 May 2024 to 31 March 2025
Unaudited

3.1 Group Movement in Reserves Statement

	Note	North East CA Usable Reserves	North East CA Unusable Reserves	Total North East CA Reserves	Authority Share of Nexus	Total Group Reserves
		£000	£000	£000	£000	£000
Opening Balance 7 May 2024		-	-	-	-	-
Transferred in from former combined authorities		(394,078)	(149,696)	(543,774)	(861,947)	(1,405,721)
Revised Opening Balance		(394,078)	(149,696)	(543,774)	(861,947)	(1,405,721)
Total Comprehensive Income and Expenditure		(74,701)	(2,870)	(77,571)	(44,168)	(121,739)
Adjustments between accounting basis and funding basis under regulations		(13,293)	13,293	-	-	-
Increase in 2024/25		(87,994)	10,423	(77,571)	(44,168)	(121,739)
Balance at 31 March 2025		(482,072)	(139,272)	(621,345)	(906,115)	(1,527,460)

3.2 Group Comprehensive Income and Expenditure Statement

	Note	2024/25 7 May 2024 to 31 March 2025		
		Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000
Corporate Costs		4,419	(43,516)	(39,097)
Economic Growth and Regeneration		93,913	(57,266)	36,647
Finance and Investment		2,394	-	2,394
Operations		3,210	(44)	3,166
Skills, Inclusion and Public Service Reform		97,379	(65,596)	31,783
Transport		380,631	(327,998)	52,634
Cost of Services		581,947	(494,420)	87,527
Financing and Investment Income and Expenditure	G03	23,137	(48,433)	(25,296)
Taxation and Non-Specific Grant Income	G04	-	(181,710)	(181,710)
Loss on disposal of non-current assets		70	-	70
(Surplus)/Deficit on Provision of Services		605,154	(724,563)	(119,409)
Re-measurement of the defined benefit liability	G12			(2,330)
Other Comprehensive Income and Expenditure				(2,330)
Total Comprehensive Income and Expenditure				(121,739)

3.3 Group Balance Sheet

	Note	31 March 2025 £000
Property, Plant and Equipment	G06	1,190,841
Right of Use Asset	G06b	5,364
Intangible Assets	G07	9,473
Long Term Debtors	G08	27,548
Long Term Investments	G12	1
Long Term Assets		1,233,227
Short Term Investments	G08	490,024
Short Term Debtors	G09	78,560
Cash and Cash Equivalents	G10	142,184
Inventories		893
Current Assets		711,661
Short Term Borrowing	G08	(1,774)
Short Term Creditors	G11	(212,083)
New Tyne Crossing Deferred Income		(5,092)
Current Liabilities		(218,949)
New Tyne Crossing Deferred Income		(61,107)
Long Term Borrowing	G08	(123,333)
Grants Receipts in Advance		(351)
Pension Liability	G12	(1,700)
Provisions		(6,670)
Deferred Taxation	G13	-
Lease Liability	G06b	(5,318)
Long Term Liabilities		(198,479)
Net Assets		1,527,460
Usable Reserves	G14	(536,275)
Unusable Reserves	G15	(991,184)
Total Reserves		(1,527,460)

3.4 Group Cash Flow Statement

	Note	2024/25 £000
Surplus on the provision of services	G16	119,409
Adjustments to net surplus or deficit on the provision of services for non-cash movements	G16	(47,941)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G16	(320,350)
Net cash flows from Operating Activities	G16	(248,881)
Investing Activities	G17	189,852
Financing Activities	G18	(16,160)
Net (Decrease)/Increase in cash and cash equivalents		(75,190)
Cash and cash equivalents at the beginning of the reporting period		-
Transferred in from former combined authorities		217,374
Revised opening balance		217,374
Cash and cash equivalents at the end of the reporting period	G10	142,184

3.5 Explanatory Notes to the Group Financial Statements

Note G01: Group Accounts

Under 9.1.17 of the Code of Practice for Local Authority Accounting 2024/25, authorities with interests 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.

Nexus is the only subsidiary for the North East Combined Authority, and the Group Accounts have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of North East CA with the following minor differences:

Deferred Taxation

North East CA 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 asset:

- 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

North East CA uses the following estimated useful lives for each class of asset:

- Infrastructure assets (Tyne Tunnels) - 120 years
- Vehicles, Plant and Equipment - 5-10 years

Nexus' policy is to commence depreciation on assets with effect from the month following capitalisation, whereas North East CA charges a full year of depreciation in the year of acquisition. No adjustment has been made as the difference is immaterial.

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 Note 1 to the single entity accounts, the creation of the North East Mayoral Combined Authority (North East CA) has been accounted for as a transfer by absorption, meaning that there are no prior year comparators and the first financial year of the North East CA covers the period 7 May 2024 to 31 March 2025. This equally applies to the Group Accounts.

Note G02: Expenditure and Funding Analysis

	2024/25				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate Costs	(44,006)	-	4,970	(61)	(39,097)
Economic Growth and Regeneration	23,982	12,665	-	-	36,647
Finance and Investment	1,776	618	-	-	2,394
Operations	3,166	-	-	-	3,166
Skills, Inclusion and Public Service Reform	28,615	3,168	-	-	31,783
Transport	116,317	(67,203)	3,520	-	52,634
Cost of services	129,849	(50,752)	8,490	(61)	87,527
Other Income and Expenditure	(119,162)	(86,732)	(2,540)	1,498	(206,936)
(Surplus)/Deficit on Provision of Services	10,687	(137,484)	5,950	1,437	(119,409)
Opening General Fund and Earmarked Balances	-				
Transferred in from former combined authorities	(271,840)				
Revised Opening General Fund and Earmarked Balances	(271,840)				
Closing General Fund and Earmarked Balances	(261,153)				

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and adjusts for:

- Other operating expenditure - adjusts for capital disposals 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 financing 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.
- 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 those receivable in the year to those receivable without conditions or for which conditions were satisfied during 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 Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension 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.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

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

- For Financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Note G02a: Income and Expenditure Analysed by Nature

	2024/25 £000
Expenditure	
Employee benefit expenses	65,332
Other service expenses	323,859
Support Services Recharges	9,377
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	183,449
Interest payments	23,137
Total expenditure	605,154
Income	
Fees, charges and other service income	(96,816)
Interest and investment income	(48,433)
Income from transport levy	(85,953)
Government grants and contributions	(480,594)
Other income	(12,767)
Total income	(724,563)
Surplus on the provision of services	(119,409)

Note G03: Financing and Investment Income and Expenditure

	Note	2024/25
		£000
Interest Payable and Similar Charges	G12	6,727
Interest Payable on defined benefit liability		16,410
Interest Receivable and similar income		(27,873)
Interest Receivable on defined benefit asset		(20,560)
Total		(25,296)

Note G04: Taxation and Non-Specific Grant Income

	2024/25
	£000
Transport Levy	(91,636)
Business Rates Growth Income	(8,145)
Non-Specific Capital Grants	(81,929)
Total	(181,710)

Note G05: Grant Income

	2024/25
	£000
Adult Skills Fund	(41,248)
Active Travel Fund	(2,084)
Brownfield Housing Fund Capital	(10,778)
Bus Service Improvement Plan Capital	(34,389)
Bus Service Improvement Plan Revenue	(22,461)
Combined Active Travel Fund	(1,627)
Careers and Enterprise Primary Income	(652)
Crownworks Trailblazer	(25,000)
City Region Sustainable Transport Fund Capital	(43,968)
City Region Sustainable Transport Fund Revenue	(7,009)
Free Courses for Jobs	(2,889)
Investment Fund Revenue	(23,275)
Investment Zones Capital	(4,650)
Investment Zones Revenue	(2,379)
Local Electric Vehicle Infrastructure Capital	(15,829)
Local Transport Plan	(56,425)
Levelling Up Fund Capital	(15,553)
Made Smarter	(886)
Mayoral Capacity Funding	(2,750)
Multiply	(1,053)
Other Grants and Contributions (individually less than £0.5m)	(6,893)
Rural England Prosperity Fund	(2,217)
Skills Bootcamps	(10,377)
Trailblazer Revenue	(2,403)
UK Shared Prosperity Fund	(29,942)
Metro Rail Grant	(27,800)
Revenue Support Grant	(5,683)
Nexus Capital Grants	(80,374)
Total	(480,594)

Nexus received the following grant yet to be recognised as income:

Capital Grants received in advance	2024/25
	£000
Fleet midlife refurbishment	(351)
Total	(351)

Grant paid on an annual basis and set aside to fund a midlife refurbishment of the incoming fleet of Metrocars (Fleet lifetime expectancy is 35 years).

Note G06: Property, Plant and Equipment (excluding Infrastructure Assets)

	2024/25				
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment (excluding Infrastructure Assets) £000	Service Concession Assets included in PPE £000
Cost or Valuation					
At 7 May 2024	-	-	-	-	-
Transferred in from former combined authorities	35,861	225,226	8,422	269,509	-
Revised Opening Balance	35,861	225,226	8,422	269,509	-
Additions	-	88,108	-	88,108	-
Reclassifications from Assets Under Construction	289	(82,901)	-	(82,612)	-
Transfers between categories	-	1,383	-	1,383	-
Derecognition - Disposals	(2,634)	-	-	(2,634)	-
Revaluation Recognised in Revaluation Reserve	-	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other Adjustments	1	(1)	-	-	-
At 31 March 2025	33,517	231,815	8,422	273,754	-

Accumulated Depreciation and Impairment					
At 7 May 2024	-	-	-	-	-
Transferred in from former combined authorities	(27,859)	-	(339)	(28,198)	-
Revised Opening Balance	(27,859)	-	(339)	(28,198)	-
Depreciation charge	(1,057)	-	(22)	(1,079)	-
Derecognition - Disposals	2,605	-	-	2,605	-
At 6 May 2024	(26,311)	-	(361)	(26,672)	-

Net Book Value					
At 7 May 2024	8,002	225,226	8,083	241,311	-
At 31 March 2025	7,206	231,815	8,061	247,082	-

Capital Commitments

At the year end, Nexus has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years budgeted to cost £52.31m.

	Total £m
New fleet replacement	41.11
Whitley Bay Canopy	1.42
Metro Flow	2.31
Overhead Line	0.59

Note G06a: Property, Plant and Equipment (Infrastructure Assets)**Movements on balances**

In accordance with the temporary relief offered by the Update to the Code on Infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2024/25 £000
Net book value (modified historical cost)	
At 7 May 2024	-
Transferred in from former combined authorities	901,383
Revised Opening Balance	901,383
Additions	-
Reclassification from Assets under construction	82,612
Derecognition	(792)
Depreciation	(39,437)
Impairment	-
Other movements in cost	(8)
At 31 March 2025	943,758

Reconciliation to Balance Sheet

	31 March 2025 £000
Infrastructure assets	943,758
Other PPE assets	247,082
Total PPE assets	1,190,840

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

Note G06b: Right of Use Assets

The North East CA leases certain buildings and equipment under leases where financial assessment has provided evidence that leasing provides better value for money than outright purchase. Leases for buildings relate to office space .

