North East Combined Authority

Cabinet

Tuesday 11th June, 2024 at 2.00 pm

Meeting to be held: Whickham Room, Gateshead Civic Centre, Regent Street, Gateshead, NE8 1HH

The meeting will be livestreamed via www.youtube.com/@NorthEast_CA/streams

AGENDA

Contact Officer: Michael Robson, Senior Governance Officer
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North East Combined Authority

Cabinet

7 May 2024
(2.00pm)

Meeting held in: The Council Chamber, County Hall, Durham

Minutes

Present: Mayor Kim McGuinness
Councillor Tracey Dixon
Councillor Martin Gannon
Councillor Amanda Hopgood
Councillor Nick Kemp
Councillor Claire Rowntree
Dame Norma Redfearn DBE
Councillor Richard Wearmouth
Lucy Winskell OBE

C1/5/24 Apologies for Absence and Substitutes

Apologies for absence were received from:
Councillor Graeme Miller. Councillor Claire Rowntree attended the meeting as his substitute.
Councillor Glen Sanderson. Councillor Richard Wearmouth attended the meeting as his substitute.

C2/5/24 Declarations of Interest

There were no declarations of interest.

C3/5/24 Mayor's Announcements

The Mayor commented on the significance of the day as the new North East Combined Authority took control of a range powers devolved from Government and began the task of making decisions locally to improve the lives of communities in the region. She thanked and congratulated Council leaders for securing the North East Devolution Deal and she hoped further deals could be agreed in the future to obtain greater powers. The Mayor also stated that she had asked officers to begin the process of taking control of local bus services as this had been a major issue raised during her election campaign.

In response Cabinet members congratulated the Mayor on her election. They too highlighted the significance of the day and the importance of the Devolution Deal for the region. They expressed their desire to work collaboratively to deliver the deal for the benefit of communities and businesses across the region and to secure additional powers and funding.

C4/5/24 Appointments to Cabinet

The Cabinet considered a report from the Interim Monitoring Officer in relation to the appointment of members to the Cabinet.

Each constituent council was required to appoint one elected member to serve as a Cabinet member and two other elected members who may act as substitute members in their absence. It was reported that the constituent councils had appointed the following members as Cabinet Members and Substitute Cabinet Members:

Authority	Cabinet Member	Substitute Members
Durham	Councillor Amanda Hopgood	Councillor Richard Bell Councillor Elizabeth Scott
Gateshead	Councillor Martin Gannon	Councillor Catherine Donovan Councillor John Adams
Newcastle	Councillor Nick Kemp	Councillor Karen Kilgour Councillor Paul Frew
North Tyneside	Dame Norma Redfearn DBE	Councillor Carl Johnson Councillor Karen Clark
Northumberland	Councillor Glen Sanderson	Councillor Richard Wearmouth Councillor Wojciech Ploszaj
South Tyneside	Councillor Tracey Dixon	Councillor M Meling (another substitute member to be confirmed.)
Sunderland	Councillor Graeme Miller	Councillor Claire Rowntree Councillor Paul Stewart

The Cabinet would be required to appoint a Business Board at a future meeting. The Chair of the Business Board would be a member of the Cabinet. It was proposed that the former Chair of the North East Local Enterprise Partnership (LEP) Board, Lucy Winskell OBE, initially be appointed Chair of the Business Board and therefore be appointed to Cabinet as the Business Board Member. It was also proposed that Mark Thompson (who was also a member of the former LEP Board) be appointed as the Substitute Business Board Member.

The Cabinet was also required to appoint a Community and Voluntary Sector (CVS) Member. It was proposed that the Head of Paid Service be authorised to undertake a process to appoint the CVS Member and Substitute CVS Member, and that the proposed appointments be reported to Cabinet for approval at a future meeting.

Resolved that:
(1) the appointment by the constituent councils of the members and substitute members set out above be noted;
(2) the requirement that the Mayor must appoint one of the above Cabinet Members as the Deputy Mayor to act in their absence be noted;
(2) Lucy Winskell OBE be appointed as the Business Board Member and Mark Thompson be appointed as the Substitute Business Board Member; and
(3) the Head of Paid Service be authorised to undertake a process to appoint the Community and Voluntary Sector (CVS) Member and Substitute CVS Member, and that the next steps and proposed appointments be reported to Cabinet for approval at future meetings.

C5/5/24 Governance Arrangements

The Cabinet considered a report from the Interim Monitoring Officer in relation to the adoption of a constitution and other governance arrangements.

The Cabinet were presented with:
a) a proposed constitution which set out the roles and responsibilities within the Authority in terms of decision-making, the various procedural rules which would apply to decision-making, and the codes and protocols which members and officers must follow when acting on behalf of the Authority. The constitution and its operation would be reviewed and revised as the Authority developed its ways of working;
b) a proposed common seal which would be required for use when the Authority entered into certain contracts and other documents as deeds;
c) a proposal that the principal office of the Authority should be the office formerly occupied by the North of Tyne Combined Authority at the Lumen in Newcastle. The requirement to specify a principal office was purely for administrative purposes for the service and acceptance of documents; and
d) a proposed Single Assurance Framework which set out the key roles and responsibilities in relation to decision-making on the allocation of the Investment Fund. It had also been designed to include the Authority’s approach to assurance for all funding streams for which it had responsibility.

The Cabinet would consider the appointment of its committees and boards at its next meeting. The appointments would include the appointment of an independent co-opted member as Chair the Audit and Standards Committee and at least one Independent Person for the purposes of the Authority’s standards regime. The Authority could only appoint to these positions after it had advertised them and considered applications received. It was therefore proposed that the Interim Monitoring Officer, in consultation with the Mayor, be authorised to undertake the processes to appoint to these positions with the final decision in each case being made by Cabinet at a subsequent meeting.

Resolved that:
(1) the Constitution, as appended to the report of the Interim Monitoring Officer, be adopted;
(2) the principal address of the Authority be The Lumen, St James Boulevard, Newcastle Helix, Newcastle upon Tyne NE4 5BZ;
(3) the common seal of the Authority, as appended to the report of the Interim Monitoring Officer, be adopted;
(4) the Interim Monitoring Officer, in consultation with the Mayor, be authorised to undertake recruitment processes to appoint an independent (co-opted) member to chair the Audit and Standards Committee and to appoint an Independent Person for the purposes of the standards regime; and
(5) the Single Assurance Framework, as appended to the report of the Interim Monitoring Officer, be adopted.

C6/5/24 Designation of Statutory Officers and Continuity Arrangements

The Cabinet considered a report of the Interim Monitoring Officer in relation to the transitional arrangements arising from the abolition of the North of Tyne Combined Authority (NTCA) and former North East Combined Authority (NECA) and the establishment of the new Authority.

The statutory order establishing the Authority provided that it should designate as its statutory officers those officers who held the positions of the Head of Paid Service, Chief Finance Officer and Monitoring Officer at the former NTCA and Scrutiny Officer at the former NECA. Accordingly, it was proposed that Cabinet confirm that the following officers are designated as the Authority’s statutory officers:

Head of Paid Service	Dr Henry Kippin
Chief Finance Officer	Janice Gillespie
Monitoring Officer	John Softly
Scrutiny Officer	Gavin Armstrong

A further report would be presented to Cabinet at its meeting on 11 June 2024 regarding the staffing structure and, in the interim, the Head of Paid Service would make arrangements to put in place temporary management capacity to ensure continuity of delivery.

Prior to their abolition, the former NTCA and the former NECA were transport authorities for their areas but exercised their functions through a joint transport committee to ensure a co-ordinated approach to transport across the region. As part of those arrangements, the former combined authorities delegated to Durham and Northumberland County Councils the exercise of certain operational transport functions in their areas. To maintain continuity, it was proposed that the Authority delegate to the county councils the exercise of the following functions in their respective areas:

a) implementing concessionary travel schemes pursuant to sections 93 -105 of the Transport Act 1985;
b) determining local bus information to be made available, and the way in which it should be made available, pursuant to sections 139 to 143B of the Transport Act 2000;
c) determining the operation, performance and development of accessible transport provision (including the provision of grants) pursuant to section 106 of the Transport Act 1985;
d) all obligations of county councils relating to mandatory travel concessions pursuant to sections 145A to 150 of the Transport Act 2000.
e) those functions of County Councils set out in Part IV of the Transport Act 1985 (Passenger Transport in areas other than Integrated Transport Areas) under:
   - section 63 – functions of local councils with respect to passenger transport
   - section 81 – provision, maintenance and operation of bus stations
   - section 82 – bus stations: restriction on discriminatory practices.

It was reported that where the former combined authorities had taken certain acts (such as entering into contracts or grant funding agreements), then these were to be treated as acts of the new Authority. There would also be cases where those former authorities had made decisions but these had yet to be fully implemented prior to the abolition of the former authorities and the creation of the new Authority. For the avoidance of any doubt, Cabinet was requested to confirm that such decisions be treated as decisions of the new Authority so that they could be implemented.

Resolved that:

(1) the designation of the Authority's statutory officers, as set out above, be approved;
(2) the proposal that a report be presented to the Cabinet on 11 June 2024 regarding the Authority's staffing structure and that, in the interim, the Head of Paid Service will make arrangements to put in place temporary management capacity to ensure continuity of delivery be noted;
(3) the delegation of operational transport functions to Durham County Council and Northumberland County Council, as set out above, be approved; and
(4) the formal decisions which the former North East Combined Authority and the former North of Tyne Combined Authority made be treated as decisions of the Authority.

C7/5/24 Mayoral and other Allowances

The Mayor, Kim McGuinness withdrew from the meeting during consideration of this item and took no part in the discussion and decision making. In the Mayor's absence, Dame Norma Redfearn DBE chaired the meeting.

The Cabinet considered a report and recommendations from Durham County Council's Independent Remuneration Panel ("IRP") in relation to the allowances payable to the Mayor, the independent (co-opted) Chair of the Audit and Standards Committee, and the independent person who is to be appointed for the purposes of the standards regime.

Resolved that:
(1) an allowance of £92,000 be payable to the North East Mayor;
(2) the allowance be subject to annual increases linked to the consumer price index (CPI).
(3) an allowance of £500 plus expenses be payable to the Chair of the Audit and Standards Committee for each committee meeting attended;
(4) an initial annual allowance of £1,000 for the first twelve months be payable to the Independent Person(s) appointed for the purposes of the standards regime under Section 28 of the Localism Act 2011;
(5) Durham County Council's IRP be requested to:
    (i) review the allowances payable to the Chair of the Audit and Standards Committee and Independent Person(s) appointed for the purposes of the standards regime after 12 months of operation; and
    (ii) undertake further work as to allowances as may be required.

The Mayor returned to close the meeting.

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North East Combined Authority

Cabinet

11 June 2024

Title: **Appointments to Cabinet, Committees and other bodies**
Report of: **John Softly, Monitoring Officer**
Portfolio: **All**

Report Summary

This report sets out details of appointments to Cabinet, the Authority's committees and other bodies.

Recommendations

Cabinet is recommended to:

a) note the appointment of Councillor Michael Mordey as a Cabinet Member and Councillors Jane Carter, Kelly Chequer and Alex Hay as Substitute Cabinet Members;
b) note the appointment of the Deputy Mayor;
c) agree the allocation of Cabinet portfolios set out at Appendix 1 and the schedule of meetings for the municipal year 2024/25 set out at Appendix 2;
d) agree that Martin Brookes is appointed as the CVS Member;
e) agree that the Chief Executive be authorised to undertake a process to review the Business Board membership, and that the proposed appointments be reported to Cabinet for decision at a future meeting;
f) agree the membership of the Overview and Scrutiny Committee as set out in Appendix 3;
g) agree the appointment of Councillor Colin Ferguson as the Chair of the Overview and Scrutiny Committee;
h) agree the appointment of David Willis OBE as the independent co-opted member and Chair of the Audit and Standards Committee;
i) agree the membership of the Audit and Standards Committee as set out in Appendix 4;
j) agree the appointment of Eric Richards as the Independent Person for the purposes of the standards regime; and
k) agree the appointment of members and substitute members to the Transport for the North's Board, Partnership Board, Rail North Committee, Scrutiny Committee and General Purposes Committee as set out in Section 5 of this report.

A. Context

1. Cabinet

1.1 The appointment of Cabinet members and substitute members by constituent councils was reported to the previous meeting. Since then, there have been the following changes:

- 1.1.1 Newcastle City Council have appointed Councillor Alex Hay (replacing Councillor Paul Frew) as a Substitute Cabinet Member;
- 1.1.2 South Tyneside Council have appointed Councillor Jane Carter as a Substitute Cabinet Member; and
- 1.1.3 Sunderland City Council have appointed Councillor Michael Mordey as a Cabinet Member and Councillor Kelly Chequer as a Substitute Cabinet Member.

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1.2 At its previous meeting Cabinet authorised the Chief Executive to undertake a process to appoint the Community and Voluntary Sector (CVS) Member and Substitute CVS Member of Cabinet. Discussions have taken place with representatives of the sector, including the Voluntary Organisations Network North East (VONNE) and the recently established VCSE (Voluntary Community and Social Enterprise) Leadership Board. The members of the VCSE Leadership Board have proposed the incoming Chief Executive of VONNE, Martin Brookes, as the CVS Member and this appointment is now recommended to Cabinet. A proposal as to the Substitute CVS Member will be reported to a future meeting of Cabinet.