	2024/25	
	Property (Land and Buildings) £000	Total £000
Cost or Valuation		
At 7 May 2024	-	-
IFRS 16 implementation adjustments for operating	5,505	5,505
Additions - Lease liability	-	-
Remeasurements of lease liability	-	-
Impairments charged to operating expenses	-	-
Depreciation eliminated on revaluation	-	-
Disposals - Lease termination	-	-
At 31 March 2025	5,505	5,505
Accumulated Depreciation and Impairment		
At 7 May 2024	-	-
IFRS 16 implementation adjustments for operating	-	-
Provided during the year - right of use asset	(141)	(141)
Depreciation eliminated on revaluation	-	-
Disposals - Lease termination	-	-
At 31 March 2025	(141)	(141)
Net Book Value		
At 7 May 2024	-	-
At 31 March 2025	5,364	5,364

Revaluation of property right of use assets

Revaluation of property right of use assets: The North East CA assesses each lease on an individual basis using cost as a proxy for fair value or current value in existing use for its right of use assets when one of the following conditions apply. a) The economic life of the asset, judged as the lease term, is shorter than full revaluation cycle. b) There is provision within the agreement to update the lease payment terms to reflect market conditions on a regular basis and there is not a high risk that the fair value of the asset will fluctuate in the interim period. The North East CA has therefore applied the cost model to its right of use assets.

Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the statement of financial position.

	2024/25
	Total £000
IFRS 16 Implementation - adjustment for acquired operated leases	5,505
Lease additions	-
Lease liability remeasurements	-
Interest charge arising in year	67
Early terminations	-
Lease payments	(137)
Carrying value at 31 March 2025	5,435

Note G07: Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

	2024/25 £000
Cost or Valuation	
Opening Balance	-
Transferred in from previous Combined Authorities	19,792
Revised opening balance	19,792
Additions	1,527
Transfers from assets under construction	-
Transfers from property, plant and equipment	(1,383)
Derecognition - Disposals	(544)
Total	19,392
Amortisation	
Opening Balance	-
Transferred in from previous Combined Authorities	(8,821)
Revised opening balance	(8,821)
Amortisation provided during the period	(1,623)
Derecognition - Disposals	525
Total	(9,919)
Net Book Value at 31 March 2025	9,473

Note G08: 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 2025	31 March 2025	31 March 2025	31 March 2025
	£000	£000	£000	£000
Amortised cost	1	27,548	490,024	66,144
Total financial assets	1	27,548	490,024	66,144
Non-financial assets	-	-	-	14,783
Total	1	27,548	490,024	80,927

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 North East CA'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 2025	31 March 2025	31 March 2025	31 March 2025
	£000	£000	£000	£000
Amortised cost	(123,333)	-	(1,774)	(200,029)
Total financial liabilities	(123,333)	-	(1,774)	(200,029)
Non-financial liabilities	-	-	-	-
Total	(123,333)	-	(1,774)	(200,029)

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 up as follows:

	2024/25		
	£000	£000	£000
	Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
Interest expense	6,727	-	6,727
Total expense in Surplus on Provision of Services	6,727	-	6,727
Investment income	-	(27,873)	(27,873)
Total income in Surplus on Provision of Services	-	(27,873)	(27,873)
Net (gain)/loss for the year	6,727	(27,873)	(21,146)

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 6 May 2024, using the following methods and assumptions:

- 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 6 May.
- 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.

The fair values are shown in the table below are split by their level in the fair value

- 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:

	Level	31 March 2025	
		Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost	2	(125,107)	(97,151)
Total		(125,107)	(97,151)
Financial Assets at amortised cost			
Held to maturity investments	1	490,024	490,024
Total		490,024	490,024

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 14 of the single entity accounts.

Note G09: Short Term Debtors

	31 March 2025 £000
Central Government bodies	27,134
Other local authorities	11,318
NHS bodies	55
Other entities and individuals	40,052
Total	78,560

Note G10: Cash and Cash Equivalents

	31 March 2025 £000
Cash	27,706
Short-term deposits with financial institutions	114,479
Total	142,184

Note G11: Short Term Creditors

	31 March 2025 £000
Central government bodies	(3,633)
Other local authorities	(31,783)
Other entities and individuals	(176,668)
Total	(212,083)

Note G12: Defined Benefit Pension Schemes

The North East CA and Nexus participate in the Tyne and 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 Authority 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 has to be generated to meet actual pension payments as they eventually fall due.

Consolidated Pension Asset

The Group net pension liability of £1.700m is the sum of the North East CA and Nexus net pension liabilities.

Transactions Relating to Post-employment Benefits

The following transactions relating to the Local Government Pension Scheme and Unfunded Benefits provided by the North East CA Group have been included in the Comprehensive Income and Expenditure Statement and in the Movement in Reserves Statement during the year.

Comprehensive Income and Expenditure Statement

	LGPS	Discretionary Benefits
	2024/25	2024/25
	£000	£000
Cost of Services:		
Current service cost ¹	9,330	-
Past service cost	-	-
Settlement cost	4,250	-
Exceptional loss on transfer of pension liability	-	-
Financing and Investment Income and Expenditure		
Interest cost	(2,570)	30
Expected Return on Scheme Assets	-	-
Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services	11,010	30
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Return on plan assets (in excess of)/below that recognised in net interest	9,390	-
Remeasurement of the net Defined Benefit Liability	(11,780)	(10)
Asset loss/(gain) due to surplus restriction	104,700	-
Total amount recognised in Other Comprehensive Income and Expenditure	102,310	(10)
Total amount recognised in CIES	113,320	20

1. The Current Service cost includes an allowance for administration expenses of £0.040m for North East CA and £0.210m for the Nexus Group.

Reconciliation of the Present Value of Scheme Liabilities:

	LGPS	Discretionary Benefits
	2024/25	2024/25
	£000	£000
Opening balance at 7 May 2024	-	-
Transferred in from former combined authorities	(398,110)	(1,990)
Revised Opening Balance	(398,110)	(1,990)
Current service cost	(9,330)	-
Interest cost	(1,630)	(30)
Contributions by participants	(700)	-
Remeasurement of the net Defined Benefit liability	3,870	50
Net benefits paid out	590	40
Past service costs	-	-
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	19,650	-
Closing balance at 31 March 2025	(385,660)	(1,930)

Reconciliation of the Fair Value of the Scheme Assets:

	LGPS	Discretionary Benefits
	2024/25	2024/25
	£000	£000
Opening Balance at 7 May 2024	-	-
Transferred in from former combined authorities	503,940	-
Revised Opening Balance	503,940	-
Interest income on assets	22,790	-
Remeasurement gains/(losses) on assets	(9,390)	-
Employer contributions	4,880	270
Contributions by scheme participants	4,370	-
Net benefits paid out	(15,380)	(270)
Settlement costs	(23,900)	-
Closing balance 31 March	487,310	-

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	2024/25 £000
Fair value of LGPS assets	487,310
Present value of liabilities:	
- LGPS liabilities	(329,730)
- Impact of minimum funding	-
Surplus/(Deficit) on funded defined benefit scheme	157,580
Discretionary benefits	(1,700)
Unrecognised asset (asset ceiling)	(157,580)
Total (Deficit)	(1,700)

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

	NECA	Nexus
Active members	25%	40%
Deferred pensioners	6%	11%
Pensioners	69%	49%

The weighted average duration of the defined benefit obligation for scheme members is 14.8 years for North East CA and 15 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 gross liability of £387.590m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a net pension deficit of £1.700m. 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 2025 is nil for North East CA and £5.060m for Nexus.

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 assessed 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 2022.

The principal assumptions used by the actuary have been:

North East CA and Nexus	LGPS	Discretionary
	2024/25	2024/25
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.9	20.9
Women	24.1	24.1
Longevity at 65 for future pensioners:		
Men	21.8	n/a
Women	25.2	n/a
Principal financial assumptions (% per annum)		
Rate for discounting scheme liabilities	5.8%	5.8%
Rate of inflation - Consumer Price Index	2.5%	2.5%
Rate of increase in pensions	2.5%	2.5%
Pension accounts revaluation rate	2.5%	n/a
Rate of increase in salaries	4.0%	n/a

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

	31 March 2025		
	% Quoted	% Unquoted	% Total
Equity investments	36.3%	11.8%	48.1%
Property	0.0%	11.1%	11.1%
Government bonds	1.1%	0.0%	1.1%
Corporate bonds	18.1%	0.0%	18.1%
Multi Asset Credit	4.5%	0.0%	4.5%
Cash	1.8%	0.0%	1.8%
Other*	0.0%	15.3%	15.3%
Total	61.8%	38.2%	100.0%

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

Actual Return on Assets

	LGPS
	2024/25 £000
Interest Income on Assets	22,790
Remeasurement gain/(loss) on assets	(9,390)
Actual Return on Assets	13,400

Sensitivity Analysis

Sensitivity analysis of North East CA pension liabilities is set out in Note 20 of the single entity accounts. Sensitivity analysis of the Nexus pension liabilities is shown below.

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation for Nexus as at 31 March 2025 and the projected cost for the period ending 31 March 2025 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised above.

Sensitivity analysis 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)	291.60	296.04	300.48
% change in present value of total obligation	-1.5%		1.5%
Projected service cost (£M)	5.16	5.45	5.75
Approximate % change in projected service cost	-5.3%		5.5%

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)	296.63	296.04	295.45
% change in present value of total obligation	0.2%		-0.2%
Projected service cost (£M)	5.45	5.45	5.45
Approximate % change in projected service cost	0.0%		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	299.89	296.04	292.19
% change in present value of total obligation	1.3%		-1.3%
Projected service cost (£M)	5.75	5.45	5.16
Approximate % change in projected service cost	5.5%		-5.3%

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	302.55	296.04	289.53
% change in present value of total obligation	2.2%		-2.2%
Projected service cost (£M)	5.66	5.45	5.24
Approximate % change in projected service cost	3.9%		-3.9%

* 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

Note G13: Deferred Taxation

The movement for the year comprises:

	2024/25 £000
Capital Allowances	-
Roll over relief on capital gains	-
Other timing differences	-
Tax effect of losses	-
Total	-

The balance at the year end comprises:

	2024/25 £000
Excess of capital allowances over depreciation	4,551
Roll over relief on capital gains	970
Other timing differences	(5,401)
Tax effect of losses	(120)
Total	-

Note G14: Usable Reserves

	2024/25 £000
General Fund Balance	(70,597)
Earmarked Reserves	(190,556)
Capital Receipts Reserve	-
Capital Grants Unapplied Reserve	(275,122)
Total	(536,275)

Note G15: Unusable Reserves**Summary**

	31 March 2025 £000
Capital Adjustment Account	(983,886)
Financial Instruments Adjustment Account	662
Revaluation Reserve	(9,661)
Pension Reserve	1,700
Total	(991,184)

Details of movements on the Financial Instruments Adjustment Account is shown in Note 23 of the North East CA single entity accounts. This reserve relates to North East CA only.

Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and 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
- Disposed of and the gains are realised

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

	£000
Opening Balance 7 May 2024	-
Transferred in from former combined authorities	(9,806)
Revised Opening Balance	(9,806)
Difference between fair value depreciation and historical cost depreciation written off to the CAA	146
Revaluation Gain recognised in Revaluation Reserve	-
Balance at 31 March 2025	(9,661)

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 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
Opening Balance at 7 May 2024	-
Transferred in from former combined authorities	(250)
Revised opening balance	(250)
Remeasurements of the net defined benefit liability to 31 March 2025	(4,000)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2025	920
Employer's pension contributions and direct payments to pensioners to 31 March 2025	5,030
Balance at 31 March 2025	1,700

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements 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 amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

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.

	£000
Opening balance at 7 May 2024	-
Transferred in from former combined authorities	(939,098)
Revised opening balance	(939,098)
Charges for depreciation and impairment of non current assets	40,911
Other income that cannot be credited to the General Fund	(4,590)
Revenue expenditure funded from capital under statute	144,301
Write down of long term debtors	1,307
Non Current Assets written off on disposal	758
Adjusting amounts written out of the Revaluation Reserve	(146)
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(219,695)
Statutory provision for the financing of capital investment	(1,751)
Capital expenditure charged against the General Fund	(4,576)
Debt redeemed using capital receipts	(1,307)
Balance at 31 March 2025	(983,886)

Note G16: Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing activities

	2024/25 £000
Surplus/(Deficit) on the provision of services	119,409
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements	
Depreciation, Impairment and Amortisation	42,280
Loss on disposal of non-current assets	840
(Increase)/Decrease in Creditors	(24,907)
Increase/(Decrease) in Debtors	(65,886)
Increase/(Decrease) in Inventories	42
Pension transactions	4,110
Other non-cash items charged to the net surplus or deficit on the provision of services	(4,420)
	(47,941)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
Capital grants credited to surplus/(deficit) on provision of services	(310,867)
Other adjustments for items that are financing or investing activities	(9,483)
Net cash flow from operating activities	(248,881)

The cash flows for operating activities include the following items:

	2024/25 £000
Interest received	26,038
Interest paid	(22,964)

Note G17: Cash Flow Statement - Investing Activities

	2024/25 £000
Purchase of property, plant and equipment, investment property and intangible assets	(89,745)
Purchase of short-term and long-term investments	(930,000)
Proceeds from short-term and long-term investments	896,241
Other receipts from investing activities	313,356
Net cash flows from investing activities	189,852

Note G18: Cash Flow Statement - Financing Activities

	2024/25 £000
Repayments of short and long-term borrowing	(25,621)
Other payments for financing activities	9,461
Net cash flows from financing activities	(16,160)

Note G18a: Reconciliation of liabilities arising from Financing Activities

	7 May 2024	Financing Cash Flows	Changes which are not financing cash flows		31 March 2025
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(148,667)	25,334	-	-	(123,333)
Short term borrowings	(1,959)	185	-	-	(1,774)
Total Liabilities from financing activities	(150,626)	25,519	-	-	(125,107)

Note G19: Capital Expenditure and Capital Financing

	£000
Opening Capital Financing Requirement 7 May 2024	-
Transferred in from former combined authorities	174,527
Revised Opening Balance	174,527
Capital Investment	
Property, Plant and Equipment	88,108
Intangible Assets	1,527
Capital Loans	-
Revenue Expenditure Funded from Capital Under Statute	144,301
Sources of Finance	
Capital receipts - repayment of principal from long term debtors	(1,307)
Government Grants and other contributions	(219,695)
Sums set aside from revenue	
Direct revenue contributions	(4,576)
Minimum Revenue Provision	(1,751)
Closing Capital Financing Requirement 31 March 2025	181,135
Increase in underlying need to borrow (unsupported by government financial assistance)	6,608

4.0 Supplemental Information

4.1 Glossary of Terms

Abbreviations	The symbol 'k' following a figure represents £ thousand. The symbol 'm' following a figure represents £ million.
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
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.
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 gains 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.
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.
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 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 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 in the UK	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 principle that the accounting treatment of like items within an accounting period and from one period to the next is 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 (Pensions)	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.

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.
Earmarked Reserve	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 is 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.
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 assets.
Fees and Charges	Income arising from the provision of services, for example, charges for the use of leisure facilities.
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 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.
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.

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.
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 Cost (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.
Liabilities	Any amounts 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.
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.
Net Book Value	The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.
Net Debt	The Authority's borrowings less cash and liquid resources.
Operating Leases	Leases other than a finance lease.

Property, Plant & 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 information available.
Public Works Loan Board	This is a Government agency which provides loans to local authorities at favourable rates.
Related Party Transactions	A related party transaction is the transfer of assets 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.

Unusable Reserves	<p>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 in Reserves</p> <p>Statement line 'adjustments between accounting basis and funding basis under regulation'.</p>
Usable Reserves	<p>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.</p>
Useful Life	<p>The period over which the Authority will derive benefits from the use of a fixed asset.</p>



Annual Governance Statement

July 2025



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Section 1: Introduction

This Annual Governance Statement provides an overview of how the North East Combined Authority's (North East CA) governance and internal control arrangements operated during 2024/25, including how they will be reviewed annually to ensure they remain effective.

Section 2: Scope Of Responsibility

Throughout the financial period from 7 May 2024 to 31 March 2025, the North East CA was a Mayoral Combined Authority and an accountable public body established under section 103 of the Local Democracy, Economic Development and Construction Act 2009. It was created in 2024 through the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 and is its own accountable body for funding received from government through the 2022 Devolution Deal.

The North East CA has established a Single Assurance Framework which sets out the robust decision making and delivery arrangements in place within North East CA. This has been developed in line with the English Devolution Accountability Framework (Published 16 March 2023) issued by the Department for Levelling up, Homes and Communities (DLUHC).

The Cabinet is the principal decision-maker and provides leadership of the organisation. It is chaired by the elected Mayor and consists of an elected member from each of the constituent councils with 2 non-voting members who are the Chair of the Business and Economy Board and a representative of the Community and Voluntary Sector.

Decisions are made by the Mayor (in relation to mayoral functions) or the Mayor and Cabinet (in relation to non-mayoral functions) in accordance with the 2024 Order and the North East CA constitution.

Cabinet provides the overall strategic direction for economic growth across North East England and approves the North East CA Investment Framework, North East CA Corporate Plan and the associated financial plans, that set out investment priorities.

For the 2024/25 year, each member of Cabinet (other than the Mayor) was appointed as a Lead Portfolio holder against the portfolio areas set out within the North East CA Corporate Plan. These portfolio lead roles are reviewed annually and confirmed at the North East CA's Annual Meeting.

The North East CA has set a number of missions that focus on delivery, ensuring it has real impact for the region and its people. This means setting clear, long-term goals that contribute to a bold vision of change.

The North East CA is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Cabinet and Statutory Officers are responsible for putting in place proper arrangements, known as a governance framework, for:

- (i) the governance of its affairs; and
- (ii) facilitating the effective exercise of our functions, including arrangements for the management of risk.

In relation to (ii), the North East CA has developed a system of internal control designed to manage risk to a reasonable level. No system of internal control can eliminate all risk of failure to achieve aims,

missions and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- a) identify and prioritise the risks to the achievement of our aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

Cabinet has agreed a Risk Management Framework which sets out the approach to managing risks at different levels of the organisation. Whilst risk management is dynamic and continuous, the Strategic Risk Register is formally reviewed by Senior Leadership Team each quarter, and by Cabinet and the Audit and Standards Committee every 6 months. In addition to strategic level, risks are also identified for ongoing management and reporting at directorate, programme and project level.

Section 3: Purpose of the Annual Governance Statement

All Combined Authorities are accountable to the public and other stakeholders for ensuring they have a sound system of governance and the North East CA is required to prepare and publish an annual governance statement (AGS). This includes information on the governance arrangements it has in place and how those arrangements are working in practice. It is intended to be an honest and evidenced assessment of what is working well and is likely to improve the accountability and prosperity of the organisation. It also identifies where improvements could be made.

The AGS must set out the result of a review of the effectiveness of the system of internal control and provide assurance on whether the governance arrangements are fit for purpose. It must also demonstrate how it is seeking to adhere to the seven principles of good governance set out in the 2016 framework on 'Delivering Good Governance in Local Government', prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE).

Section 4: Governance Principles

The core principles and outcomes of the AGS assessment are set out in Section 5 below. This includes examples of how the North East CA has adhered to its governance commitments as set out in the Single Assurance Framework, Constitution and relevant supporting documents. It also includes hyperlinks to sources of further information that include more detail about how North East CA has implemented its commitments.

Section 5: Assessment of activity against governance principles

The Governance Principles		
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
<i>The Authority's Commitment of Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Behaving with Integrity	<p>The former NTCA Cabinet and NECA Leadership Board approved the draft budget for the new North East CA for the 2024-25 financial year at their January 2024 meetings.</p> <p>Our Interim North East Local Growth Plan sets out how we will work in partnership with business to achieve our vision. This 10-year plan sets out how we will grow our economy, support regional businesses and so improve living standards for people across our great region. This has been developed with Cabinet and the support and input of partners from across the region. It is subject to wider consultation and will identify our key investment and delivery priorities, with a final version to be published in the summer, following the Government's Spending Review.</p> <p>The Constitution includes a Code of Conduct for members and officers which sets out expected standards to which they need to adhere. It also includes the Member/Officer Relations Protocol, Anti-Fraud and Corruption Policy and Whistleblowing Policy.</p> <p>Under the codes of conduct members and officers are required to declare interests, gifts and hospitality. A register of Members' interests (which includes gifts and hospitality) is maintained and reviewed at least on an annual basis.</p> <p>The Monitoring Officer advises on compliance with the Constitution, ensuring that decision making is lawful, fair and ethical. The Audit and Standards Committee has been established and is responsible for promoting and maintain high standards of conduct by members and its committees.</p> <p>The Director of Finance and Investment is the designated S73 Officer / Chief Finance Officer and responsible for ensuring effective financial management and governance arrangements are in place. These arrangements are designed to meet requirements within the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Statement on the Role of the Chief Finance Officer'.</p> <p>The Finance and Investment Advisory Board provides strategic oversight on funding and investment to drive economic growth and long-term prosperity across the region.</p>	<p>2024-25 Budget approval (Agenda item 7)</p> <p>Constitution - Part 5 - Codes of Conduct and Protocols</p> <p>Finance and Investment Advisory Board Responsibilities</p>

Section 5: Assessment of activity against governance principles

<p>Demonstrating Strong Commitment to Ethical Values</p>	<p>The Code of Conduct for Members and Code of Conduct for Officers establish the expected standards of conduct and behaviour for Members and officers working for and on behalf of the North East CA.</p> <p>Audit and Standards Committee is established and would consider any potential issues relating to the conduct of Members and also promotes high standards of conduct and behaviour. Information on how to submit a complaint against members is published on the website. During 2024/25 there have been no matters relating to conduct referred to the Audit and Standards Committee.</p> <p>We have a Whistleblowing Policy which provides for confidential reporting of concerns and protects individuals who make certain disclosures with regard to any instance of malpractice or wrongdoing and to investigate them in the public interest. Whistleblowing is when a member of staff raises concerns that the activities of the organisation for which they work are ethically or legally questionable.</p> <p>The Anti-fraud and Corruption Policy sets out our approach to the prevention and detection of fraud and corruption and confirms we will take all action necessary to identify any occurrences if suspected.</p> <p>Statutory Officers (Head of Paid Service, Chief Finance Officer and Monitoring Officer) have the necessary experience, skills, resources and support to ensure statutory and regulatory requirements are complied with.</p> <p>The North East CA has a corporate complaints procedure that allows the public to raise concerns, available on the North East CA website.</p> <p>The Constitution establishes our standing orders, financial regulations and scheme of delegations. These define how decisions are taken and the processes and controls in place to manage risks. Compliance with these allows us to demonstrate we are complying with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> <p>The Single Assurance Framework sets out how we ensure our decision making is supported by evidence; is proportionate, transparent and defensible, and works effectively to support the delivery of our ambitions.</p>	<p>Constitution - Part 5 - Codes of Conduct and Protocols</p> <p>Making a complaint against members of NECA</p> <p>Whistleblowing Policy</p> <p>Anti Fraud and Corruption Policy</p> <p>Corporate Complaints Procedures published on Internet</p> <p>North East CA Single Assurance Framework May 2024.pdf</p>
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Section 5: Assessment of activity against governance principles

	<p>As a public body carrying out a public function, we are committed to openness and transparency in everything that we do. We proactively publish information on our website unless we believe this may cause harm or greater public interest requires us to keep this information confidential. This is set out in our Publication Scheme.</p> <p>If members of the public are unable to find what they are seeking, we will respond to any information requests in accordance with our Freedom of Information Scheme, which is published on our website.</p> <p>We have a Privacy Policy which is aligned to our Data Protection Policies and sets out our commitment to keeping data safe and we want to make it clear how we collect, store and process information.</p> <p>We are committed to enhancing social value through initiatives aimed at addressing inequality and improving the quality of life for residents in our region. We recognise our role in tackling longstanding inequalities and have set ambitious equality objectives for our operations. We also produce an Annual Equality Report summarising work in these areas.</p> <p>We work with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work, which are outlined in our Corporate Plan.</p>	<p>Publication Scheme Freedom of Information Scheme</p> <p>Equalities objectives and Annual Equality Report 2024-25</p> <p>North East Combined Authority Corporate Plan 2024-28</p>
Respecting the Rule of Law	<p>We are established through The North East Mayoral Combined Authority (Establishment and Functions) Order 2024 and are our own accountable body for funding received from government through the 2022 Devolution Deal and 2024 Deeper Devolution Deal.</p> <p>The Single Assurance Framework sets out how we ensure our decision making is supported by evidence, proportionate, transparent and defensible, and works effectively to support the delivery of our ambitions and is in compliance with relevant laws and regulations.</p> <p>We review and update our Constitution which includes Standing Orders, Financial Regulations and Scheme of Delegation. These clearly define how decisions are taken and the processes and controls required to manage risks in compliance with relevant laws, regulations and professional codes of practice.</p> <p>The Scheme of Delegations specifies those powers of the Cabinet that are exercisable from time to time by officers and stating the title of the officer in question by whom the powers are exercisable. These designated officers are the Chief Executive (Head of Paid Service), the</p>	<p>Establishment and Functions Order 2024 North East devolution deal Deeper Devolution deal</p> <p>North East CA Single Assurance Framework May 2024.pdf</p> <p>Constitution</p> <p>Scheme of Delegations</p>

Section 5: Assessment of activity against governance principles

	<p>Directors (one of whom is the designated Section 73 Officer / Chief Finance Officer) and the Monitoring Officer.</p> <p>Financial management and governance arrangements are designed to meet all statutory requirements and those detailed within the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Statement on the Role of the Chief Finance Officer'.</p> <p>The Monitoring Officer has statutory reporting duties in respect of lawful decision and maladministration and advises on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical. It is through these arrangements that we would address any breaches of legal and regulatory powers.</p>	
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Section 5: Assessment of activity against governance principles

B. Ensuring openness and comprehensive stakeholder engagement		
<i>The Authority's Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Ensuring Openness Engaging comprehensively with institutional stakeholders	<p>We have clear objectives and outcomes aligned to our vision. The Corporate Plan outlines the things we are doing and will do in future using the powers and resources from the Devolution Deal and deeper Devolution Deal.</p> <p>A suite of communications guidance for funding streams has been developed which aim to:</p> <ul style="list-style-type: none"> • keep the public and stakeholders informed about the progress and milestones of devolution; • encourage the public and stakeholders to get involved in engagement or consultation activities. Build support for the North East devolution by sharing the vision, ambitions and the benefits it will have for local people; and • ensure the North East CA's position is presented fairly and accurately in any related media coverage. <p>The North East Mayor chairs the North East CA Cabinet and has a number of specific powers on which Cabinet can make representations. All mayoral decisions are taken at Cabinet. All decision reports assessed by Cabinet include specific considerations of engagement and consultation undertaken. Decisions can be subject to scrutiny by the Overview and Scrutiny Committee (OSC) and the Authority also has an Audit and Standards Committee. Papers for Cabinet and all committees are published on our website.</p> <p>Officer Delegated Decisions are also published on the website and circulated to Cabinet and the Chair of the Overview and Scrutiny Committee.</p> <p>Advisory Boards have been established for each portfolio area, chaired by a Cabinet Member, to:</p> <ul style="list-style-type: none"> • support members of the Authority in overseeing the delivery of the vision, ambitions and programmes of activity set out in the Authority's Corporate Plan and associated plans and strategies; 	<p>North East Combined Authority Corporate Plan 2024-28</p> <p>North East devolution deal</p> <p>Deeper Devolution deal</p> <p>Cabinet agendas, reports and minutes</p> <p>Overview and Scrutiny Committee agendas, reports and minutes</p> <p>Advisory Boards</p> <p>Delegated Decisions</p>

Section 5: Assessment of activity against governance principles

	<ul style="list-style-type: none"> bring together key stakeholders to support the development and delivery of these ambitions and programmes; and provide advice and information to the Authority to ensure there is a robust evidence base for decision-making. <p>The Business and Economy Board has been established, bringing together industry leaders and stakeholders to drive economic growth, investment, and prosperity across the region.</p>	
Engaging stakeholders effectively, including individual citizens and service users	<p>Meetings, agendas and minutes for Cabinet and all Committees are accessible via the website and are published in accordance with statutory requirements. All meetings are held in public (other than where consideration of confidential or exempt information) and all Cabinet meetings are live streamed.</p> <p>We publish a 'Forward Plan' of key decisions to notify the public of the most significant decisions we are due to take. Details of each decision are included on the Forward Plan 28 days before the report is considered, and any decision is taken. This allows an opportunity for people to find out about major decisions that North East CA is planning to take. Other decisions being taken at Cabinet meetings are also included on the Forward Plan in advance of the agenda being published.</p> <p>Our Publication Scheme and Freedom of Information Scheme are published on our website and enables stakeholders to access relevant data and information to support engagement. This includes transparency data where you will find the information we are required to publish under the Local Government Transparency Code 2015.</p> <p>We communicate with stakeholders and our communities using a range of tools including:</p> <ul style="list-style-type: none"> our website which contains information about us, our governance arrangements, how we work, how to get involved, news and events; and social media channels to share news, updates and events. <p>Transport is an area where we have undertaken extensive engagement during 2024/25. We have set out a vision to deliver a green integrated transport network through the production of a Local Transport Plan (LTP) for the region. This is a statutory plan, it sets our transport priorities up to 2040 and is supported by a delivery plan that sets out what is proposed will be built, introduced, or changed, to deliver the LTP.</p>	<p>Governance section of website</p> <p>You Tube Channel - streamed meetings</p> <p>Forward Plan</p> <p>Publication Scheme Freedom of Information guidance Transparency Data</p>

Section 5: Assessment of activity against governance principles

	<p>The LTP and delivery plan were developed in collaboration with the seven North East CA constituent local authorities and Nexus and are supported by an Integrated Sustainability Appraisal (ISA) which evaluates the impact of the LTP on factors such as environment, health, inclusion and accessibility.</p> <p>We engaged with statutory consultees as defined in the Local Transport Act who bring expert knowledge and a deep understanding of the region's transport and environmental challenges. As well as constituent local authorities and Nexus (the Passenger Transport Executive) these include National Highways, Subnational Transport Bodies such as Transport for the North, public transport user groups, rail operators / train operating companies and Active Travel England.</p> <p>By working closely with statutory consultees, the Combined Authority has been able to align our plans with legal requirements and national standards while embedding sustainability at every stage</p> <p>We also undertook extensive public consultation which included face to face engagement and meetings at locations across the region, online discussions and surveys promoted by social media. A total of 16,294 responses were received from a range of stakeholders and responses indicated support for the LTP.</p> <p>The responses also helped us to reshape the LTP and delivery plan following consultation to reflect feedback including:</p> <ul style="list-style-type: none"> • a need for greater reference to how transport can support economic and housing growth sites; • requests to include taxis as part of the integrated transport network; • a need to better align the LTP with the North East CA missions and the North East Local Growth Plan; • calls for stronger references to freight; and • the need to prioritise maintenance and resilience of existing transport assets. <p>The consultation approach and summary, Integrated Sustainability Appraisal documents and approved LTP are published on our website.</p> <p>Partners such as local authorities, Nexus and transport operators will deliver many of the schemes outlined in the delivery plan and this will need us to continue engagement and close working with our partners.</p>	<p>Transport Plan</p>
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Section 5: Assessment of activity against governance principles

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
<i>The Authority's Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Defining Outcomes Sustainable, Economic, Social and Environmental Benefits	<p>The Corporate Plan sets out the ambitions and roadmap for action over the period of the plan (2024/2028). It captures the breadth of work to be undertaken and ensures activities are aligned allowing for clear collaborative working.</p> <p>Outcomes and benefits are also detailed across a range of other plans that we have in place including the Local Growth Plan and Local Transport Plan</p> <p>The devolved Adult Skills Fund (ASF) and Skills Bootcamp funds are a key part of our ambition to make the North East the 'home of real opportunity'. This funding supports residents to capitalise on good quality new jobs and opportunities in our growing sectors including the foundational economy, at the same time as tackling the challenges facing our labour market. The programmes play a crucial role in achieving our ambitions to deliver a more prosperous, greener, inclusive economy, providing good work for all our residents and the right conditions for our regional businesses to thrive.</p> <p>During 2024/25 an employment and skills plan, 'New Deal for North East Workers', has been developed to support the delivery of an integrated, innovative regional employment and skills system and is to be considered by Cabinet in July 2025. This five year plan will be a key enabler for the delivery of our vision and missions.</p> <p>In August 2024, we set up the country's first Child Poverty Reduction Unit (CPRU) and in November 2024, we convened the Child Poverty Summit to galvanise action and begin work on the CPRU's priorities and we are developing grassroots plans tailored to local needs, and the strengths and opportunities of each part of the region. We have defined the key commitments, outputs and outcomes which will support successful delivery of our ambitions in this area.</p> <p>We aim be the home of the green energy revolution, which aims to put the North East at the forefront of the low-carbon economy, with the region a national leader on the path to energy security and net zero. We have a wide range of commitments, outputs and outcomes to help us become the natural choice for new industries, encourage</p>	<p>North East Combined Authority Corporate Plan 2024-28</p> <p>Local Growth Plan Transport Plan</p> <p>Agenda Item 7 - Devolved Adult Education Budget Agenda Item 8 - Devolved Adult Skills Fund and Skills Bootcamps Agenda Item 12 - Adult Skills</p> <p>Cabinet Agenda 18 March 2025 (Public) v2 (10).pdf</p> <p>Child Poverty Reduction Unit</p> <p>Net Zero - North East Evidence Hub Home of the green energy revolution Governance</p>