1.3 At its meeting in May, Cabinet agreed to the appointment of Lucy Winskell OBE as the initial Business Board Member of Cabinet and Mark Thompson as the Substitute Business Board Member. The permanent arrangements for the Business Board will be brought to a future Cabinet meeting and, as part of that, it is proposed that the Chief Executive be authorised to undertake a process to review the Business Board membership, with the decision on appointments to be made at a future meeting of Cabinet.

1.3 The Mayor is the chair of Cabinet. As noted previously, the Mayor must appoint one of the members of Cabinet as Deputy Mayor who will be able to exercise the Mayor's functions and decision-making powers in her absence.

1.4 The table at Appendix 1 sets out the proposed allocation of Cabinet portfolios for Cabinet to consider. A proposed schedule of meetings of Cabinet and other committees for the year ahead is attached as Appendix 2.

2. Overview and Scrutiny Committee

2.1 In accordance with the Constitution, Cabinet is required to appoint an Overview and Scrutiny Committee (OSC) comprising two members from each constituent authority. The composition of the OSC must reflect political balance across the region as a whole. Taking account of recent local election results, the distribution of seats is as follows:

Durham	1 Labour, 1 Durham Group
Gateshead	1 Labour, 1 Liberal Democrat
Newcastle	1 Labour, 1 Liberal Democrat
North Tyneside	2 Labour
Northumberland	1 Conservative, 1 Labour
South Tyneside	1 Labour, 1 Green
Sunderland	1 Labour, 1 Conservative

Substitute members must be appointed on the same basis.

2.2 The proposed membership of the OSC is set out at Appendix 3. The Chair of the OSC must be an 'appropriate person', which means an elected member from a political party other than that of the Mayor. The Constitution states that Cabinet shall appoint the Chair of the OSC at its Annual Meeting. Cabinet have indicated that the Chair should be a member of the largest political party in the region (other than that of the Mayor) and a nomination has been sought on that basis. Accordingly, it is proposed that Councillor Colin Ferguson is appointed as the Chair of the OSC.

3 Audit and Standards Committee

3.1 Cabinet is required to appoint an Audit and Standards Committee (ASC), comprising two members from each constituent authority and one independent co-opted member who chairs the Committee. The appointment of elected members to the Committee must again reflect political balance across the region as a whole (as set out at paragraph 2.1 above).

3.2 The position of the independent chair of the Audit and Standards Committee was advertised. Following an interview process it is proposed that Dave Willis OBE is appointed as Chair for an initial term of 2 years with an option to extend the term for a period of two further years. Mr Willis was formerly the Chair of the North of Tyne Combined Authority's Audit and Standards Committee.

3.3 The proposed membership of the ASC is set out at Appendix 4.

4. Independent Person (Standards)

4.1 The North East CA is required to appoint an independent person for the purposes of the standards regime who will be consulted on any complaints that a member has breached the Code of Conduct for Members. The position of independent person was advertised. Following an interview process it is proposed that Eric Richards is appointed as the Independent Person for an initial term of 2 years with an option to extend the term for a period of two further years. Mr Richards was formerly appointed as an Independent Person by the North of Tyne Combined Authority.

5 Transport for the North

5.1 As a constituent authority of Transport for the North (TfN), the North East CA is entitled to appoint one member and one substitute member to TfN's Board and Partnership Board. As a constituent authority with an elected Mayor, the person appointed as member must be the Mayor or the Cabinet member responsible for transport. The substitute member can be any other of the Cabinet Members appointed by the constituent councils. The following appointments are proposed:

Board and Partnership Board Member	Substitute Member
Mayor Kim McGuinness	Councillor Martin Gannon

It is also proposed that the following appointments be made:

Rail North Committee Member	Substitute Member
Mayor Kim McGuinness	Councillor Martin Gannon

General Purposes Committee Member	Substitute Member
Councillor Martin Gannon	Mayor Kim McGuinness

Scrutiny Committee Member	Substitute Member
TBC	TBC

B Impact on North East Combined Authority Objectives

1. The appointments are in line with the Authority's Constitution and decision-making arrangements and will enable the Authority to properly discharge its functions and assist in delivering the Authority's vision, policies and priorities.

C Key risks

1. Appointments to the committees, boards and bodies detailed in this report are necessary to ensure the Authority carries out its functions efficiently and properly.

D Financial and other resources implications

1. There are no direct financial implications arising from this report.

E Legal implications

1. The Monitoring Officer is the author of this report and the proposals reflect the requirements of the Authority's Constitution.

F Consultation and engagement

1. The constituent authorities have nominated their appointments to the committees and Cabinet members have been consulted on the proposals in this report.

G Appendices

Appendix 1	Cabinet portfolios
Appendix 2	Schedule of meetings for 2024/25
Appendix 3	Membership of Overview and Scrutiny Committee
Appendix 4	Membership of Audit and Standards Committee

H Background papers

None

I Contact officer(s)

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

Appendix 1

(a) Cabinet Portfolios

Portfolio Holder	**Portfolio**
Mayor Kim McGuinness	
Councillor Tracey Dixon	Education, Inclusion and Skills
Councillor Martin Gannon	Transport
Councillor Amanda Hopgood	Culture, Creative, Tourism and Sport
Councillor Nick Kemp	Economy
Councillor Michael Mordey	Finance and Investment
Dame Norma Redfearn DBE	Housing and Land
Councillor Glen Sanderson	Environment, Coast and Rural

Appendix 2

North East CA Programme of Committee Meetings, Municipal Year 2024/2025

Committees		2024								2025					
	Day/Time	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Cabinet	Tues 2pm	**7**	**11**	**30**		**17**		**26**		**28**	**4 & 25**[1]	**11**			**10**[2]
	Host Authority	Durham	Gateshead	Newcastle		N Tyneside		North'land		S Tyneside	TBC	Sunderland			Durham
Overview and Scrutiny Committee	Tues 10am		**18**[3]	**16**			**8**		**10**	**14**[4]		**4**			
	Host Authority		Lumen	Durham			Gateshead		Newcastle	Lumen		N Tyneside			
Audit and Standards Committee	Tues 10am			**9**		**17**				**21**			**8**		
	Host Authority			Gateshead		S Tyneside				Sunderland			Durham		

[1] provisional fallback meeting(s) for specific purposes relating to budget and other financial approvals if required
[2] Annual meeting
[3] O&S Induction workshop
[4] O&S workshop on budget proposals

Appendix 3

Membership of Overview and Scrutiny Committee

Members		Substitute Members		Appointing Authority
Councillor Rob Crute Councillor Chris Lines	Lab Durham Group	Councillor Carl Marshall Councillor Sam Zair	Lab Durham Group	Durham County Council
Councillor John Eagle Councillor Dawn Welsh	Lab LD	Councillor Stuart Green Councillor Amanda Wintcher	Lab LD	Gateshead Council
Councillor Colin Ferguson Councillor Linda Wight	LD Lab	Councillor Greg Stone Councillor Steve Fairlie	LD Lab	Newcastle City Council
Councillor Jim Montague Councillor Charlie Gray	Lab Lab	Councillor Pat Oliver Councillor Willie Samuel	Lab Lab	North Tyneside Council
Councillor Richard Dodd Councillor Brian Gallacher	Con Lab	Councillor Gordon Castle Councillor Les Bowman	Con Lab	Northumberland County Council
Councillor John McCabe Councillor Andrew Guy	Lab Green	Councillor Shane Smith Councillor Jim Yare	Lab Green	South Tyneside Council
Councillor Claire Rowntree Councillor Antony Mullen	Lab Con	Councillor Tracy Dodds Councillor Dominic McDonough	Lab Con	Sunderland City Council

Appendix 4

Membership of Audit and Standards Committee

Independent (co-opted) Chair: Dave Willis OBE				
Elected Members		**Substitute Members**		**Appointing Authority**
Councillor Louise Fenwick Councillor Alex Watson	Lab Dhm Grp	Councillor George Smith Councillor Joan Nicholson	Lab Dhm Grp	Durham County Council
Councillor Julie Simpson Councillor Ian Patterson	Lab LD	Councillor Rachel Hart Councillor Chris Ord	Lab LD	Gateshead Council
Councillor Mark Mitchell TBC	LD Lab	Councillor Colin Ferguson TBC	LD Lab	Newcastle City Council
Councillor Frank Lott Councillor John Harrison	Lab Lab	Councillor Tommy Mulvenna Councillor John O'Shea	Lab Lab	North Tyneside Council
TBC Councillor Caroline Ball	Con Lab	Councillor Mark Swinburn Councillor Scott Dickinson	Con Lab	Northumberland County Council
Councillor Ken Dawes Councillor David Herbert	Lab Green	Councillor Angela Lamonte Councillor David Francis	Lab Green	South Tyneside Council
Councillor Tracy Dodds Councillor Michael Hartnack	Lab Con	TBC Councillor Antony Mullen	Lab Con	Sunderland City Council

North East Combined Authority

Cabinet

11 June 2024

Title: **North East Deeper Devolution Deal – Ratification and next steps**
Report of: **Dr Henry Kippin, Chief Executive**
Portfolio: **Economy**

Report Summary

This report seeks formal ratification of the NE Deeper Devolution Deal, which was negotiated by North East Leaders and announced on 6 March 2024. The Deal provides the region with new tools and additional funding to drive growth in existing and future sectoral strengths, and for the Mayor and Cabinet to deliver on their mandate to support our communities and places. The content set out below is already a matter of public record. Prompt ratification of the Deal enables the next steps to be progressed. The Deal includes:

- **Consolidation of transport funding and devolution of transport powers**, including confirmation of capital funding for the Tyne and Wear Metro in 25/26 and 26/27;
- **£100m of new investment through capital funding and a Growth Zone** to unlock the Crown Works Studios Site and funding to support the Health Innovation Zone in Newcastle;
- **Greater ability to set strategic housing priorities and outcomes** with joint responsibility for the next Affordable Housing Programme, and the ability to determine housing priorities through the Strategic Place Partnership, alongside collaboration to improve housing quality and to tackle homelessness;
- **More flexibility on adult skills and careers,** including Free Courses for Jobs and Skills Bootcamps, co-design of skill pilots linked to key sector growth areas, and strengthened oversight of careers provision to ensure adults and young people can develop the type of skills needed by the local economy;
- **Joint working around educational outcomes and Special Educational Needs** - working to explore regional inequalities in education outcomes and the use of disadvantage funding;
- **Deeper collaboration with DWP** on employment support via a new Regional Board and a pilot employment support programme focused on the needs of social housing tenants;
- **Promotion of digital innovation and inclusion** by driving improved digital coverage across the region, promoting digital inclusion, and unlocking productivity and growth opportunities using 5G technologies;
- **The opportunity to influence future innovation spending** by the Department for Science, Innovation and Technology (DSIT);
- **Commitment to a Green Superport Taskforce,** paving the way to advance growth and sustainability at the region’s ports and airports through decarbonisation, digital innovation, unlocking additional grid capacity and developing the future skills pipeline;
- **Creation of a North East Strategic Energy Board (NESEB)** to assess future Net Zero energy requirements and identify the joint investments that will be needed to enable inclusive growth on key employment sites in leading industry clusters;
- **Establishment of a new North East Coastal and Rural Taskforce** with Government to support the North East’s rural and coastal communities and strengthen quality of life, climate resilience and the natural environment;
- **Significant policy levers in culture** with Government agencies agreeing to work with the region to create a blueprint for culture and creative industries, heritage and sport alongside creating a new vehicle to attract investment and support growth; and
- **Greater scope for fiscal innovation**, including a Single Pot for future housing and regeneration funding, as well as collaboration around Land Value Capture and a Regional Wealth Fund.

These powers and functions are explored in more detail in this report, which also seeks Mayor and Cabinet approval for next steps, including proposals for the use of £2m of revenue funding secured through the Deal.

Recommendations

It is recommended that Cabinet:

1. Approves the NE Deeper Devolution Deal;
2. Notes positive progress in developing the Deal's priorities;
3. Approves £5m of funding allocated by Government for site remediation at the Health Innovation Neighbourhood to Newcastle University, as set out within the Deal;
4. Provides delegated authority to the Chief Executive in consultation with the Mayor, relevant Portfolio Holders and the Finance and Investment Board to approve final business cases for the Sunderland Riverside and Forth Yards sites, of up to £25m and £5m respectively, drawn from funding conferred as part of the Deeper Devolution Deal;
5. Provides delegated authority to the Director of Finance and Investment, working closely with colleagues at Sunderland City Council, to complete necessary documentation with Government for the NE Growth Zone at the Riverside Sunderland site, and to agree a subsequent MOU with Sunderland City Council for the use of retained Business Rates;
6. Requests that the Director of Finance and Investment, in collaboration with the Director of Finance at Sunderland City Council, brings forward a proposal for further investment into the Crown Works Studios project, reflecting the transformational opportunity it provides; and
7. Delegates authority to the Chief Executive and Director of Finance and Investment to finalise arrangements associated with delivery of other aspects of the Deeper Devolution Deal, including for the £2m of Revenue Funding, in line with the Combined Authority's normal processes.