Section 5: Assessment of activity against governance principles

	<p>innovation, support green businesses to grow and ensure residents have the skills to take advantage of the immense job potential that the transition brings.</p> <p>All our investment decisions on funding programmes, across all of our initiatives, are made in accordance with our Single Assurance Framework. A key part of this is to assess investment proposals against strategic fit with North East CA's Investment Framework ensuring golden thread. The Finance and Investment Advisory Board play a key role in ensuring this occurs.</p>	
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Section 5: Assessment of activity against governance principles

D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
<i>The Authority's Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Determining Interventions	<p>Our financial position and available funding dictate the resources we can apply to interventions. The annual budget sets out how we will utilise these resources over the financial year and the medium-term financial plan. The budget position is monitored throughout the year and reported to Cabinet.</p> <p>Interventions are set out across the range of policies and plans we have in place and through Cabinet decisions. We have a range of mechanisms and reporting arrangements in place to monitor and report on performance across all of our activity. For example, performance against programmes and projects delivered through the investment programme are reported regularly through the Finance and Investment Board.</p> <p>Our scrutiny arrangements enhance accountability and transparency of decision making with Overview and Scrutiny Committee (OSC) able to call-in decisions where there is evidence which suggests that the decision was not taken in accordance with agreed principles.</p> <p>The work programme of the OSC is reviewed each meeting so the Committee is able to respond to issues as they arise. Each year the OSC prepare an annual report setting out the work it has undertaken and this is published on our website.</p> <p>Government introduced the Scrutiny Protocol 2023, which is considered to be a key factor in implementing single-style funding settlements and assisting organisations to ensure transparent and accountable decision-making and delivery of value for money. The North East CA has taken measures to implement, or is addressing, all of the guidance within the protocol. A self-assessment against the Protocol was undertaken in spring 2025 as part of the Scrutiny Annual Report and the assessment sets out details of progress made against each principle and identifies areas for further development in 2025/26.</p> <p>Risk management is an important tool in helping the North East CA to consider risks at varying levels across the organisation and our approach is set out in the Risk</p>	<p>2024-25 Budget approval (Agenda item 7)</p> <p>2025-26 Budget Approval - Agenda item 9</p> <p>2024-25 Budget monitoring - Agenda item 10</p> <p>https://www.northeast-ca.gov.uk/finance-and-investment-advisory-board</p> <p>Overview and Scrutiny Annual Report - agenda item 6</p> <p>Agenda Item 10 - Risk Management Framework and Strategic Risk Management</p>

Section 5: Assessment of activity against governance principles

	<p>Management Framework. Effective strategic risk management supports us to consider key risks which would impact on our ability to deliver our overarching vision and ability to deliver interventions, assess the likelihood of these occurring and identify appropriate mitigations to manage risks to an acceptable level. Risk management is also a key consideration in decision-making.</p> <p>Strategic risks are owned by Cabinet and managed by Senior Leadership Team on their behalf. There is formal review quarterly by the Senior Leadership Team, and by Cabinet every 6 months. Audit and Standards Committee also receive updates every 6 months to allow it to provide independent assurance over the adequacy of arrangements.</p>	
Optimising Achievement of Intended Outcomes	<p>The strategic, cross cutting nature of much of our work means that delivery can only be achieved through collaboration with partners including constituent local authorities. Much of this work is delivered through programmes and projects which allocate funding in line with our Single Assurance Framework. We have established monitoring arrangements in place for our investment programmes and the Finance and Investment Advisory Board plays a key role in scrutinising performance.</p>	Finance and Investment Advisory Board

Section 5: Assessment of activity against governance principles

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
<i>The Authority's Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Developing the organisation's capacity	<p>Roles and responsibilities of Cabinet, scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer) are established within the Constitution and our Scheme of Delegations defines delegation arrangements.</p> <p>Cabinet work collaboratively to take forward our agenda and consider the financial and other resource implications of decisions as well as a range of other factors. Through considering reports and making decisions we are actively assessing capacity and capability to deliver.</p>	Constitution Scheme of Delegations
Developing the capability of the organisation's leadership and other individuals	<p>To ensure we understand what we need to achieve it is vital we have and foster a high-performing, values-driven leadership culture that supports the delivery of our strategic priorities driven from our missions and enhances public value across the region. Central to this commitment is our Talent Framework, which underpins our approach to leadership development, succession planning, and equipping managers with skills around organisational resilience, absence management and hiring.</p> <p>The Talent Framework provides a structured and inclusive pathway for leadership growth, ensuring that all leaders, regardless of level are equipped with the skills, behaviours, and mindset required to lead effectively in their directorates and teams. It aligns closely with our core values and behaviours, promoting integrity, collaboration, innovation, and accountability. Key components of our leadership development strategy include:</p> <ul style="list-style-type: none"> • a comprehensive leadership and management programme with all leaders across North East CA participating in a structured development programme tailored to their role and career stage; • bespoke leadership development, recognising the diverse needs of our leadership cohort, providing opportunities that support individual growth, address specific organisational challenges and prepare leaders for future roles; • succession planning and future talent - we proactively identify and nurture future leaders, ensuring a robust pipeline of talent ready to step into critical 	Careers

Section 5: Assessment of activity against governance principles

	<p>roles. This approach supports continuity, innovation, and long-term sustainability of leadership; and</p> <ul style="list-style-type: none">• we regularly assess the impact of our leadership development initiatives through feedback, performance metrics, and organisational outcomes. This ensures our approach remains responsive, evidence-based, and aligned with the evolving needs of our communities. <p>All staff have attended values and behaviours workshops and had an appraisal undertaken with agreed targets and objectives linked to our work programme. Staff also receive and / or have access to training around information governance, information security, health and safety.</p> <p>By investing in the capability of our leadership and future leaders, the North East CA is building a resilient, forward-thinking organisation that is well-positioned to deliver inclusive growth, tackle regional inequalities, and drive transformational change across the North East.</p> <p>Recognising we are still a relatively new organisation, we do have a strategic risk around operational capacity and resources. This demonstrates we are actively considering requirements and understand there is a risk that if we do not have the right capabilities and capacity we may be unable to deliver ambitions with pace in line with stakeholder expectations</p>	
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Section 5: Assessment of activity against governance principles

F. Managing risks and performance through robust internal control and strong public financial management		
The Authority's Commitment to Good Governance	How the Authority meets these principles	Where you can see Governance in action
Managing Risk	<p>Our Risk Management Framework sets out our robust approach to managing risks at all levels across the organisation with risk reviewed and reported at strategic, directorate, programme and project level.</p> <p>Strategic risks are owned by Cabinet and managed by the Senior Leadership Team on their behalf. There is a formal review quarterly by the Senior Leadership Team and by Cabinet every 6 months. Audit and Standards Committee also receive updates every 6 months to allow it to provide independent assurance over the adequacy of arrangements.</p> <p>Other levels of risk are reported in line with relevant governance arrangements as set out within the Single Assurance Framework and Risk Management Framework.</p> <p>To inform decision-making, all committee reports include a section that highlights the key risks to the decisions or proposed recommendations and how they are being addressed.</p>	<p>Agenda Item 10 - Risk Management Framework and Strategic Risk Management</p> <p>https://www.northeast-ca.gov.uk/decision-making</p>
Managing Performance	<p>Overarching financial performance is reported to Cabinet and Overview and Scrutiny Committee who receive quarterly finance reports monitoring the financial position and treasury management activity.</p> <p>We have a range of mechanisms and reporting arrangements in place to monitor and report on performance across all of our activity. For example, performance against programmes and projects delivered through the investment programme are reported regularly through the Finance and Investment Board.</p> <p>We have identified the need to establish a formal performance management framework which supports enhanced co-ordination and streamlined performance reporting. There is a dedicated project ongoing to develop this in 2025.</p>	
Effective Overview and Scrutiny	Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 1.2) and will call-in decisions where	

Section 5: Assessment of activity against governance principles

	<p>there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>At the beginning of the municipal year a briefing by all portfolio holders to the Overview and Scrutiny Committee members was provided to introduce the work of the authority to the new members. Workshops have also been held with members to develop their understanding of the role of a combined authority and how scrutiny for a combined authority differs from that at a local authority.</p> <p>The Mayor and Cabinet members have attended Overview and Scrutiny Committee and faced questions on their portfolio areas. Additionally, officers and Members attend the regional scrutiny network meetings.</p> <p>Each year the OSC prepare an annual report setting out the work it has undertaken. This report for 2024/25 was presented to Cabinet at its annual meeting in June 2025.</p> <p>There are regular meetings between the Mayor and the Chair and Vice Chair of Overview and Scrutiny Committee.</p> <p>Government introduced the Scrutiny Protocol 2023 and is considered to be a key factor in implementing single-style funding settlements and assisting organisations to ensure transparent and accountable decision-making and delivery of value for money. The North East CA has taken measures to implement, or is addressing, all of the guidance within the protocol. A self-assessment against the Protocol was undertaken in spring 2025 as part of the Scrutiny Annual Report and the assessment sets out details of progress made against each principle and identifies areas for further development in 2025/26.</p>	<p>OSC Annual Report to Cabinet</p>
Robust Internal Control	<p>The Constitution establishes our Standing Orders and Financial Regulations which set out expected internal controls across the areas covered within these. These are reviewed and updated annually to ensure they remain appropriate and are aligned with the Single Assurance Framework.</p> <p>Risk management arrangements help us to identify key risk to achieving objectives and to put in place appropriate internal controls to mitigate these to an acceptable level.</p>	<p>Audit and Standards Committee</p>

Section 5: Assessment of activity against governance principles

	<p>We have an internal audit function which provides independent and objective assurance on the adequacy of our system of governance, risk management and internal control. Internal Audit agree a programme of work annually with Audit and Standards Committee and report on progress against the plan to each meeting of the Audit and Standards Committee.</p> <p>The Chief Internal Auditor provides an annual report and opinion summarising the work of internal audit. For 2024/25, the Chief Internal Auditor provided reasonable assurance that the governance, risk management and control frameworks are adequately designed and operating effectively to support achievement of objectives. This is a positive opinion, reflecting a generally sound system of governance, risk management and internal control. This outcome is reported to the July 2025 meeting of Audit and Standards Committee.</p> <p>Audit and Standards Committee has been established to support and monitor the governance, risk management, external audit, internal audit and financial reporting of the North East CA, ensuring they are managed to a high standard of openness, integrity and accountability. This provides independent oversight of these arrangements and receives regular reports on all matters it needs to perform its duties.</p> <p>The Chair of Audit and Standards submits an annual report to Cabinet on the work and views of the committee providing assurance on internal control.</p>	<p>Cabinet 10 June 2025 agenda pack</p>
Managing Data	<p>We have a designated Senior Information Responsible Officer and Data Protection Officer responsible for ensuring data protection and confidentiality is maintained in line with relevant legislation, i.e. General Data Protection Regulations (GDPR).</p> <p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continued during 2024/25.</p> <p>Our Privacy Policy sets out how we will manage and use data in compliance with relevant legislation and regulations.</p> <p>We proactively publish information on our website unless we believe this may cause harm or greater public interest requires us to keep this information confidential. This is set out in our Publication Scheme. Where members of the public are unable to find what they are seeking, we will helpfully respond to any information requests. Our Freedom of Information Scheme is published on our website.</p>	<p>https://www.northeast-ca.gov.uk/publication-scheme</p>

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Strong Public Financial Management	<p>We publish financial statements annually which are subject to external audit. The external auditors provide an audit opinion and commentary on value for money.</p> <p>During 2024/25 the North East CA has worked with external auditors to conclude the annual audits for the predecessor organisations, i.e. North of Tyne Combined Authority and previous North East Combined Authority. For both organisations the external auditors issued an unqualified opinion, without modification, on the financial statements. They also concluded there were no significant weaknesses in arrangements or recommendations to report in relation to the arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</p> <p>Work is currently ongoing to prepare draft financial statements for 2024/25 and these will be prepared in line with statutory requirements.</p>	<p>https://www.northeast-ca.gov.uk/governance/finance</p> <p>Agenda Item 7 - External audit reports</p>
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Section 5: Assessment of activity against governance principles

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
<i>The Authority's Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Implementing good practice in transparency	<p>We comply with the requirements of, and publish information required under, the Local Government Transparency Code 2015.</p> <p>All agendas, reports and minutes (unless classified as exempt under relevant legislation) considered by Cabinet and Committees are published on our website. This includes the Forward Plan of all decisions to be taken.</p> <p>Cabinet and committee meetings are held in public with Cabinet meetings live streamed.</p> <p>We also publish details of delegated decisions on our website.</p>	<p>https://www.northeast-ca.gov.uk/governance/finance</p> <p>https://www.northeast-ca.gov.uk/decision-making</p>
Implementing good practices in reporting	<p>Our Single Assurance Framework and supporting business processes have been developed in accordance with the Local Government Financial Framework, as set out in the DLUHC Local Government System Statement, HM Treasury Guide to developing the project business case, HM Treasury Guide to Assuring and Appraising Project: Green Book, Orange Book (Strategic Risk) and Magenta Book (Evaluation).</p> <p>Financial statements are prepared in line with legislative and regulatory guidelines and are published accordingly.</p> <p>Internal Audit conform with relevant internal audit standards and include an assessment against these in their annual report. For 2024/25 this was assessed as a high degree of conformance with standards.</p> <p>Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. The Committee assesses its effectiveness against these on an annual basis. A self-assessment as completed for 2024/25 and this confirmed arrangements are working well with a good level of performance against the good practice recommendations with some minor improvement actions.</p>	<p>Single Assurance Framework</p> <p>Agenda Item 5 - Annual Review of Effectiveness of Audit and Standards Committee</p>

Section 5: Assessment of activity against governance principles

Assurance and effective accountability	<p>Our Single Assurance Framework sets out the robust decision making and delivery arrangements in place and cover assurance and accountability arrangements. The framework, agreed with government, provides assurance to the Departmental Accounting Officer around how funding granted / devolved is allocated and that there are robust systems in place to ensure resources are spent with regularity, propriety and value for money.</p> <p>The public nature of Cabinet and its decision making and the work of Overview and Scrutiny Committee around this decision making provide accountability.</p> <p>Audit and Standards Committee, internal audit and external audit provide independent assurance around the adequacy and effectiveness of our governance, risk and control framework and financial management arrangements.</p> <p>The Chair of Audit and Standards submits an annual report to Cabinet on the work and views of the committee providing assurance on internal control.</p>	<p>Single Assurance Framework</p> <p>Cabinet 10 June 2025 agenda pack</p>
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Section 6: Annual Review of Effectiveness of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review is led by officers and members of Audit and Standards Committee who provide independence and challenge.

We have conducted our review for 2024/25 and Section 5 demonstrates how we conform with each of the governance principles within 'Delivering Good Governance in Local Government', prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). This review has consisted of:

- (a) an assessment of the Constitution, including the role and work of Cabinet and committees
- (b) the views of the Chief Internal Auditor and consideration of their annual opinion for 2024/25, i.e. reasonable assurance that the governance, risk management and control frameworks are adequately designed and operating effectively to support achievement of objectives. This is a positive assessment of the control environment of the organisation.
- (c) the views of statutory officers
- (d) the reports provided by external audit
- (e) the activity of the Audit and Standards Committee in providing independent oversight
- (f) the risk management process, and
- (g) financial and non-financial performance information reported to Cabinet and other meetings throughout the year.

Section 7: English Devolution White Paper, Integrated Settlement and Local Growth Plan

On 16 December 2024 the Government published the [English Devolution White Paper](#) setting out proposals to widen and deepen devolution across England. Under the White Paper, the North East CA will be an 'Established Mayoral Strategic Authority' with an enhanced set of powers and functions. The North East CA was confirmed in 2024 as being one of the combined authorities to be moving to an integrated single settlement for the 2026/27 financial year. This provides a more flexible, outcomes-based approach to delivering against a set of outcomes to be agreed with HM Treasury and removes some of the 'ringfencing' of funding. As a MSA, the North East CA was identified in the Spending Review as one of the authorities receiving a specific allocation of funding from UK Research and Innovation [UKRI].

Working closely with government departments, and cross-departmentally supported by MHCLG and with input from those combined authorities that have already moved to single settlement, we have the opportunity to build on and deepen the benefits that come with integrated settlement. This is a chance to align our funding more closely to the outcomes in our Corporate Plan and Local Growth Plan, supported by our investment and single assurance frameworks. Integrated settlement also provides additional flexibilities to move funding between themes and between financial years.

Our Interim North East Local Growth Plan sets out how we will work in partnership with business to achieve the vision. This 10-year plan sets out how we will grow our economy, support our businesses and so improve living standards for people across our great region. This interim plan has been developed with Cabinet and with the support and input of partners from across the region. It is intended for wider consultation and input, and to identify our key investment and delivery priorities, with a final version published in the summer after the Government's Spending Review.

Together the Integrated Settlement and Local Growth Plan will represent significant development moving into 2025/26.

Section 8: Significant Weaknesses in governance and internal control / Areas for improvement

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

The review for 2024/25 has highlighted no significant weaknesses in governance or internal control during 2024/25. We do acknowledge that work is needed to further embed our arrangements as the organisation matures and adapts to any changes in its operating environment.

Whilst no significant weaknesses have been identified the review has highlighted areas where governance arrangements can be enhanced or improved. These include the following:

- Whilst there are a range of governance documents we do not have a formal Local Code of Corporate Governance. CIPFA / SOLACE guidance indicates that a local code is in place and forms the basis of the annual assessment. Developing such a code and ensuring this is integrated with all other relevant frameworks, policies and protocols which are already in place would enhance current arrangements.
- There is a recognised need to formalise our performance management arrangements, and we have a project underway to develop a Performance Management Framework. Completing this review will provide a co-ordinated and streamlined approach to performance management.

Section 9: Conclusion

We consider the governance arrangements and internal control environment operating during 2024/25 provide reasonable and objective assurance that significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

Mayor

Name: Kim McGuinness

Signature:

Date:

Chief Executive Officer

Name: Henry Kippin

Signature:

Date:

Chair of Audit and Standards Committee

Name: Dave Willis

Signature:

Date:

Chief Finance Officer

Name: Mags Scott

Signature:

Date:

Audit and Standards Committee

16 September 2025

Subject: Appointment of Standards Subcommittee

Report of: John Softly, Monitoring Officer

Report Summary

This report seeks Committee's views as to whether to establish a Standards Subcommittee to conduct standards hearings and grant dispensations.

Recommendations

The Audit and Standards Committee is recommended to consider whether it wishes to appoint a Standards Subcommittee on the basis set out in this report.

1. Background

- 1.1 At its last meeting the Committee considered a report regarding the possible appointment of a Standards Subcommittee. As set out in that report, the role of the Subcommittee would be:
 - a. to conduct hearings following investigation and determine complaints made against members and co-opted members (including requests for review);
 - b. where a member or co-opted member is found to have failed to comply with the Code of Conduct to take such action as may be necessary to promote and maintain high standards of conduct, in accordance with the powers available to the Audit and Standards Committee;
 - c. to grant dispensations to members and co-opted members from requirements relating to interests set out in the Members' Code of Conduct (where such dispensations cannot be dealt with at a scheduled meeting of this Committee).
- 1.2 At the conclusion of the discussion, it was agreed that the Assistant Director Legal and Governance would liaise with members in formulating proposals for consideration by this Committee for a Standards Subcommittee on the basis that:
 - a. the subcommittee would comprise the independent Chair of this Committee plus an elected member from each local authority who is also a member of this Committee;
 - b. the subcommittee would reflect political balance across the region as far as possible;
 - c. the quorum for the subcommittee would be 5 voting elected members (in line with this Committee's quorum requirement of 2/3 of the elected membership).
- 1.3 Members have therefore been consulted as to their views on the proposed subcommittee and their willingness to be a member of the subcommittee. Whilst a number of members felt that a Subcommittee was not necessary (and that the functions set out in paragraph 1.1 could be discharged by this Committee), more members felt that the Subcommittee should be established. One member expressed the view that the Subcommittee did not need to be politically balanced and should simply comprise an elected member from each authority. A number of members expressed their willingness to be a member of the Subcommittee. However, given the potential distribution of seats set out in the following paragraph, it will not be possible to accommodate the wishes of all members who have expressed a willingness to sit on the Subcommittee.

2. Possible model for a subcommittee

- 2.1 If the Subcommittee is to reflect the current political balance across the region, this would suggest the following allocation of seats:

Constituent Council	ASC Membership	Proposed Subcommittee Membership
Durham	2 Reform	1 Reform
Gateshead	1 Labour 1 Lib Dem	1 Labour or 1 Lib Dem*
Newcastle	1 Labour 1 Lib Dem	1 Labour or 1 Lib Dem*
North Tyneside	2 Labour	1 Labour
Northumberland	1 Conservative 1 Reform	1 Conservative
South Tyneside	1 Labour 1 Green	1 Labour**
Sunderland	2 Labour	1 Labour

*To achieve political balance either the Gateshead or Newcastle member should be a Lib Dem member (with the other being a Labour member).