A. Context

1. Introduction

1.1. The North East Deeper Devolution Deal was published alongside Government's Spring budget this year – with a subsequent signing ceremony between the Levelling Up Minister Jacob Young and the Leaders and Elected Mayor of the seven North East Councils. This 'Trailblazer' Deal follows similar agreements in the West Midlands and Greater Manchester and puts the NE in the vanguard of devolution within England. Mayor and Cabinet have been clear that this, in turn, needs to be a springboard for much further and deeper devolution to the region in future.

1.2. The Deeper Devolution Deal provides us with new tools to unlock key inclusive growth opportunities in the region, building on the powers and funding secured through the first Devolution Deal. This includes increased powers and influence over a number of key policy areas, whilst also bringing forward £35m of new capital and £2m of revenue funding, plus a new Growth Zone at Sunderland Riverside – with a combined expected impact value of at least £100m. In addition, the Deal closes the gap in capital funding for Metro maintenance funding in 25/26 and 26/27

1.3. In addition to seeking formal ratification, this report provides an overview of the Deal itself, with full details available at: https://www.gov.uk/government/publications/north-east-deeper-devolution-deal/north-east-deeper-devolution-deal

2. Transport

2.1. The Trailblazer Deal provides additional important new financial flexibilities to assist the delivery of transport priorities. This includes further consolidation of transport funding from the next Comprehensive Spending Review, encompassing all funding allocated for local transport and improved outcomes from transport funding. The Deal also closes the funding gap for 25/26 and 26/27 for Metro maintenance funding, with £58.4m capital funding drawn forward from the region's increased indicative City Region Sustainable Transport Settlement for 27/28-31/32, and devolution of the Bus Service Operators Grant (BSOG).

2.2. The transport section of the Deal includes several significant policy initiatives. This includes the creation of a North East Rail Board, a formal partnership between Great British Railways (GBR) and the North East CA to support rail integration with local transport. Alongside an extensive rail, bus and road network programme, there will be an opportunity for the region to collaborate around taxi licensing powers and a Key Route Network of local authority roads, together with joint working between the region and Government on integrated ticketing.

3. Capital investment and the Growth Zone

3.1. The Deal brought forward £35m of capital funding and a Growth Zone to support three priority schemes:

- **The Health Innovation Neighbourhood in Newcastle:** £5m will be invested in the early site clearance and enabling costs required to develop the 27-acre brownfield site in the west of Newcastle into the UK's first Health Innovation Neighbourhood. This scheme, developed in partnership with Newcastle University, will benefit the health, wealth and well-being of people locally, as well as being a national and global exemplar for inter-generational living and health innovation. Once the site has been unlocked and readied for development, it is expected to deliver around 1250 residential units and 250,000 sqft of employment space – supporting around 1,000 jobs and providing an internationally-attractive offer to businesses.

- **Forth Yards**, a once in a generation strategic opportunity to create a new residential-led neighbourhood in what is the last major underdeveloped water frontage area of the city of Newcastle and one of the region's most challenging brownfield sites. £5m will be provided for two projects within the Forth Yards Development namely: Widening of Pottery Lane reflecting the importance of this access road (£4.27m) and the Newcastle Highline Early Facilitating Works (£730,000), an ambitious project to create a high quality pedestrian and cycle way on a 1.6km stretch of the railway viaduct connecting the site to the central station.

- **Riverside Sunderland**, the Deal confirmed support to the early development of the Riverside Sunderland site with a Growth Zone, enabling 100% of Business Rates growth to be captured within the region, and £25m of capital funding to support site preparations ahead of development of the Crown Works Studios. Reflecting the scale of opportunity, it is proposed that the Combined Authority and colleagues in Sunderland bring forward a proposal for further Combined Authority investment – helping the Studios meet their potential to be the largest studio complex outside London and the South East and an opportunity for world-class film and TV production.

3.2. The funding was agreed subject to approval of business cases and the first of these projects, for the Health Innovation Neighbourhood [HIN], is recommended to Cabinet for approval. The project was considered by the North East CA Technical Officers Group on 15th May 2024, which recommended the project for approval by Cabinet. The group noted that the HIN is a strategically important site for the City and Region, that funding is specifically outlined in the Trailblazer Devolution Deal for this project and that the economic case for the wider HIN scheme gives a strong rationale for these site preparation works. The project was viewed as having strong deliverability and the overall RAG rating was green.

3.3. To maintain the pace of delivery, Cabinet is asked to delegate final sign-off of the Forth Yards and Sunderland Riverside Deeper Devolution funding business cases to the Chief Executive, in consultation with the Mayor, relevant Portfolio Holders and the Finance and Investment Board.

4. Housing and Regeneration

4.1. Government has agreed a number of measures which will provide much greater ability to set strategic housing priorities and improve outcomes within the region. From 2026, the North East CA will be able to set the overall strategic direction of the next Affordable Housing Programme, in partnership with Homes England. The North East CA has already started to set out housing priorities through the emerging Strategic Place Partnership with Homes England, which will drive forward the delivery of thousands of new homes and revitalised places. Government has also agreed to extend the new Brownfield Housing Funding for South of Tyne authorities, so that it finishes in March 2025.

4.2. Leaders have been clear about the importance of tackling instances of poor housing quality in the region. The North East CA and its constituent authorities will work together to share best practice and maximise the use of data and intelligence, providing support for the implementation of selective licensing schemes and the enforcement of housing standards. Government will contribute to this process through sharing of information and by working together to consider policy proposals, whilst also working with the North East CA to create a bespoke policy approach to address homelessness in the region.

5. Education, Skills and Supporting People into Employment

5.1. The Trailblazer provides more flexibility on adult skills and careers, enabling the North East CA to better target courses towards the greatest priority. This includes fully devolving and removing all ringfences for Free Courses for Jobs (FCFJ) funding from academic year 2025/26; full sector flexibility in the use of Skills Bootcamps; and through co-design of skill pilots linked to key sector growth areas.

5.2. The Deal also provides the mechanism to strengthen delivery of careers provision, to ensure that the services for both adults and young people better align and respond to the skill needs of the local economy and with local skills planning. In addition to playing a convening role, it will be able to set performance targets and priorities.

5.3. Government has agreed to work with the North East to explore regional inequalities in education outcomes at Key Stages 4 and 5, and to work together to embed emerging best practice from the Special Educational Needs Change programme into the North East education system. This includes through the sharing of best practice and by considering policies that seek to maximise the impact of disadvantage funding.

5.4. The North East CA and the Department for Work and Pensions (DWP) will strengthen partnership working arrangements via a new Regional Board to improve employment support outcomes. The Department will also support us to scope a pilot employment support programme aimed towards the needs of tenants in social housing.

6. Growth, Innovation and Digital

6.1. The Deal provides the North East CA and partners with a number of tools to drive economic growth and attract investment to the region. In addition to confirming the Investment Zone, it identified Government support for Inward Investment. Strengthened engagement with the Department of Business and Trade (DBT) will support proposition development and marketing and collaborative working to increase the number of businesses who invest in the region. The Deal also confirmed Government support for the development of an Inclusive Innovation Deal, facilitating closer working with Innovate UK, and providing the opportunity to influence priority setting for future R&D and innovation spending by DSIT.

6.2. This Deal establishes the North East as a 5G Innovation Region of Excellence, focusing on 5G use-case development, and rapid adoption, and scale-up of this technology across our key sectors. Alongside this will be joint work to reduce regional ‘not-spots,’ accelerating implementation of fixed and mobile infrastructure in areas where broadband availability falls below minimum/universal service standards. Government has also agreed to continue engaging with the region about how best to improve digital inclusion.

7. Green Growth, Net Zero and Rural and Coastal Communities

7.1. The Deal recognises the North East's world-class strengths and capability in its green energy sector, contributing to UK innovation, export capability and energy security, as well as creating thousands of local jobs. Through the Deal and the Investment Zone, Government and the region will work together to ensure a successful transition from oil and gas and support regional growth areas including the Offshore Wind supply chain.

7.2. Building on these strengths, Government also agreed to work with us to address barriers to growth at the region's ports and airport – the Green Superport – which will be a mechanism to enhance collaboration with a view to accelerating growth and investment opportunities. This will tackle policy areas such as infrastructure and investment, developing an industry-leading skills pipeline and energy grid capacity. Working alongside Government, a jointly owned and shared Investment Plan will be developed which will be underpinned by robust economic and financial modelling, and dedicated resource through the newly created Green Superport Taskforce.

7.3. This Deal establishes a new North East Strategic Energy Board which will guide energy policy in the region, liaising and coordinating with stakeholders including the National Grid, Ofgem, electricity providers, and large energy consumers. The Board will review regional grid connectivity, understand future grid capacity, accessibility and the joint-investments that will be needed to underpin inclusive growth within the region's relevant industries and sites.

7.4. The Deal scopes out areas for future work to accelerate the transition to Net Zero. This includes identifying measures to promote a viable, stable, and long-term approach to housing retrofit; by working on imminent 'Heat Network Zones,' which Government is expected to announce across England; tackling barriers to the deployment of Geothermal energy and taking joint actions to implement the North East's Geothermal White Paper recommendations.

7.5. It has been agreed a new North East Coastal and Rural Taskforce will be established with Government to support the North East's rural and coastal communities, strengthen quality of life, biodiversity, and the natural environment. The initial focus will be on the natural environment – including climate adaptation, mitigation, building natural capital and carbon markets, and landscape restoration – and subsequent phases could examine wider socio-economic issues around housing, health, and skills.

8. Culture and Creative

8.1. The Deal recognises the North East's rich arts, cultural, heritage and sports offer and its vital role in the area's plans to attract and retain skilled workers, improve health and wellbeing outcomes, foster pride in place and nurture a cohesive identity in the region. To help achieve these outcomes, it has been agreed the region will work with Government agencies to create a blueprint for culture, creative industries, heritage, sport, and the visitor economy. The aim is to coordinate and align national policies and investment with the region's objectives to maximise local impact. One policy referenced in the Deal is to explore opportunities associated with being the UK's first Region of Sport.

8.2. The Deal also puts in place measures to develop an investment vehicle – a Culture and Creative Sector Catalyst - to strengthen opportunities for creative sector growth, innovation, and R&D, and new investment at scale. Underpinned by cross-sector leadership and clear industry engagement, Government will support the region to help realise the potential of the catalyst. It will build on existing areas of expertise around, music, publishing, and the broader creative sector, coupled with exploring the requirements of rapidly growing sectors, including how best to maximise potential outcomes from the Crown Works Studios investment, where the Deal also highlights work around skills development.

9. Fiscal Innovation and Public Service Reform

9.1. Government has agreed to provide the North East CA with consolidated funding for future housing and regeneration. This will cover two investment themes; local growth and place, and housing and regeneration to enable better, longer-term-planning, and provide greater freedom to meet Combined Authority priorities. A broader 'Single Pot' approach will incorporate other departmental funding after conclusion of pilots carried out by Greater Manchester and the West Midlands Combined Authorities.

9.2. The Deal also includes commitments from Government to work with us around access to finance, supporting the Combined Authority to develop the case for a Regional Wealth Fund and exploring use of Land Value Capture on the next phase of transport infrastructure development in the North East.

9.3. Government will work with the North East CA and Liverpool City Region Combined Authority as public sector innovation trailblazers. The region will work with Government to agree arrangements for a new, Combined Authority-led local partnership to identify and take forward opportunities that can drive better outcomes for citizens through innovation, technology, and new models of delivery to improve public sector productivity.

10. Next Steps

10.1. Development work is being undertaken for all areas of the Deeper Devolution Deal highlighted above. Business cases are being prepared for the capital projects, while the approach to implementation has been agreed with regional leads, DLUHC and other Government departments. Governance and Accountability measures have been incorporated into the North East CA's Constitution and working arrangements already agreed by Cabinet.

10.2. Going forward, the primary mechanism for driving forward progress is through incorporating the Deeper Devolution agreements into Portfolio Development Plans, with light-touch monitoring of overall progress to provide assurance on overall progress, including cross-portfolio areas.

10.3. In addition, the North East CA secured £2m of revenue funding to ensure that key areas of the Deal can progress rapidly to delivery. This may be used to fund specialist development work, activity by local authorities or other key partners, or to meet the legal/financial costs of putting in place some of these measures. Government was supportive of proposals that funding could be used to develop the Green Superport, the Culture and Creative Sector Catalyst, an Inclusive Innovation Deal, and commitments in the original NE Devolution Deal around High Streets. Cabinet is asked to delegate authority to the Chief Executive and Director of Finance and Investment to agree proposals for the mobilisation of this funding.

B. Impact on North East Combined Authority Objectives

All the activity described above supports the strategic aspirations of the North East CA, as described in the North East Devolution Deal (December 2022) and the Corporate Plan. The breadth of the Deeper Devolution Deal means that it will feed into almost all of the portfolio priority areas.

C. Key risks

1. Individual project delivery risks relating to projects supported through capital or revenue funding will be assessed and managed as projects are taken through the Combined Authority's assurance process and into delivery.
2. Resourcing risks associated with new commitments highlighted in the Deeper Devolution Deal will be managed by the appropriate Head of Service and Director and considered by SLT
3. Risks around implementation of individual deal commitments will be considered and monitored on an ongoing basis, with issues escalated to SLT and Government if necessary.