**The current political balance across the region applied to a subcommittee of 7 members would mean that the exact share of the seats would be Labour 3.51 seats and the Greens 0.25 seats.

3. Decision Options

- 3.1 The Committee are invited to decide whether:
- a) to set up a Subcommittee on the basis set out above; or
 - b) not to set up a Subcommittee, in which event this Committee will discharge the functions set out in paragraph 1.1 of the report.

4. Potential Impact on Objectives

- 4.1 The Authority's Corporate Plan states that it makes its decisions with transparency, efficiency, and accountability. How we do this is outlined in our Constitution and our Single Assurance Framework, which explain how we manage our governance, communications and programme assurance.

5. Key Risks

- 5.1 None.

6. Financial and Other Resources Implications

- 6.1 The appointment and operation of a subcommittee would have no material financial implications for the North East CA's corporate budget.

7. Legal Implications

- 7.1 The Monitoring Officer is the author of this report.

8. Equalities Implications

- 8.1 There are no direct equalities implications arising from the recommendations in this report.

9. Consultation and Engagement

- 9.1 The potential to establish a subcommittee was raised by this Committee itself.

10. Appendices

None

11. Background Papers

North East CA [Constitution](#)

12. Contact Officers

John Softly, Assistant Director of Legal and Governance john.softly@northeast-ca.gov.uk

Michael Robson, Senior Governance Officer Michael.robson@northeast-ca.ov.uk

13. Glossary

None

16 September 2025

Subject: External Audit – Audit Progress Report

Report of: External Auditor

Report Summary

The purpose of this report is to introduce the Audit Progress Report produced by the North East CA's external auditors, Forvis Mazars.

Recommendations

The Audit and Standards Committee is recommended to note the report from the External Auditor.

1. Background Information

- 1.1 The Audit Progress Report, produced by the North East CA's external auditors, Forvis Mazars, provides the Committee with information about progress in delivering the audit for the year ending 31 March 2025 and provides information on national publications and technical updates which may be of interest. The Audit Progress Report is attached as Appendix A. Whilst still early in the audit process with the bulk of work being later in the year, the report indicates that at this stage, there are no changes to the planned approach set out in the Audit Strategy Memorandum 2024/25.

2. Potential Impact on Objectives

- 2.1 In delivering the missions and objectives set out in this corporate plan, the Authority seeks to manage its resources in a way that maximises value for money when weighed against the benefits they deliver.

3. Key Risks

- 3.1 There are no key risk implications arising from this report.

4. Financial and Other Resources Implications

- 4.1 The fees for work as the Authority's appointed auditor were set out in the Audit Strategy Memorandum 2024/25.

5. Legal Implications

- 5.1 The production and publication of an audited Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations 2015.

6. Equalities Implications

- 6.1 There are no direct equalities implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it.

7. Consultation and Engagement

- 7.1 Details of the auditor's engagement approach were set out in the Audit Strategy Memorandum 2024/25.

8. Appendices

Appendix A – Audit Progress Report 29 August 2025

9. Background Papers

None

10. Contact Officers

Gavin Barker, Audit Director – Public Sector, gavin.barker@mazars.com
Eleanor Goodman, Head of Finance eleanor.goodman@northeast-ca.gov.uk

11. Glossary

None.

Audit Progress Report

North East Combined Authority

29 August 2025

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- 02 National publications and technical updates

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01

Audit update

01 Audit update

Purpose of this report

This report provides the the Audit and Standards Committee with information about progress in delivering our responsibilities as your external auditors for the North East Combined Authority. It also provides information on national publications and technical updates which may be of interest.

Audit for the year ending 31 March 2025

Our Audit Strategy Memorandum 2024/25, finalised on 24 June 2025, was presented to the Audit and Standards Committee meeting on 8 July 2025.

This set out our engagement responsibilities and summary, the key members of the audit team, outlined the audit scope, approach and timeline, materiality and misstatements, significant risks and other key judgement areas, value for money work, audit fees and confirmation of our independence.

It is still early in the audit process with the bulk of work being later in the year. At this stage, there are no changes to the planned approach set out in the Audit Strategy Memorandum 2024/25.

02

National publications and technical updates

National publications and technical updates

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy ('CIPFA')		
1	Audit Committee Update issue 41 – the local audit backstop	A guide for audit committee members at English local authorities to explain the local audit backstop arrangements. It covers key terms, dates, roles and responsibilities and how audit committee members can help. For information only.
2	CIPFA Consultation on updated guidance on the annual review and preparation of an annual governance statement	CIPFA has launched a consultation on its guidance on the annual review and preparation of the annual governance statements (AGS). For information only.
3	CIPFA Better Reporting Group consultation	CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting. For information only.
4	CIPFA Advisory Note: Statement of Responsibilities	CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. For information only.
Ministry of Housing, Communities and Local Government ('MHCLG') (formerly the Department for Levelling Up, Housing and Communities ('DLUHC'))		
5	Code of Audit Practice 2024: Explanatory memorandum	This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government and laid before Parliament in accordance with the Local Audit and Accountability Act 2014. For information only.
6	MHCLG Addressing the local audit backlog in England: Non-compliance lists	MHCLG has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024. For information only.
7	Local audit reform: a strategy for overhauling the local audit system in England	MHCLG has published its response to the consultation on local audit reform. This included making some additional commitments in response to the findings of the consultation. For information only.
National Audit Office ('NAO')		
8	NAO overview: The impact of fraud and error on public funds 2023-24	This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. It is intended to support the Committee of Public Accounts, and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve. For information only.

National publications and technical updates

	Publication/update	Key points
9	NAO report: Whole of Government Accounts 2022-23	The Whole of Government Accounts consolidates the accounts of over 10,000 public sector bodies to provide the most complete and accurate picture of the UK's public finances. For information only.
10	NAO insight: Financial management in government: monitoring and forecasting	This guide is for senior finance leaders in government departments and other public bodies. It sets out insights and good practice on monitoring and forecasting for better financial management in government. For information only.
11	NAO insight: Government's approach to technology suppliers: addressing the challenges	This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. For information only.
12	NAO insight: Financial management in government: allocating resources	This guide is for senior finance leaders in government departments and other public bodies. It sets out insights and good practice on how to allocate resources for better financial management in government. For information only.
13	NAO report: Managing conflicts of interest: value for money	This report looks at the governance, systems and processes that public bodies have used to manage conflicts of interest. For information only.
14	NAO Report: Good practice in annual reporting	The NAO has published its insight guide on Good practice in annual reporting. For information only.
15	NAO report: Local government financial sustainability	The NAO has published its report Local government financial sustainability. For information only.
16	NAO Insight: Managing the commercial lifecycle	The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. For information only.
Other		
17	Audit opinion data 2023/24	An update was provided on the delivery of audit opinions for 2023/24 against the backstop date of 28 February 2025. For information only.
18	ICAEW and LGPS Scheme Advisory Board launch LGPS informer	This document explains how the Local Government Pension Scheme ('LGPS') works in practice, and other key information. For information only.
19	Major Local Audits Reports	The FRC have published their annual report on their inspection findings of Audit Quality Reviews of Major Local Audits. For information only.

National publications and technical updates

	Publication/update	Key points
20	Forvis Mazars - Annual Local Government Risk Report 2025/26	The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans. For information only.
21	Forvis Mazars – Public Sector in Focus Report	Forvis Mazars report for the public and social sector outlining the top priorities and risks shaping the future of the sector. For information only.

Latest update, 5 June 2025

	Publication/update	Key points
22	NAO: Publication of Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06	Provides guidance to auditors on special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. For information only.

National publications and technical updates

CIPFA

1. Audit Committee Update issue 41 – the local audit backstop

A guide for audit committee members at English local authorities to explain the local audit backstop arrangements. It covers key terms, dates, roles and responsibilities and how audit committee members can help.

Link: [Audit Committee Update issue 41 – the local audit backstop](#)

2. CIPFA Consultation on updated guidance on the annual review and preparation of an annual governance statement

CIPFA has launched a consultation on its guidance on the annual review and preparation of the annual governance statements (AGS).

The consultation is on a proposed Addendum to the current AGS guidance within Delivering Good Governance in Local Government: Framework (Governance Framework) (CIPFA and Solace, 2016). The purpose of the Addendum is to reflect the changes affecting governance in local government bodies since 2016, encourage robust reviews of governance arrangements and improve accountability to stakeholders, including local communities.

The consultation is applicable to all local government bodies that undertake an annual review and publish an AGS in accordance with the appropriate national regulations and the 2016 Framework. It is also relevant to external auditors and the stakeholders of local authorities.

Link: [Consultation on updated guidance on the annual review](#)

National publications and technical updates

CIPFA

3. CIPFA Better Reporting Group consultation

CIPFA's Better Reporting Group (BRG) has been set up to identify and address challenges in local authority financial reporting either through proposing amendments to the Code of Practice on Local Authority Accounting for the United Kingdom (the Code) or assisting to develop practical guidance to enhance its application.

Link: [Better Reporting Group](#)

4. CIPFA Advisory Note: Statement of Responsibilities

CIPFA has published an advisory note on the Chief Finance Officer's (CFO's) Statement of Responsibilities which provides guidance on informing the 'true and fair' assessment of the accounts at the reporting date. The advisory note applies to all local government bodies in the UK.

The note draws from lessons learnt from recent examples and a roundtable with CFO's and reinforces good practice principles that local government bodies in the UK should adopt. The CIPFA Practice Oversight Panel expects all local government bodies to be aware of the lessons learnt and therefore auditors may wish to ensure the bodies they audit are aware of this latest guidance.

Link: [Statement of Responsibilities](#)

National publications and technical updates

MHCLG

5. Code of Audit Practice 2024: Explanatory memorandum

The draft Code of Audit Practice 2024 has been developed by the Comptroller and Auditor General (C&AG) and laid in Parliament on his behalf by the government. The government has produced this accompanying explanatory memorandum.

The changes in the Code are part of wider measures to address the significant backlog of unaudited local body accounts in England. This backlog affects non-NHS bodies within the Code's remit including local authorities, National Park authorities, fire authorities, police and crime commissioners, waste authorities and transport authorities

Link: [Code of Audit Practice 2024: Explanatory memorandum](#)

6. MHCLG Addressing the local audit backlog in England: Non-compliance lists

The Ministry of Housing, Communities and Local Government (MHCLG) has published a list of local bodies that did not publish one or more audited accounts for financial years up to and including 2022 to 2023 by the statutory backstop date of 13 December 2024.

Link: [Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)

National publications and technical updates

MHCLG

5. Code of Audit Practice 2024: Explanatory memorandum

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Link: [Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)

National publications and technical updates

MHCLG

7. Local audit reform: a strategy for overhauling the local audit system in England

Extracts from Press Release on 9 April 2025:

Road to recovery outlined in new commitments for local audit reform to streamline and fix the fragmented and broken system

New reforms to repair the 'broken' local audit system will boost taxpayers' confidence in council spending and streamline the sector so it's fit-for-purpose, legal and decent.