D. Financial and other resources implications

The funding implications associated with the £37m of capital and revenue secured through this deal will be dealt with through subsequent project approval processes.

E. Legal implications

The Monitoring Officer has been consulted on this report and has no comments to add.

F. Consultation and engagement

Ongoing consultation was undertaken with the Local Authorities through the development of the Deeper Devolution Deal, although the contents of the emerging Deal were confidential and it was not possible to consult more widely.

G. Appendices

No appendices.

H. Background papers

North East CA Interim Corporate Plan
The full Deeper Devolution Deal available at: https://www.gov.uk/government/publications/north-east-deeper-devolution-deal

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J. Glossary

AEB	Adult Education Budget
DLUHC	Department for Levelling Up Homes and Communities
IZ	Investment Zone
North East CA	North East Combined Authority
SLT	North East CA Senior Leadership Team

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Cabinet

11 June 2024

Title: **Early Funding Decisions and Investments**
Report of: **Dr Henry Kippin, Chief Executive**
Portfolio: **Economy and Transport**

Report Summary

This report makes a number of recommendations for Mayor and Cabinet to consider in order for time-sensitive investments and funding arrangements to be delivered. Notification of these decisions was published on the North East CA Forward Plan as North East Combined Authority - early priorities and Initial Transport Programme, Partnerships and Investments reports.

The transport investments relate to zero-emission buses and electric vehicle charging infrastructure; deliver on the Mayor's Manifesto commitments; and are a result of previous discussion and agreement at the former Joint Transport Committee. They allocate funding available through the Joint Transport Committee's work in securing external Government funding.

Mayor and Cabinet's approval is also sought to implement proposals which reflect commitments made in the NE Devolution Deal around supporting the North East Screen Industries and addressing child poverty and educational disadvantage. These proposals will simply enable continuity of provision and ensure that there is equity in delivery across the whole of the Combined Authority area. They are brought forward here due to their time sensitive nature. The Mayor has committed to bringing substantive action for both sectors – proposals for which will be brought to a future Cabinet meeting.

Recommendations
It is recommended that Cabinet:

1. Approves in principle the investment set out below and delegate authority to the Chief Executive to enter into the relevant agreements as required, in accordance with the Single Assurance Framework:

    a. £3.211 million to procure electric vehicle charging infrastructure, of which £1.1 million is to be spent by the North East CA through contract awards, and £2.111 million is to be spent by Constituent Authorities through Grant Funding Agreements.

    b. £17.635 million for the provision of zero emission buses and associated infrastructure to be delivered by local bus operators through Grant Funding Agreements.

2. Approves £2.528m of Investment Funds to cover the North East area contribution to the North East Screen Industries Partnerships in full up to March 2027.

3. Approves an allocation of up to £2.4m of Investment Funds to extend North East CA child poverty and education improvement programmes to benefit schools, families, children and young people across all North East CA constituent authorities for the academic year 2024/25, beginning in September; and authorises the Chief Executive, in consultation with the Cabinet Member for the Education, Skills and Inclusion Portfolio, to approve the final business case and associated funding.

A. Context

1. Introduction

1.1. The North East Devolution Deal (Dec 2022) set out a broad range of powers, funding and influencing opportunities conveyed by Central Government that the North East Combined Authority

(North East CA) can bring to bear to make a positive and sustained impact on the quality of lives of our residents.

1.2. Prior to May 2024 the North East's transport policies, funding and delivery activities were co-ordinated by the North East Joint Transport Committee. These transport policies, funding and delivery activities are now the responsibility of the North East CA and together with obligations set out in the Devolution and Deeper Devolution ("Trailblazer") Deals form the basis of North East CA's transport programme. This report seeks approval for time sensitive initial transport investments with further information on the transport programme to be bought to a future Cabinet meeting.

1.3. The Deal highlighted the importance of extending the work undertaken within the region to strengthen the Screen industries – across TV and Film – and committed to delivery of the work around child poverty prevention and education improvement at a wider North East geography. This report simply puts the arrangements in place to ensure equality of current provision and funding across the region. A more substantive set of recommendations for both sectors will be brought to a future Cabinet meeting.

2. Transport

2.1. Successful bids to the Government's Levelling Up Fund and Zero Emission Bus Areas Fund (ZEBRA2) resulted in funding being awarded to the Joint Transport Committee, the North East CA's predecessor for transport governance, for electric vehicle charging infrastructure and zero emission buses. In order to continue delivery of these projects which contribute to the decarbonisation of transport, Cabinet is asked to approve resources as follows:

- £3.211 million of Levelling Up Funding to procure electric vehicle charging infrastructure, of which £1.1 million is to be spent by North East CA through contract awards, and £2.111 million is to be spent by Constituent Authorities through Grant Funding Agreements. In total, the Levelling Up Fund programme will deliver 92 EV charge-points.

- £10.25 million of Levelling Up Funding and £7.385 million of ZEBRA2 funding for the provision of zero emission buses (ZEBs) and associated infrastructure to be delivered by local bus operators through Grant Funding Agreements. The Levelling Up Funding will deliver 52 ZEBs, and ZEBRA2 will deliver 43 ZEBs.

2.2. The Grant Funding Agreements associated with these recommendations will be prepared by officers and agreed with each respective scheme promoter, after which scheme promoters will be able to draw down associated grant funding and commence delivery and construction.

2.3. The Grant Funding Agreements set out that promoters will be required to provide quarterly monitoring update reports detailing progress, expenditure, and risks. This information will be utilised to provide regular performance monitoring to the North East CA and onwards to Cabinet.

3. North East Screen Industries Partnership

3.1. The North East Screen Industries Partnership (NESIP) was established in September 2021 as a vehicle to facilitate the strategic development of the television and screen industry in the region, including supporting sector growth and ensuring that further/higher education organisations are able to support the development of the North East's creative talent. Supporting the sector is also a key plank of the Mayor's Manifesto.

3.2. NESIP is a joint venture formed by the Combined and Local Authorities in the North East (including Tees Valley) and the BBC, to level up regional film and television industries, aiming to more than double its 2019 share of the UK production market and deliver an annual impact to the regional economy of £88m.

3.3. A significant investment of £11.4m of public funds has been committed to maximise opportunities for accelerated growth within the North East screen industries sector. Delivery is underway and will continue to March 2027. At the time the NESIP was established, funding was provided by Combined Authorities for the North of Tyne and Tees Valley constituent local authorities; other local authority areas contributed directly. The establishment of the North East Combined Authority provides an opportunity for consistency in approach for the remaining period, an updated financial profile is included in section D and Cabinet are asked to approve £2.528m of Investment Funds to cover the North East area contribution in full up to March 2027. This will be in addition to the £2.85m previously approved by the North of Tyne Combined Authority for North Tyneside, Newcastle and Northumberland to cover the period from 1 April 2021 to 31 March 2027.

4. Child Poverty Prevention & Education Improvement

4.1. Working to eradicate child poverty and educational disadvantage is one of the greatest challenges facing the region. It will require a multi-year, cross sectoral and highly integrated approach led by the Mayor working collaboratively with Cabinet and regional partners. Addressing these issues also provides an opportunity – the positive economic and social impacts of addressing this multi-generational issue are significant in terms of increased economic performance, improved health and wellbeing and a fairer more-prosperous society. Work is being undertaken by the Mayor and Cabinet to develop a long-term programme to meet this challenge and will be bought forward in due course.

4.2. The North East CA already delivers a range of interventions to target child poverty and educational disadvantage through dedicated programmes within schools and to support families in communities where child poverty is prominent. Funding to continue these programmes is in place for the 2024/25 academic year for Newcastle, North Tyneside and Northumberland. To ensure equity of provision, the North East Devolution Deal commits to extending these programmes across the whole of the North East to reduce inequalities and build on learning from earlier initiatives.

4.3. Cabinet is therefore asked to approve a notional allocation of £2.4m of investment funds to allow programmes to benefit schools, families, children and young people across all the North East CA constituent authorities for academic year 2024/25, beginning in September. To move forward with this at pace, Cabinet is requested to agree a delegation to the Chief Executive, in consultation with the Cabinet Member for the Education, Skills and Inclusion Portfolio, to approve the final business case and associated funding.

B. Impact on North East Combined Authority Objectives

The activity described above supports the strategic aspirations of the North East CA as described in the North East Devolution Deal (December 2022), the Deeper Devolution Deal announced in March this year and the Corporate Plan and contribute to a greener North East by reducing harmful emissions from buses and private cars.

C. Key risks

Approval and agreement of the proposals within this report aid the delivery of North East CA programmes as there would, otherwise, be a risk of delays in delivering projects or obtaining funding. Also individual project delivery risks are included in the Programme Level risk register where key mitigation actions have been highlighted, both will be subject to regular review and Project and Programme risks will be managed throughout the delivery of the projects by the applicant and the Authority's Delivery Teams and the Programme Assurance Team.

D. Financial and other resources implications

A forecast profile of spend is included overleaf.

1. Transport

The investment proposals set out in this report are continuing activities that were commenced by the Joint Transport Committee, and for which funding has been secured from external grant funding sources and indicatively allocated to projects by the Joint Transport Committee.

In total, the funding commitments covered by this report amount to £20.846m which have been secured via competitive bidding, Section 31 Grant Determinations have been received for these funds.

The forecast profile of grant funding expenditure is outlined below:

Funding (£)	2024/25	2025/26	Total
Levelling up Fund	£11,979,226	£1,481,774	£13,461,000
ZEBRA2	£7,385,338	-	£7,385,338
Total	**£19,364,564**	**£1,481,774**	**£20,846,338**

2. North East Screen Industries Partnership

North East CA Investment Profile

	Period covering 2021/22 - 2023/24	2024/25	2025/26	2026/27	Totals
NTCA (£)	954,042	635,936	630,023	630,000	2,850,000
NECA proposed (£)		847,916	840,032	840,000	2,527,948
Totals	**954,042**	**1,483,852**	**1,470,065**	**1,470,000**	**5,377,948**

Total NESIP Investment Profile

	Period covering 2021/22 - 2023/24	2024/25	2025/26	2026/27	Totals
NTCA (£)	954,042	635,936	630,023	630,00084	2,850,000
NECA proposed (£)		847,916	840,032	840,000	2,527,948
TVCA (£)	1,590,006	1,059,893	1,050,038	1,050,000	4,750,000
LA Contributions (£)	1,272,056				1,272,056
Total (£)	3,816,167	2,543,745	2,520,091	2,520,000	**11,400,000**

3. Child Poverty Prevention & Educational Improvement

	Period Covering 2021/22 - 2023/24	2024/25	Total
NTCA (£)	4,311,800	2,456,500	6,768,300
NECA (£)	-	2,400,000	2,400,000
Total (£)	4,311,800	4,856,500	9,168,300

E. Legal implications

The Grant Funding Agreements associated with the transport recommendations are required in order to enable scheme promoters to commence drawing down the funding allocation associated with each individual scheme. Grant Funding Agreements will be prepared for schemes by officers and agreed with promoters, this mechanism is utilised to minimise any legal risks and ensure North East CA's obligations to the Department for Transport in regards to both devolved funding and specific grant funding streams are met. These obligations are appropriately transferred to the scheme promoters through the Grant Funding Agreement.

All projects put forward in this report will be subject to a robust assessment of their subsidy control position prior to any formal award of funding in line with the Single Assurance Framework.

All funding agreements will be reviewed by North East CA's legal team to ensure statutory obligations are met in full.

F. Consultation and engagement

Transport projects are undertaken collaboratively with Constituent Authorities and Nexus. The scheme promoters associated with the recommendations are responsible for conducting the consultation relevant to each scheme.

Significant consultation and engagement has been undertaken as part of the Child Poverty and North East Screen Industry Partnership proposals.

G. Appendices

None.

H. Background papers

North East CA Interim Corporate Plan
North East CA Medium Term Financial Plan (interim)

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J. Glossary

BBC	British Broadcasting Corporation
EV	Electric Vehicle
JTC	Joint Transport Committee
North East CA	North East Combined Authority
NESIP	North East Screen Industries Partnership
ZEB	Zero Emission Bus
ZEBRA2	Zero Emission Bus Regional Allocation
ZEV	Zero Emission Vehicle

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North East Combined Authority

Cabinet

11 June 2024

Title: North East Combined Authority Equality Objectives
Report of: Dr Henry Kippin, Chief Executive
Portfolio: All

Report Summary

This report seeks Cabinet's approval of 2024/5 equality objectives for the North East Combined Authority. Following approval of these year-one objectives it is proposed that the North East CA team undertake a robust co-production and engagement process to create long term equality objectives in line with our vision and principles, which will be set in June 2025.

Recommendations

Cabinet is recommended to adopt the equality objectives as set out in Appendix 1.

A. Context

1. Equality Objectives

1.1 The public sector equality duty (PSED) is a legal requirement for public authorities and organisations carrying out public functions. The purpose of the PSED is to make sure that public authorities and organisations carrying out public functions think about how they can improve society and promote equality in every aspect of their day-to-day business.

1.2 The PSED requires public authorities to publish equality objectives that help focus attention on the priority equality issues for the organisation. This should lead to improvements in policymaking, service delivery and employment, including resource allocation.

1.3 As well as meeting PSED requirements, equality objectives provide an opportunity for the Combined Authority to make measurable progress towards delivering its commitment of a Fairer North East and demonstrating its inclusive values and behaviours.

1.4 The equality objectives set out in appendix 1 are proposed for the first year of the Combined Authority in operation ie 2024/25. This will enable a full programme of evidence based work to be undertaken to inform a set of longer term equality objectives to be agreed by Cabinet in May 2025. This work will look internally and externally to the Combined Authority. Progress against equality objectives will be reported back to Cabinet on an annual basis.

1.5 In taking forward the programme of work to shape longer term equality objectives for the Combined Authority it will be important to consider best practice from the five organisations which have come together to form the new Combined Authority plus its seven constituent local authorities and wider partners.

1.6 The proposed equality objectives have been structured to reflect the different roles of the Combined Authority as an employer, a commissioner and deliverer of services, and a civic leader.

B. Impact on North East Combined Authority Objectives

1 The proposed equality objectives have been developed to further the Combined Authority's vision, commitments, and values.

C Key risks

1 None

D Financial and other resources implications

1 There are no direct financial implications arising from this report.

E Legal implications

1 The equality objectives have been designed to meet the legal requirements set out by the PSED for public authorities and organisations carrying out public functions.

F Consultation and engagement

1 The proposed equality objectives provide the opportunity to engage with partners and communities to develop our understanding of existing inequalities.

G Appendices

1 Appendix 1 - proposed equality objectives

H Background papers

None

I Contact officer(s)

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J Glossary

PSED public sector equality duty
VCSE voluntary, community and social enterprise

Appendix 1 – proposed equality objectives for the North East Combined Authority

As an employer			
	Area	**Long term commitment**	**Proposed equality objective**
1	Diversity	We will take steps to ensure the diversity of our workforce reflects the population we serve.	• Develop the systems required to collect and analyse employee data so that we can identify diversity gaps and develop an action plan to begin addressing them, including proactive actions within recruitment processes.
2	Equity	We will ensure that our polices are applied fairly, enabling all staff to thrive and contribute to the success of the organisation.	• Develop the systems required to assess whether policies and procedures are being applied equitably, so that we can identify any disparities and develop an action plan to begin addressing them.
3	Inclusion	We will create the conditions that support staff to feel valued, respected and heard at work.	• Develop a better understanding of staff experiences of inclusion through a programme of engagement, developing an action plan to begin addressing any challenges and opportunities uncovered.
4	Training	We will ensure that all staff and Cabinet are confident in adhering to the Public Sector Equality Duty.	• Ensure all employees and Cabinet members complete equality, diversity and inclusion training on a regular basis.
As a commissioner and deliverer of services			
	Area	**Long term commitment**	**Proposed equality objective**
5	Evidence	We will develop a deep understanding of the inequalities faced by residents in our region.	• Proactively embed equalities in the existing economic analysis of the organisation, targeting gaps in evidence, and using our evidence work to champion action to address issues of inequality. We will work with partners and communities to understand the impact of inequalities on people's lives.
6	Portfolio plans	We will embed actions to reduce inequalities and promote inclusion across all Combined Authority investments and policies.	• Identify and embed opportunities to address inequalities across all portfolios and strategic plans.
7	Guidance	We will embed actions to reduce inequalities and promote inclusion across all Combined Authority investments and policies.	• Develop guidance for colleagues and partners to embed reducing inequalities and promoting inclusion into the design, appraisal, monitoring and evaluation of all Combined Authority policy and investments.
8	Funding	We will consistently apply the principles of equity and	• Work with partners and other funders to ensure our funding opportunities are

		inclusion to the way we make funding accessible.	accessible to organisations working with some of our most under-represented residents.
9	Data	We will use data and evidence to drive action to address inequalities and promote inclusion.	• Develop systems to consistently collect, monitor and evaluate disaggregated data about the people benefitting from our funded activity, taking action to identify and address gaps in participation.
As a civic leader			
	Area	**Long term commitment**	**Proposed equality objective**
10	Engagement	We will build strong relationships with those around us to help us achieve our goals for the region.	• Develop an approach to inclusive engagement that helps to build positive relationships with diverse audiences so that our policies reflect the needs and ambitions of our people and communities.
11	Collaboration	We will build strong relationships with those around us to help us achieve our goals for the region.	• Establish an Equalities and Inclusion working group with membership comprising of colleagues from all seven local authorities plus other key stakeholders.
12	Membership	We will take steps to appoint a diverse membership to our boards which reflects the communities we serve.	• Regularly review membership of advisory groups and governance forums, ensuring that membership is diverse and inclusive.

Cabinet
11 June 2024

Title: **North East Combined Authority Borrowing Powers**
Report of: **Janice Gillespie, Director of Finance and Investment**

Report Summary

This report seeks Cabinet approval to the necessary steps for the North East Combined Authority (North East CA) to acquire statutory borrowing powers for non-transport related functions.

Recommendations

Cabinet is recommended to:

1. consent to the making by central government of regulations to provide the North East CA with borrowing powers in respect of its functions which do not relate to transport.

2. agree with central government a debt cap of up to £50m as the maximum borrowing which the North East CA can undertake for non-transport activity during 2024/25; and

3. authorise the Chief Executive, the Director of Finance and Investment and the Monitoring Officer, in consultation with the Mayor, to take all necessary steps to give effect to the recommendations above.

A. Context

1. As part of the devolution deal, it was always envisaged that the North East CA would have borrowing powers to support its functions. Borrowing powers for the North East CA's transport functions were included in the 2024 order which created the combined authority. However, central government's legislative procedures mean that the borrowing powers for other functions must be conferred on the North Est CA by a separate statutory instrument (referred to in this report as the Regulations). The North East CA and the constituent councils must provide their consent before the Regulations can be made. The Regulations will be in a standard format. The Regulations are expected to be laid following the 4 July 2024 general election.

2. In addition to giving its consent to the making of the Regulations, the North East CA must also agree a debt cap with HM Treasury to limit the amount of borrowing which the North East CA can undertake in 2024/25 and to give an outline of the type of activity which the North East CA may want to use its borrowing powers to support.

3. In January 2024 both the North of Tyne Combined Authority and the non-Mayoral North East Combined Authority agreed in principle a draft 2024-25 budget for the North East CA which included an indicative borrowing for the North East CA of £50 million together with a set of financial principles, including the following for capital projects:

   - **Co-investment and leverage** – investments will be made in ways that maximise private sector leverage, either through up-front co-investment commitments, or through additional investment unlocked by funding.

   - **Recyclability** – the expectation will be that, where returns on investment are collected, they will be used to service any debt accrued in financing the upfront investment, and then will be recycled into the regional investment fund for re-investment.

- **Borrowing** – borrowing against the investment fund will only be pursued for strategic regional investments with substantial co-investment of and expected returns on investment as set out in the forthcoming Investment Strategy.

4. Any proposed borrowing plans are expected to be considered by Cabinet as part of the Budget and Financial Planning process, with any proposal being in accordance with the Prudential Code, which the North East CA (like the constituent local authorities) is expected to follow.

5. Cabinet will be updated on the proposed debt cap at its meeting in November 2024 as part of the usual Financial Management Report. This report will include the regular update on the Treasury management strategy and Prudential Indicators that will be updated to reflect the agreed borrowing cap.

B. Impact on North East CA Objectives

Securing borrowing powers will further enable the Authority to properly discharge its functions and assist in delivering the Authority's vision, policies, and priorities.

C. Key risks

There are no specific risks relating to this report.

D. Financial and other resources implications

These are set out in the body of the report.

E. Legal implications

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

F. Consultation and engagement

As set out above, the proposal for the North East CA to have borrowing powers for its functions was set out in the devolution deal as well as the scheme which was subject to public consultation before the making of the order establishing the North East CA.

G. Appendices

None

H. Background paper

None

I. Contact officer(s)

Janice Gillespie, Director of Finance and Investment
Janice.gillespie@northeast-ca.gov.uk

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

J Glossary

None

North East Combined Authority

Cabinet

11 June 2024

Title: **Former NECA Statement of Accounts 2022-23**
Report of: **Director of Finance and Investment**
Portfolio: **Finance and Investment**

Report Summary

This report seeks Cabinet's approval of the Statement of Accounts for the former North East Combined Authority (NECA) for the year ended 31 March 2023.

At the time of writing this report the audit of the former NECA accounts is substantially complete. The Audit Completion Report is attached at Appendix 1 for consideration.

The audited Statement of Accounts and Narrative Report for the former NECA are attached at Appendix 3 and 4 for approval, and Appendices 5 and 6 are included for information.

Recommendations

Cabinet is recommended to:

1. Consider the Audit Completion Report and the draft Auditor's Annual Report.
2. Approve the Statement of Accounts 2022/23, including the Narrative Report; and
3. Authorise the Director of Finance and Investment, in consultation with the Mayor and Chief Executive, to agree any final amendments or changes to the former NECA 2022/23 Statement of Accounts and Narrative Report arising from the completion of the audit by the external auditors.

A. Context

1. External Audit Reports

1.1 The Audit Completion Report 2022/23 is attached at Appendix 1 and confirms that the audit work is substantially complete and there are no matters of which the auditors are aware that would require modification of their audit opinion. The auditors anticipate issuing an unqualified opinion, without modification, on the financial statements.

1.2 The report also confirms that work on Value for Money is complete and there are no significant weaknesses to report in relation to the arrangements that NECA has put in place to secure economy, efficiency and effectiveness in its use of resources.

1.3 The external auditors did not identify any internal control recommendations in respect of 2022/23 and internal control recommendations in respect of earlier years were completed.

1.4 Appendix 2 is the draft Auditor's Annual Report. This summarises the work undertaken by Mazars as auditor for NECA for the year ended 31 March 2023, and will be finalised when the audit opinion is issued, anticipated to be on 11 June 2024.

2. Statement of Accounts

2.1 The Statement of Accounts for 2022/23 sets out the financial performance of the former NECA for the year ended 31 March 2023 and its financial position at that date. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices as set out in the Chartered

Institute for Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

2.2 The former NECA accounts for 2022/23 reflect the fact that, under the 2018 Order which created NTCA, former NECA and NTCA jointly held transport assets and exercised transport functions jointly through the former Joint Transport Committee (JTC). These arrangements met the definition of Joint Control and the JTC was classified accordingly as a Joint Operation. In order to comply with the requirements of the Code, former NECA as accountable body must split the revenue, expenditure, assets and liabilities of the JTC into those which related to former NECA and NTCA based on population.

B. Impact on North East Combined Authority Objectives

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

C. Key risks

1. There are no specific risk implications directly arising from this report.

D. Financial and other resources implications

1. The Statement of Accounts for the former North East Combined Authority was prepared by staff employed by the former NECA and through a service level agreement with Durham County Council. Fees for the external audit were provided for in the former NECA budget.

E. Legal implications

1. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices. A publication notice was published on the former NECA website prior to 30 September 2023 to notify that the publication date for the Audited Statement of Accounts was missed due to delays in the commencement of the external audit.

F. Consultation and engagement

1. The draft Statement of Accounts was published on the former NECA website for public inspection from 1 June 2023 to 12 July 2023 and was considered by the former NECA Audit and Standards Committee on 27 June 2023. There have been no significant changes to the draft Statement of Accounts, and minor changes are set out in the external auditor's report at Appendix 1.

2. The outgoing Director of Finance and Investment from the former NECA has provided a Section 73 Officer letter of representation covering the period to 6 May 2024 and discussed this with the North East CA Director of Finance and Investment.

G. Appendices

Appendix 1 – Audit Completion Report 2022/23
Appendix 2 – Draft Auditor's Annual Report 2022/23
Appendix 3 – Statement of Accounts 2022/23
Appendix 4 – Narrative Report 2022/23
Appendix 5 – Section 73 Officer Letter of Representation
Appendix 6 – Annual Governance Statement 2022/23

H. Background papers

None

I. Contact officer(s)

Janice Gillespie, Director of Finance and Investment

J. Glossary

CIPFA	Chartered Institute of Finance and Accountancy
JTC	Joint Transport Committee
NECA	North East Combined Authority (former)
NTCA	North of Tyne Combined Authority

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Audit Completion Report

North East Combined Authority
Year ended 31 March 2023

May 2024

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Members of the Cabinet
North East Mayoral Combined Authority
(operating as North East Combined Authority)
The Lumen
St James' Boulevard
Newcastle upon Tyne
NE4 5BZ

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

28 May 2024

Dear Cabinet Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

This report relates to the North East Combined Authority, the functions of which transferred on 7 May 2024 to its successor body, the North East Mayoral Combined Authority, operating as the North East Combined Authority. The report is being presented as the 2022/23 audit was not concluded before the functions were transferred to the new entity in accordance with the North East Mayoral Combined Authority (Establishment and Functions) Order 2024.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 24 September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07896 684 771.

Yours faithfully

Gavin Barker

Gavin Barker

Mazars LLP

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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls (relevant to NECA and Group);
- Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to NECA and Group); and
- Defined benefit liability valuation (relevant to NECA and Group)

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements along with any unadjusted misstatements. Section 7 outlines our work on NECA's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, significant matters remaining outstanding are as outlined in section 2.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money
We have completed our work and we have not identified any significant weaknesses to report in relation to the arrangements that NECA has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.