Today, 16 commitments have been set out to achieve this, including simplifying financial reporting requirements and increasing capacity to avoid reliance on a small number of auditors.

The reforms will be backed by up to £49 million of support to help councils clear their backlogs and cover the additional cost of restoring audit assurance. Releasing funds to councils will be reliant on compliance with statutory backstops and linked to the publication of audited accounts and audit fees being paid.

In addition, a further £15m of grant was paid to local bodies in March 2025 as part of an existing package to help meet the wider costs of meeting audit requirements and fees.

The 16 new measures follow an [open consultation](#) on the local audit strategy, which attracted hundreds of responses.

The measures build on an existing commitment to set up the Local Audit Office as an independent and unified body, which will stop fragmentation in the system by co-ordinating functions spread across different organisations including the Public Sector Audit Appointments Ltd, the National Audit Office and the Financial Reporting Council.

These reforms will be crucial to fixing the foundations and bringing long-term stability to local government as committed in the Plan for Change.

Link: [Overhaul of local audit will restore trust in broken system - GOV.UK](#)

National publications and technical updates

NAO

8. NAO overview: The impact of fraud and error on public funds 2023-24

This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. It is intended to support the Committee of Public Accounts, and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve.

This overview summarises the key information and insights from our work. It includes:

- what we mean by fraud and error, and how government is structured to tackle it
- the fraud and error risk management cycle
- fraud and error against government, including in benefits, taxes and COVID-19 fraud
- emerging threats and opportunities
- what to look out for when thinking about fraud and error.

Link: [The impact of fraud and error on public funds 2023-24](#)

9. NAO report: Whole of Government Accounts 2022-23

The Whole of Government Accounts consolidates the accounts of over 10,000 public sector bodies, including central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK's public finances.

Link: [Whole of Government Accounts 2022-23](#)

National publications and technical updates

NAO

10. NAO insight: Financial management in government: monitoring and forecasting

Good financial management is critical in the public sector. For public services to be efficient and productive, the effective management of public finances is essential. This guide outlines how finance leaders across government can monitor budgets and their performance and ensure forecasting is effective. It focuses on three principles:

- Promote a culture of accountability – leadership emphasises the importance of budget holders being accountable for monitoring financial performance and ensuring forecasts are accurate and realistic.
- Develop the right skills and capabilities – finance professionals possess the skills and capabilities to monitor effectively and forecast with precision and leverage these to elevate the quality of the organisation's decision-making.
- Make the best use of data and information – high-quality data and information is used to enable better monitoring and more accurate forecasting, helping decision-makers respond to events quickly and effectively.

Link: [Financial management in government: monitoring and forecasting](#)

11. NAO insight: Government's approach to technology suppliers: addressing the challenges

This report examines government's overall approach to digital and technology suppliers. It sets out lessons for the centre of government and departments to learn from government's approach to digital procurement. The NAO focus on major procurement of technology to support business change, including the digital transformation of government and planning for technology of the future. The report examines:

- the scale of the challenge of undertaking digital procurement in a way that supports the modernisation of the public sector to make it more efficient and effective, and government's response to that challenge;
- how the centre of government can adopt a more strategic approach to how it works with digital and technology suppliers; and
- how departments can better understand and manage the complexities of digital procurement, including making full use of their digital expertise.

Link: [Government's approach to technology suppliers: addressing the challenges](#)

National publications and technical updates

NAO

12. NAO insight: Financial management in government: allocating resources

This guide outlines how finance leaders across government can allocate resources effectively when resources are scarce and trade-offs need to be made. It focuses on three principles:

- Using information intelligently an organisation should use trusted and objective information intelligently, so it can allocate resources to support strategic objectives.
- Prioritising effectively – finance leaders should support decision makers to make difficult decisions and trade-offs to generate good value-for-money outcomes based on agreed priorities.
- Building for the long term – decisions need to balance short-term pressures with long-term priorities and align with the strategic objectives of the organisation.

Link: [Financial management in government: allocating resources](#)

13. NAO report: Managing conflicts of interest: value for money

This report looks at the governance, systems and processes that public bodies have used to manage conflicts of interest. It aims to answer the following questions:

- Is central government guidance effective in supporting public bodies to manage conflicts of interest?
- Do public bodies have effective and proportionate governance, systems and controls over the management of conflicts of interest?
- Have public bodies done enough to set a culture where conflicts are managed properly?

Link: [Managing conflicts of interest: value for money](#)

National publications and technical updates

NAO

14. NAO Report: Good practice in annual reporting

The NAO has published its insight guide on Good practice in annual reporting which showcases real-world examples of good practice for annual reporting from organisations from the public sector who are leading the way. The examples are laid out in relevant sections of an annual report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

The list is not definitive but should provide ideas on content and format for all bodies in both the public and private sector as they plan their annual reporting for 2024-25. Note that Great Ormond Street Hospital annual report and accounts 2023-24 features for use of graphics to support narrative and demonstrate performance regarding net zero for estate-based emissions.

Link: [Good practice in annual reporting - NAO insight](#)

National publications and technical updates

NAO

15. NAO report: Local government financial sustainability

The NAO has published its report Local government financial sustainability. The Ministry of Housing, Communities & Local Government, (MHCLG) is responsible for the accountability framework for local government and distributes core funding to local authorities. It leads on oversight of financial risk in individual local authorities and the system overall while responsibility for the services local authorities deliver is spread across government departments.

This report focuses on MHCLG as the department responsible for the framework within which local authorities operate, and provides transparency over the current position of local government finances. By examining the current finance system and context for local government finances, the NAO aims to help inform MHCLG's consideration of future reforms.

The report considers:

- the context of local government finances in 2024;
- service and financial pressures; and
- the government's approach to local government financial sustainability.

The report concludes that funding for local government has increased in recent years, reversing the long-term downward trend of the previous decade. However, while real terms funding has grown by 4% between 2015-16 and 2023-24, it has not kept pace with population growth or the demand for services, the complexity of need, or the cost of delivering services to people most in need of support.

Proposed reforms of the local government finance system have been repeatedly delayed. Some services are showing the strain, and more local authorities are requesting financial support, some due to the increasing costs of delivering essential frontline services such as homelessness and social care. Despite short-term measures to address acute funding shortfalls, there has been insufficient action to address the systemic weaknesses in local government financial sustainability.

As the government turns its attention to local government reforms, it is essential that this is part of a whole-system, cross-government approach to ensure local authorities are financially sustainable and can continue to provide essential services. This approach needs to ensure effective local accountability for the service and financial performance of each local authority, including robust independent assurance.

Link: [Local government financial sustainability - NAO report](#)

National publications and technical updates

NAO

16. NAO Insight: Managing the commercial lifecycle

The NAO has published good practice guidance Managing the commercial lifecycle that has been updated in response to the implementation of the Procurement Act 2023. It reflects upon findings and recommendations drawn from 200 reports concerning over 300 commercial arrangements that have been published over the past 20 years.

The 'commercial lifecycle' means the entire process starting with the identification of a requirement that may be delivered by a supplier to government through to the selection and appointment process, contract management activity, and ending with contract termination or transition to alternative arrangements.

This is a revised and condensed edition of commercial good practice guidance that has been updated regularly since 2008. It remains essential reading for policy and commercial staff involved at all levels of public procurement and commercial activities – including senior leaders and non-executive board members of public authorities. The guidance is presented in ten sections, addressing both strategic and procedural considerations.

To support this guidance, the NAO also updated its guide on the Commercial Audit Framework, which highlights the key questions at each of the ten key stages of procurement. Whether it's the commercial strategy for public procurement, the publication of good-quality, relevant information on a timely basis, or deciding whether to extend the contract or re-procure.

Link: [Managing the commercial lifecycle - NAO insight](#)

National publications and technical updates

Other

17. Public Sector Audit Appointments (PSAA) News - Audit opinion data 2023/24

Extract from PSAA Press Release on 11 March 2025

Auditors have reported issuing **224** disclaimed or qualified opinions due to the backstop of 28 February 2025 for the 2023/24 audits of accounts covered by PSAA’s appointing person scheme.

There were **7** modified opinions that auditors have not attributed to the backstop, including **2** disclaimed opinions.

There are a further **48** opinions that remain outstanding. This includes **6** authorities where there is an exemption due to a material objection or legal matter or due to VFM arrangements work.

Audit Opinion for 2023/24	Number	Percentage
Unmodified	174	37.9%
Unmodified with additional disclosures*	6	1.3%
Disclaimed (backstop)	216	47.1%
Qualified (backstop)*	8	1.7%
Disclaimed (non-backstop)	2	0.4%
Qualified (non-backstop)*	5	1.1%
Not yet delivered	48	10.5%
Total	459	100%

Link: [Press release: Local government audit opinion data - PSAA](#)

National publications and technical updates

Other

18. ICAEW and LGPS Scheme Advisory Board launch LGPS informer

This document explains:

- how the Local Government Pension Scheme works in practice;
- key information flows between employing bodies, pension funds and actuaries;
- the content and purpose of annual accounting reports and triennial valuations;
- key accounting requirements for employing bodies; and
- the role of external auditors.

Link: [ICAEW and LGPS Scheme Advisory Board launch LGPS informer](#)

19. Major Local Audits Reports

The FRC publish an annual report on the inspection findings of Audit Quality Reviews of major local audits in England, which includes large health and local government bodies. The audit of a relevant authority becomes a major local audit if it:

- has total income or expenditure of at least £500 million; or
- administers a local government pension scheme with at least 20,000 members or assets over £1,000 million.

In the 2023/24 inspection cycle, the FRC inspected six NHS and two local government audits. The results of these inspections are included in this report. The FRC acknowledge the unprecedented circumstances facing the local audit sector and have updated their regulatory approach to the monitoring of audit quality to support the reset measures and recovery period.

Link: [Major Local Audits Reports](#)

National publications and technical updates

Other

20. Forvis Mazars - Annual Local Government Risk Report 2025/26

The report deep dives into the known and emerging risks for Local Authorities in 2025/26, as well as what they should include in their internal audit plans.

Link: [Annual Local Government Risk Report for 2025/26](#)

21. Forvis Mazars – Public Sector in Focus Report

Forvis Mazars have issued a report for the public and social sector, Public sector in focus: Charting the road ahead. With over 390 responses from across the UK public and social sector, the study reveals the top priorities and risks shaping the future of the sector.

Link: [Public sector in focus: Charting the road ahead - Forvis Mazars - United Kingdom](#)

National publications and technical updates

Latest update, 5 June 2025

22. NAO: Publication of Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06

Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinion

This LARRIG, endorsed by the FRC, sets out guidance to auditors where the auditor's opinion on the prior year financial statements has been disclaimed because of backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024. Its purpose is to assist auditors in the process of rebuilding assurance for specific classes of transactions, account balances and disclosures which warrant special consideration beyond the general principles set out in LARRIG 05.

This guidance is critical where authorities have been subject to a disclaimed opinion in one or more previous years.

Link: [Guidance and information for auditors - National Audit Office \(NAO\)](#)

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