Whole of Government Accounts (WGA)
We anticipate completing our work on WGA submission, in line with the group instructions issued by the NAO, once we have issued our opinion on the financial statements.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of NECA and to consider any objection made to the accounts. No questions or objections have been received.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Financial Statements	Green	Review and closure processes, including considering any post balance sheet events up to the point of signing our audit report and receipt of a letter of representation from the Director of Finance and Investment.

Red	Likely to result in material adjustment or significant change to disclosures within the financial statements.
Amber	Potential to result in material adjustment or significant change to disclosures within the financial statements.
Green	Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

Materiality

Our provisional materiality at the planning stage of the audit was set at £13.497m for the Group and £6.863m for NECA using a benchmark of 2% of total assets. Our final assessment of materiality, based on the final financial statements is £17.340m for the Group and £8.426m for NECA, using the same benchmark.

Group audit approach

The Group consists of NECA, Nexus and Tyneside Transport Services Limited. We are responsible for the direction, supervision and performance of the group audit.

04

Section 04:

Significant findings

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4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any further significant matters discussed with management.

Significant risks

Management override of controls (single entity and group accounts)

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

4. Significant findings

Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and the Group accounts)	**Description of the risk** Revenue recognition has been identified as a significant risk due to: • cut off considerations for Tyne Tunnel toll income; and • grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.
	How we addressed this risk We addressed this risk through performing audit work over: • the design and implementation of controls management has in place to ensure income is recognised in the correct period; • Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year; • the judgements made by management in determining when grant income is recognised; • for Tyne Tunnel toll income, performing a substantive analytical review; and • for major grant income, obtaining counterparty confirmation.
	Audit conclusion There are no issues arising from our work that we are required to report to you.

4. Significant findings

Net defined benefit liability / asset valuation (single entity and group accounts)	**Description of the risk** The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement. In 2022/23 there is a net pension asset, and the appropriate method of accounting for this is uncertain and complex.
	How we addressed this risk We: • evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and • considered the reasonableness of the actuary's outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available. Officers obtained a pension asset ceiling calculation from the actuary which confirmed that the net pension asset of £11.890m did not need to be capped at a lower level.
	Audit conclusion There are no issues arising from our work that we are required to report to you.

4. Significant findings

Qualitative aspects of NECA's accounting practices

We have reviewed NECA's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to NECA's circumstances.

Draft accounts were received from NECA on 31 May 2023 and were of a good quality.

Significant matters discussed with management

During our audit we discussed the following significant matters with management:

- The need to determine whether an asset ceiling should be applied to the net defined benefit asset recognised within the draft accounts, as well as the need to ascertain the value of the asset ceiling to be applied; and
- We made enquiries of officers in respect of Reinforced Autoclaved Aerated Concrete (RAAC) being present in any NECA buildings and infrastructure and obtained assurance that there was no indication of any material issues affecting NECA's assets.

We raised with officers the need to include a note to the accounts under the Narrative Statement, and in Accounting Policies and Events after the Balance Sheet Date (non-adjusting) explaining the impact of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024.

The additional disclosures referenced the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, that NECA will cease to exist on 7 May 2024 but that its functions will be transferred to the North East Mayoral Combined Authority from that date, and that because services will continue to be provided by another public sector entity, the financial statements are prepared on a going concern basis.

We will include an Emphasis of Matter paragraph in our audit report (included in Appendix B). An Emphasis of Matter is not a qualification, but will draw attention to these important disclosures in the financial statements.

The wording for our audit report has been approved through an internal Consultant Partner Review and technical clearance process.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

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

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We did not identify any internal recommendations in respect of 2022/23.

We did identify two internal control recommendations as part of our 2021/22 audit work and these are revisited in this section.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency – **related party declarations**

Related party declarations should be updated and obtained annually from senior officers and members.

In 2017/18 we identified this as a deficiency, which was rectified. However, our work in 2021/22 identified that not all declarations had been returned for that year.

Potential effects

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

Recommendation

Ensure that related party declarations are completed and received annually.

2022/23 update

Related party declaration forms are sent out annually to senior officers and members for them to complete and return.

5. Internal control recommendations

Follow up on previous internal control points (continued)

Description of deficiency – **related party declaration register**

NECA does not have a centralised register which documents all current and historic declared member interests.

Potential effects

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

Recommendation

Ensure that there is a centralised register which documents all declared member interests.

2022/23 update

A register is now kept of all declarations and checked against the suppliers being paid by NECA.

5. Internal control recommendations

Follow up on previous internal control points (continued)

Description of deficiency – accounts payable reconciliation

We note that whilst the AP reconciliation is reviewed there is no formal documentation / sign off to state that the review has been completed.

Potential effects

The accounts payable reconciliation should contain a formal sign off once it has been reviewed. A formal signoff evidences that a review has actually taken place, and also evidences to other members of the team who may use the reconciliation that this document has been appropriately reviewed. As such this reduces the risk of a material misstatement arising within the creditor and expenditure balances.

Recommendation

Finance team to ensure that the accounts payable reconciliation contains a formal signoff evidencing that a review has taken place.

2022/23 update

Accounts payable reconciliations are received from the DeBs system team monthly and reviewed and signed by both the DeBs team and Finance.

Group position - Nexus reporting issues

There were no internal control recommendations for 22/23 in the audit of Nexus, a significant subsidiary in the NECA group.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £253k (NECA) and £520k (Group).

Unadjusted misstatements - NECA

There are no misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

Adjusted misstatements - NECA

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR General Reserves			180	
	Cr: Creditors				180
	Based on the Creditors audit work where the draft accounts were not tying back with the creditors and there were some classification adjustments leading to changes in the Creditors amounts				
	Total adjusted misstatements	0	0	180	180

6. Summary of misstatements

Disclosure amendments - NECA

Disclosure amendments made include the following:

- Various minor presentational and casting points;
- Note 8 - Officers' Remunerations – Banding corrected and altered the note 8, changing the £55,000-£59,999 to 1 officer and £60,000-£64,999 to 2.;
- Note 19- Defined Benefit Pension Schemes - Corrected the split of the liability percentages in line with the Actuary's report. The assumptions for Longevity at 65 for current pensioners for both Men & women is corrected as per the Actuary Report.

Additional disclosures were added to the accounts under the Narrative Statement, and in Accounting Policies and Events after the Balance Sheet Date (non-adjusting) explaining the impact of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024. The additional disclosures referenced the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, that NECA will cease to exist on 7 May 2024 but that its functions will be transferred to the North East Mayoral Combined Authority from that date, and that because services will continue to be provided by another public sector entity, the financial statements are prepared on a going concern basis.

There were no unadjusted disclosure points to report.

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £253k (NECA) and £520k (Group).

Unadjusted misstatements - Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Net pension assets			818	
	CR Remeasurement of net defined pension liability		818		
	Our review of this report identified that the value of pension fund assets was higher than those originally reported, which is entirely due to timing issues compared to when the actuary prepares their report and the final valuations received during EY's audit. Application of this issue to the pension assets held by NECA & Nexus as a proportion of total pension errors resulted in an understatement of pension assets of ££817.704k Pension errors identified during overall procedures for NECA:£175.012k NECA share in Nexus understatement of pension assets is £1,168k*55.025%= £642.692k				
	Total adjusted misstatements	0	818	818	0

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £253k (NECA) and £520k (Group).

Adjusted misstatements - Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Taxation	1,773			
	CR Usable Reserves				1,773
	Taxation amounts were not available from Nexus at the time of preparation of the accounts, thus CIES will be adjusted for taxation. The total comprehensive I&E should have been (£211,006) now. This has also led to changes in the Group Note 13 Deferred Taxation, CIES, Balance Sheet and MIRS				
	Total adjusted misstatements	1,773	0	0	1,773

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £253k (NECA) and £520k (Group).

Adjusted misstatements - Group Cash flow Statement

Description of the disclosure error	Amounts per the draft group accounts (£'000)	Amounts corrected after audit testing (£'000)
Net surplus on provision of services	130,138	131,911
Adjustments to net surplus or deficit on the provision of services for non-cash movements	37,986	43,019
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-87,486	-137,385
Net cash flows from Operating Activities	80,638	37,544
Investing Activities	-63,647	-20,141

6. Summary of misstatements

Disclosure amendments - Group Notes

Item of account / disclosure note	Description of the disclosure error	Amounts per the Draft Group Accounts (£000)	Correct amounts to be updated (£000)
Note G16: Operating activities	- Depreciation and Impairment	18,180	21,712
Note G16: Operating activities	- (Increase)/decrease in creditors and provisions	28,235	26,959
Note G16: Operating activities	- Movement on pension liability	7,990	9,157
Note G16: Operating activities	Other non-cash items charged to the net surplus on the provision of services	-2,802	-1,436
Note G16: Operating activities	- Capital grants applied	-88,363	-138,458
Note G16: Operating activities	Net cash flows from operating activities	80,639	37,545
Note G16: Operating activities	Interest paid	664	-3,163
Note G17: Cash Flow Statement - Investing Activities	- Payments on capital projects/purchase assets	-75,822	-92,898
Note G17: Cash Flow Statement - Investing Activities	- Capital grants received	-	90,994
Note G17: Cash Flow Statement - Investing Activities	- Proceeds sale LT ST investment	163,525	161,565
Note G17: Cash Flow Statement - Investing Activities	- Purchase investments	-272,350	-226,428
Note G17: Cash Flow Statement - Investing Activities	- Other Receipts from Investing Activities	121,000	46,626
Note G17: Cash Flow Statement - Investing Activities	Net cash flows from investing activities	-63,647	-20,141
Note G02a: Income and Expenditure Analysed by Nature	Employee benefit expenses	25,824	23,713
Note G02a: Income and Expenditure Analysed by Nature	Other service expenses	94,711	97,035
Note G06: Property, Plant and Equipment (excluding Infrastructure Assets)	Vehicles, Plant, Furniture & Equipment: Transfers from Assets Under Construction	419	957

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6. Summary of misstatements

Disclosure amendments – Group Notes

Item of account / disclosure note	Description of the disclosure error	Amounts per the Draft Group Accounts (£000)	Correct amounts to be updated (£000)
Note G06: Property, Plant and Equipment (excluding Infrastructure Assets)	Total Property, Plant & Equipment: Transfers from Assets Under Construction	-74,663	-74,125
Note G06a: Property, Plant and Equipment (Highways Infrastructure Assets)	Additions	74,676	13
Note G06a: Property, Plant and Equipment (Highways Infrastructure Assets)	Reclassification from Assets under construction	-	74,125
Note G14: Usable Reserves	General fund balance	-40,819	-42,591
Note G15: Unusable Reserves	Pension Reserve: Balance at 1 April	34,348	22,948
Note G15: Unusable Reserves	Pension Reserve: Balance at 31 March	-35,712	-47,112
Note G12: Defined Benefit Pension Schemes: Actual return on assets	Remeasurement gain/loss on assets	-8,067	-10,067
Note G12: Defined Benefit Pension Schemes: Actual return on assets	Actual Return on Assets	-375	-2,375

07

Section 07:

Value for Money

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7. Value for Money

Approach to Value for Money

We are required to consider whether NECA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How NECA plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How NECA ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How NECA uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that NECA has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

We did not identify any risks of significant weaknesses in arrangements at the planning stage or during our audit.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on NECA's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report as soon as the auditor's report on the financial statements is signed.

Status of our work

We have completed our work in respect of NECA's arrangements for the year ended 31 March 2023. We have not identified any significant weaknesses in arrangements that require us to make a recommendation.

Our draft audit report at Appendix B outlines that we have completed our work in relation to NECA's arrangements and that we have no matters to report. As noted above, our commentary on NECA's arrangements will be provided in the Auditor's Annual Report which we intend to issue as soon as the auditor's report on the financial statements is signed.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To: Mr Gavin Barker
Director
Mazars LLP

Date:

NECA and Group - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of NECA and Group for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within NECA and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all NECA and Group committee meetings, have been made available to you.

Appendix A: Draft management representation letter

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the NECA and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by NECA and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

NECA and Group have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting NECA and Group involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting NECA and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of NECA and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix A: Draft management representation letter

Ukraine

We confirm we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on NECA and Group and there is no significant impact on NECA and Group's operations from restrictions or sanctions in place.

Global Banking Challenges

We confirm that we have assessed the impact on NECA and Group of the on-going Global Banking challenges, in particular whether there is any impact on NECA and Group's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Reinforced Autoclaved Aerated Concrete (RAAC)

I confirm I have disclosed to you the extent of RAAC in Authority-owned buildings and to date, there is no indication of any significant issues.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed .Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

NECA ceased to exist on 7 May 2024 but its functions were transferred to the North East Mayoral Combined Authority from that date, and that because services have continued to be provided by another public sector entity, the financial statements are prepared on a going concern basis. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the financial statements.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. [Please ensure an appendix is attached to the letter setting out all unadjusted misstatements]

Yours faithfully

Chief Finance Officer: ………………………

Date: ………………………

.

Appendix B: Draft audit report

Independent auditor's report to the North East Mayoral Combined Authority (operating as North East Combined Authority) in respect of the North East Combined Authority and the Group

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of the North East Combined Authority and the Group for the year ended 31 March 2023, which comprise the North East Combined Authority and Group Comprehensive Income and Expenditure Statements, the North East Combined Authority and Group Balance Sheets, the North East Combined Authority and Group Movement in Reserves Statement, the North East Combined Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the North East Combined Authority and the Group as at 31st March 2023 and of the North East Combined Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

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

Emphasis of Matter – transfer of the North East Combined Authority's functions to the North East Mayoral Combined Authority

We draw attention to note 01.a (North East Mayoral Combined Authority), note 30.1 (accounting policies, general principles) and note 31 (events after the balance sheet date) of the financial statements, which highlight that as a result of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, the North East Combined Authority's functions transfer to the new North East Mayoral Combined Authority from 7 May 2024. These notes further disclose that as services continue to be provided by another public sector entity, the financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the functions of the North East Combined Authority continuing in operational existence for a period of at least twelve months from when the financial statements are authorised for issue.

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

Appendix B: Draft audit report

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in Statement of the Chief Finance Officer’s Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the North East Combined Authority and the Group will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the North East Combined Authority and the Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

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

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

Appendix B: Draft audit report

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to :

- inquiring with management and those charged with governance, as to whether the North East Combined Authority and the Group is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the North East Combined Authority and the Group which were contrary to applicable laws and regulations, including fraud.

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

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

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

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

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

Appendix B: Draft audit report

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

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the North East Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

Responsibilities of the North East Combined Authority

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Appendix B: Draft audit report

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

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

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

Date: 11 June 2024

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going concern	We have not identified any evidence to cause us to disagree with the Chief Finance Officer that the North East Combined Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged With Governance, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Gavin Barker, Director

gavin.barker@mazars.co.uk

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Auditor’s Annual Report - DRAFT

North East Combined Authority – year ended 31 March 2023

May 2024

mazars

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the North East Combined Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

01

Section 01:

Introduction

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North East Combined Authority (NECA) for the year ended 31 March 2023. Although this report is addressed to NECA, it is designed to be read by a wider audience including members of the public and other external stakeholders. This is a DRAFT report, as we have not yet issued our audit opinion. The report will be finalised when we issue our audit opinions, anticipated to be on 11 June 2024.

This report relates to the North East Combined Authority, the functions of which transferred on 7 May 2024 to its successor body, the North East Mayoral Combined Authority, operating as the North East Combined Authority. The report is being presented as the 2022/23 audit was not concluded before the functions were transferred to the new entity in accordance with the North East Mayoral Combined Authority (Establishment and Functions) Order 2024.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements

We issued our audit report on 11 June 2024 (anticipated date subject to completion). Our opinion on the financial statements was unqualified, and included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements that the functions of NECA transferred to the North East Mayoral Combined Authority on 7 May 2024, and that it was still appropriate that the financial statements have been prepared on a going concern basis.
[At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]

Value for Money arrangements

In our audit report issued 11 June 2024 (anticipated date subject to completion) we reported that we had completed our work on NECA's arrangements to secure economy, efficiency and effectiveness in its use of resources. We can confirm that we have not identified any significant weaknesses or recommendations that require reporting. Section 3 provides our commentary on NECA's arrangements. [We anticipate this as the final position in relation to our VFM work.]

Wider reporting responsibilities

In line with group audit instructions issued by the NAO, we will report our work on NECA's Whole of Government Accounts return after we have issued our audit opinion on the financial statements.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion audit

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to NECA and whether they give a true and fair view of NECA and Group's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 11 June 2024 (anticipated date) gave an unqualified opinion on the financial statements for the year ended 31 March 2023, and included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements that the functions of NECA transferred to the North East Mayoral Combined Authority on 7 May 2024, and that it was still appropriate that the financial statements have been prepared on a going concern basis. [At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of NECA's accounting practices

We reviewed NECA's accounting policies and disclosures and concluded they comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to NECA's circumstances.

Significant difficulties during the audit

We had positive co-operation from management throughout the audit and we would like to thank management for their assistance, courtesy and patience during our work.

During our audit we discussed the following significant matters with management:

- The need to determine whether an asset ceiling should be applied to the net defined benefit asset recognised within the draft accounts, as well as the need to ascertain the value of the asset ceiling to be applied, if any; and
- We made enquiries of officers in respect of Reinforced Autoclaved Aerated Concrete (RAAC) being present in any NECA buildings and infrastructure and obtained assurance that there was no indication of any material issues affecting NECA's assets.

We raised with officers the need to include a note to the accounts under the Narrative Statement, and in Accounting Policies and Events after the Balance Sheet Date (non-adjusting) explaining the impact of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024.

The additional disclosures referenced the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, that NECA ceased to exist on 7 May 2024 but that its functions were transferred to the North East Mayoral Combined Authority from that date, and that because services will continue to be provided by another public sector entity, the financial statements have been prepared on a going concern basis.

[At this stage, we anticipate being able to issue an unqualified opinion, subject to the completion of outstanding matters.]

Reporting responsibility	Outcome
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting 2022/23 , as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the NECA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

Financial sustainability - How NECA plans and manages its resources to ensure it can continue to deliver its services

Governance - How NECA ensures that it makes informed decisions and properly manages its risks

Improving economy, efficiency and effectiveness - How NECA uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment
At the planning stage of the audit, we undertake work so we can understand the arrangements that NECA has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation
Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations
We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from NECA. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
  We make these recommendations for improvement where we have identified a significant weakness in NECA's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**
  We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11	No	No	No
Governance	14	No	No	No
Improving economy, efficiency and effectiveness	18	No	No	No

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3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Overall commentary on the Financial Sustainability reporting criteria

How NECA identifies significant financial pressures that are relevant to its short and medium-term plans

The North East Combined Authority (the Authority) covers the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland.

The 2022/23 Revenue Budget and Medium-Term Financial Strategy (MTFS), covering the period up to and including 2024/25 was approved by the Leadership Board on 1 February 2022 and is available on the Authority's website.

Due to Transport being of such a strategic importance to the North East, collaborative working of both Combined Authorities allows effective decision making across the region, which helps to ensure that the local needs and priorities are delivered. This resulted in the introduction of the North East Joint Transport Committee (JTC) which brings together all seven of the Constituent Authorities of the region, being the four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority (NTCA) in accordance with the Order that was created on the 2nd November 2018.

Regular budget monitoring reports are presented to the Authority's Leadership Board and JTC throughout the year. These reports monitor financial pressures and delivery of savings to help ensure that the Authority remains within budget. The Authority's Leadership Board (NELB) reports are agreed by the constituent authorities Chief Executives and are scrutinised by the Overview and Scrutiny Committee. In addition, JTC reports are agreed with the Transport North East Senior Officers Oversight Group, the Transport Strategy Board and are scrutinised by JTC Overview and Scrutiny Committee.

As at 31 March 2023, the Authority reported useable reserves of £145.5 million in the draft accounts.

A timetable for the production and consultation of the 2022/23 Revenue Budget/MTFS was in place and builds in financial information from JTC's delivery bodies (Nexus, Durham, Northumberland) as well as the Transport Strategy Unit and Tyne Tunnels.

How NECA plans to bridge its funding gaps and identifies achievable savings

The annual budget/MTFS process sets out the Authority's spending plans over the period and how any funding gaps will be met. This process is developed through working with key delivery partners for public transport services (the Authority, Durham and Northumberland) and the constituent local authorities of the Authority and the JTC.

Regular budget monitoring/forecast of outturn reports highlight any financial pressures developing, allowing action to be taken at an early stage.

How NECA plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget development process enables resources to be identified to support the delivery of services in accordance with the strategic priorities of the Authority and the JTC. This is developed through working with key delivery partners for public transport services (the Authority, Durham, Northumberland) and the constituent local authorities of the Authority and the JTC.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

How NECA ensures that its financial plan is consistent with other plans

Consultation on budget proposals is built into Part 4.4 (Budget and Policy Framework Rules of Procedure) of the Authority's Constitution (updated June 2022) and aims to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

In line with the Prudential Code, revenue implications of capital investment decisions are fully considered and form part of the budget setting process ensuring that investments are fully funded – e.g. agreement of Minimum Revenue Provision (MRP) strategy.

The annual budget/MTFS report considers relevant implications including resources, equality, legal, human rights and risks as part of the approval process.

How NECA identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

There is an established risk management framework for the Authority and the JTC with regular reviews and reporting to the Authority's Audit & Standards Committee and JTC Audit Committee. This includes risks to financial resilience. Support is provided to the Authority by Sunderland City Council through a service level agreement.

As set out in the Risk Management Policy and Strategy Framework, Designated Officers are responsible for ensuring that risk management is an integral part of their management processes and activities within their respective areas of responsibility.

Budget managers have direct access to the financial management system for up-to-date financial information but also get the support of the Authority's finance officers. The Authority uses Durham County Council's (DCC) financial systems. DCC has been streamlining its financial systems which are continuously being developed to meet the need of service users and to enable the Authority to meet internal deadlines and statutory reporting. Systems have been developed to enable more up-to-date budget information to be obtained from Service budget managers and finance staff.

Revenue Budget Monitoring/Forecast of Outturn reports are brought to the Leadership Board and JTC on a regular basis for challenge and comment before subsequently being reported to the relevant Overview & Scrutiny Committee.

The Chief Finance Officer and Finance Manager are part of the Transport North East (TNE) Senior Officers Oversight Group which meets monthly to discuss TNE service and budget issues with the JTC Statutory Officers. There is a monthly meeting with all TNE budget managers and the Authority's Finance Manager to discuss any service and budget issues.

Financial Management Standards support the Authority's Financial Regulations set out in the Constitution. The Financial Regulations provide the overall high-level framework for managing the authority's financial affairs, and Financial Procedure Notes set out in more detail how these procedures are implemented to embed sound financial management across the authority.

The 2022/23 Revenue Budget and Medium-Term Financial Strategy (MTFS), covering the period up to and including 2024/25 was approved by the Leadership Board on 1 February 2022 and is available on the Authority's website.

The Authority has a history of achieving financial targets as evidenced by financial and performance reports.

Relevant HR policies and procedures are in place.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils have agreed to a devolution deal which the Government has confirmed.

This new combined authority will be led by a Mayor elected by residents across the area, and together with one representative from each of the seven constituent councils will form a Cabinet which will make decisions for the new combined authority.

The North East mayoral election is due to be held on 2 May 2024 to elect the mayor of the North East and the North East Mayoral Combined Authority is due to come into existence 4 days after the completion of this election. The authority will replace the North of Tyne and the North East Combined Authorities.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

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3. VFM arrangements – Governance

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Overall commentary on the Governance reporting criteria

How NECA monitors and assesses risk and how NECA gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority has an Anti-Fraud and Corruption Policy in place and seeks in the first instance to prevent fraud and corruption through staffing policies, making members aware of their responsibilities, internal control systems and liaison with outside agencies.

The Authority is a participant in the National Fraud Initiative, a data matching exercise that helps prevent and detect fraud across the public sector.

The Authority endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions. They also seek to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis.

The Authority uses an Internal Audit service provided by Sunderland City Council. They produce a risk-based Internal Audit plan to determine the priorities of the internal audit activity, consistent with the authority's goals.

Internal audit reviews highlight weaknesses and recommend action when required to strengthen process/ procedures. These are regularly reported to Audit and Standards Committee.

How NECA approaches and carries out its annual budget setting process

The Constitution (updated June 2022) sets out the Authority's budget setting process, including in its role as accountable body for the JTC. This must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget and that it is agreed in accordance with the requirements of the Constitution and the JTC Standing Orders.

Outline proposals are developed in discussion with member and officer groups, In addition, Finance Directors across the Authority area will be involved throughout the process.

Proposals made by the JTC, in relation to levies and the distribution of those levies to the Constituted Authorities and Combined Authorities, will be considered by the Leadership Board. The Leadership Board also consider the funding necessary to discharge the functions of the Authority and make proposals for the funding of the Authority taking into account the JTC's proposals or decisions in relation to the levies and the wider transport budget.

Once the consultation process has been completed, details of the finalised proposals will be referred to the Overview and Scrutiny Committee together with the relevant background information on which the proposals have been based. It is the responsibilities of the Chair of the Leadership Board and relevant officers to ensure that the Overview and Scrutiny Committee has sufficient background information to enable it to evaluate the proposals against that background information.

The proposals will then be referred back to the Leadership Board, together with any recommendations and/or observations from the Overview and Scrutiny Committee.

The final proposals (including consideration of the final proposals and decision of the JTC) will then be considered by the Leadership Board, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committee. The Leadership Board must agree the final proposals in relation to the Authority's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How NECA ensures effective processes and systems are in place to ensure budgetary control

Quarterly forecasts of outturn reports were presented to the Chief Officers' Group, Cabinet and Scrutiny Committees during the 2022/23 financial year. The reports included details of movements in the budget between quarters and remedial measures taken. These did not indicate a weakness in monitoring and reporting arrangements.

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How NECA ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

There is an up to date Constitution (June 2023) in place which is available on the website.

Principles of decision making are set out in the Authority's constitution and all decisions are made in accordance with these. Report templates are set out to prompt consideration of each of the principles/implications of the decision under consideration.

The Authority has an Overview and Scrutiny Committee established to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority. The Overview and Scrutiny Committee also investigates matters of significant importance to residents within the areas covered by the four councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

There is also an established JTC Overview and Scrutiny Committee, which also enables local councillors to scrutinise and challenge the JTC, its committees and the Authority, and to investigate matters of strategic importance to residents within the LA7 Area (being the 5 Councils of Tyne and Wear along with Durham and Northumberland Counties) with a view to influencing and adding value to the decisions.

The North East Leadership Board is made up of the Leaders of the four constituent bodies and is supplemented by elected members who serve on a number of committees along with non-executives.

The Authority publishes a Forward Plan which lists all decisions that committees or officers of the Authority intend to take in the coming months. Details of each are usually included 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that the Combined Authority is planning to take, to review any related reports and background papers, and to submit comments to the decision maker in advance of the decision being made.

Briefings for members are held between key public meetings to discuss particular topics in depth and allow for challenge and informed decision making by members of committees such as the Joint Transport Committee and the Tyne and Wear Sub Committee.

The Authority's Leadership Board receive appropriate and regular reports on the financial position of the Authority.

The Head of Paid Service and Chief Executive leads a very experienced senior officer team at the Authority.

Risk management arrangements along with an up-to-date risk register are in place. A risk update is reported regularly to the Audit and Standards Committee, who provide challenge in this area.

An annual governance statement is prepared, reviewed and approved before being included in the financial statements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How NECA monitors and ensures appropriate standards are maintained

The Authority's constitution sets out the how the authority operates, how decisions are made and the procedures that are followed to ensure that the Authority operates efficiently, effectively and is both transparent and accountable.

The Authority has an agreed Code of Conduct for Members which sets out the conduct that is expected of elected members appointed to the Authority when they are acting in that capacity, and which is consistent with Nolan's Seven Principles of Public Life.

In addition, the Authority has a Code of Conduct for Officers which is intended to support officers in maintaining standards and to help protect officers from misunderstanding or criticism. The Code applies to all officers of the Authority.

A Member/Officer Relations Protocol is also in place to provide general guidance for Members and Officers in their relations with one another. It reflects the basic principles underlying the respective rules of conduct that apply to Members and Officers and is intended to offer guidance on some of the issues that commonly arise.

With the exception of co-opted Independent Members on the Audit & Standards and Overview & Scrutiny Committees, Members are elected councillors of constituent local authorities and also subject to their own Council's Codes of Conduct.

The Authority has an Audit and Standards Committee, which seeks to promote and maintain high standards of conduct by the Authority's members and co-opted members, and ensure the Authority's members and co-opted members observe the Members' Code of Conduct.

An Authority Register of Members Interests is in place which contains declarations of any Disclosable Pecuniary Interest and any other interest. These are published on the Authority website and must be registered within 28 days of appointment as a member of the Authority or any change taking place. Non-registerable interests in an item of business must be disclosed by members to the meeting before consideration of that item begins, and this is a standing item on the meeting agendas. Interests for Senior Officers are also recorded

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement

The Narrative Report accompanying the Statement of Accounts includes key financial performance information to help inform users of the accounts.

Final Outturn reports build on the quarterly reporting during the year to set out financial performance against budget for the Authority and JTC for both revenue budgets and Capital Programme. The outturn is used to update the forecasts for the year as part of the regular forecast of outturn reports.

Treasury Management Prudential Indicators are set and updated through the Treasury Management Policy and Strategy, mid-year update and outturn update.

How NECA evaluates the services it provides to assess performance and identify areas for improvement

Durham County Council and Northumberland County Council report to the JTC on the Discharge of Transport Functions setting out performance against the Transport Functions delegated to them by the JTC.

The Authority report to the Tyne and Wear Sub Committee on its performance against its agreed Corporate Plan priorities.

The new Transport Plan for the whole JTC area sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan with respect to the 5 key objectives (Carbon neutral North East, Overcome inequality and grow our economy, Healthier North East, Sustainable transport choices and Safe, secure network).

How NECA ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority's Constitution sets out that the Procurement Procedure Rules for the Constituent Authority designated as lead authority for the following exercises shall apply and be followed wherever the Combined Authority wishes to arrange for:

- The purchases of goods, materials and related services;
- The execution of works; or
- The provision of other services (including consultancy).

The Authority receives procurement services from Durham County Council via a Service Level Agreement. The service specification includes the undertaking of legally compliant procurement and production of procurement documentation and correspondence via competitive quote/tender process.

All Procurement staff are either fully qualified or studying for Chartered Institute of Procurement and Supply to ensure the highest performance standards are achieved and is the first Council team to achieve the CIPS Corporate Ethics Standard.

A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 Ltd which was introduced in 2008. The partnership with TT2 Ltd is governed by the Project Agreement which specifies levels of performance which must be met and roles and responsibilities of both partners, and is managed by the Tyne Tunnels Contract Manager.

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

How NECA ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve - continued

The Authority works very closely with the North East Local Enterprise Partnership (NELEP). This is a business-led, strategic partnership responsible for promoting and developing economic growth in the area. The Authority supports the work of the enterprise partnership and they work together to ensure co-ordination across their range of activities.

The NELEP Board includes representatives from across the private and public sectors. Each of the leaders and the elected Mayor representing the seven local authorities that are members of the NELEP and the Chair of the NELEP is a non-voting member of the NELB.

There is a register which sets out associated partners to the Authority, the purpose of the partnerships, link officer and review dates for each one.

Nexus is not included in the significant partner register due to its status as an officer of the Combined Authority. The Authority reports regularly to the Joint Transport Committee and the Tyne and Wear Sub Committee on its financial performance, and performance against its Corporate Business Plan and Risk Register. The relationship between the Authority and Nexus is set out in the Constitution.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We will report to the NAO on WGA shortly after we issue our audit opinion on the financial statements.

As in previous years, we anticipate a significant delay before we will be able to issue our 2022/23 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

The NAO timetable for 2022/23 WGA is for completion by the end of November 2024, so we anticipate receiving the clearance which will enable us to issue our audit certificate at or around this date.

4. Other reporting responsibilities and our fees

Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum dated 24 September 2023. Now we have completed the 2022/23 audit, we can confirm our final fees, which include additional fees relating to issues arising this year. All additional fees are subject to Public Sector Audit Appointments (PSAA approval). All fees are exclusive of VAT.

Area of work	2022/23 fees *	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice (scale fee)	£19,404	£18,709
Additional fees in respect of the new VFM approach (recurring)	£7,500	£7,500
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring)	£2,500	£2,500
Additional fees in respect of resolving the national infrastructure issue 2021/22 only	£nil	£5,000
Additional fees in respect of the delays in Pension Fund auditor assurance and the need for revised pensions figures for the triennial revaluation 2021/22 only	£nil	£5,000
ISA 315 revised – additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT general controls (new standard applied from 2022/23 for the first time) – not recurring	£3,500	£nil
Consideration of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, emphasis of matter, including Consultant Partner Review	£1,500	£nil
Additional fee in respect of numerous adjustments to the Group accounts	£1,500	£nil
Total fees	**£35,904**	**£38,709**

** The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA will fund the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies" (p8 of the consultation).*

4. Other reporting responsibilities and our fees

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in 2022/23.

Services provided to other entities within the Group

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

We are also the external auditor for Nexus. We do not carry out the external audit of Tyneside Transport Services (TTS) as it is within the limits for audit exemptions under Section 479A of the Companies Act 2006 relating to subsidiary companies and its transactions are immaterial to the group accounts.

A

Appendix

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A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management override of controls (single entity and group accounts) This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. **Audit conclusion** Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.
Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and the Group accounts) Revenue recognition has been identified as a significant risk due to: • cut off considerations for Tyne Tunnel toll income; and • grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.	We addressed this risk through performing audit work over: • the design and implementation of controls management has in place to ensure income is recognised in the correct period; • Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year; • the judgements made by management in determining when grant income is recognised; • for Tyne Tunnel toll income, performing a substantive analytical review; and • for major grant income, obtaining counterparty confirmation. **Audit conclusion** There are no issues arising from our work that we are required to report to you

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A. Further information on our audit of the financial statements

Significant risks and audit findings- continued

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Net defined benefit liability / asset valuation (single entity and group accounts) The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement. In 2022/23 there is a net pension asset, and the appropriate method of accounting for this is uncertain and complex.	We: • evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and • considered the reasonableness of the actuary's outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available. Officers obtained a pension asset ceiling calculation from the actuary which confirmed that the net pension asset of £11.890m did not need to be capped at a lower level. **Audit conclusion** There are no issues arising from our work that we are required to report to you.

A. Further information on our audit of the financial statements

Summary of Unadjusted misstatements - NECA

There are no misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

Summary of Unadjusted misstatements – Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Net pension assets			818	
	CR Remeasurement of net defined pension liability		818		
	Our review of this report identified that the value of pension fund assets was higher than those originally reported, which is entirely due to timing issues compared to when the actuary prepares their report and the final valuations received during EY's audit. Application of this issue to the pension assets held by NECA & Nexus as a proportion of total pension errors resulted in an understatement of pension assets of ££817.704k Pension errors identified during overall procedures for NECA:£175.012k NECA share in Nexus understatement of pension assets is £1,168k*55.025%= £642.692k				
	Total adjusted misstatements	0	818	818	0

A. Further information on our audit of the financial statements

Internal control observations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

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

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We did not identify any internal recommendations in respect of 2022/23.

We did identify three internal control recommendations as part of our 2021/22 audit work and these are revisited in this section.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

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A. Further information on our audit of the financial statements

Follow-up on previous years recommendations

Description of deficiency – related party declarations

Related party declarations should be updated and obtained annually from senior officers and members.

In 2017/18 we identified this as a deficiency, which was rectified. However, our work in 2021/22 identified that not all declarations had been returned.

Potential effects

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

Recommendation

Ensure that related party declarations are completed and received annually.

2022/23 update

Related party declaration forms are sent out annually to senior officers and members for them to complete and return.

A. Further information on our audit of the financial statements

Follow-up on previous years recommendations- (continued)

Description of deficiency – related party declaration register

NECA does not have a centralised register which documents all current and historic declared member interests.

Potential effects

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

Recommendation

Ensure that there is a centralised register which documents all declared member interests.

2022/23 update

A register is now kept of all declarations and checked against the suppliers being paid by NECA

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A. Further information on our audit of the financial statements

Follow up on previous internal control points (continued)

Description of deficiency – accounts payable reconciliation

We note that whilst the AP reconciliation is reviewed there is no formal documentation / sign off to state that the review has been completed.

Potential effects

The accounts payable reconciliation should contain a formal sign off once it has been reviewed. A formal signoff evidences that a review has actually taken place, and also evidences to other members of the team who may use the reconciliation that this document has been appropriately reviewed. As such this reduces the risk of a material misstatement arising within the creditor and expenditure balances.

Recommendation

Finance team to ensure that the accounts payable reconciliation contains a formal signoff evidencing that a review has taken place.

2022/23 update

Accounts payable reconciliations are received from the DeBs system team monthly and reviewed and signed by both the DeBs team and Finance.

Group position - Nexus reporting issues

There were no internal control recommendations for 2022/23 in the audit of Nexus, a significant subsidiary in the NECA group.

Gavin Barker, Director

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

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North East Combined Authority

Statement of Accounts 2022/23

Contents **Page**

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 Accounts

I hereby certify that the Statement of Accounts for the year ended 31 March 2023, 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 2023 and its income and expenditure for the year ended 31 March 2023.

Signed:	Signed:
Date:	Date:
Janice Gillespie Chief Finance Officer	Kim McGuiness Mayor of the North East Combined Authority

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.

		Usable Reserves					
	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000
Balance at 1 April 2021		**(7,893)**	**(11,454)**	**(23,687)**	**(43,032)**	**(56,284)**	**(99,316)**
Total Comprehensive Income and Expenditure		(39,383)	-	-	**(39,383)**	(6,720)	**(46,103)**
Adjustments between accounting basis & funding basis under regulations	3	38,853	-	(37,300)	**1,553**	(1,553)	**-**
Net (Increase)/Decrease before transfers to Earmarked Reserves		**(530)**	**-**	**(37,300)**	**(37,830)**	**(8,273)**	**(46,103)**
Transfers (To)/From Earmarked Reserves	21	(148)	148	-	-	-	-
(Increase)/Decrease in 2021/22		(678)	148	(37,300)	**(37,830)**	(8,273)	**(46,103)**
Balance at 31 March 2022 carried forward		**(8,571)**	**(11,306)**	**(60,987)**	**(80,862)**	**(64,557)**	**(145,419)**
Total Comprehensive Income and Expenditure		(65,668)	-	-	**(65,668)**	(6,750)	**(72,418)**
Adjustments between accounting basis & funding basis under regulations	3	17,699	-	(16,641)	**1,058**	(1,058)	**-**
Net (Increase)/Decrease before transfers to Earmarked Reserves		(47,969)	-	(16,641)	(64,610)	(7,808)	(72,418)
Transfers (To)/From Earmarked Reserves	21	48,365	(48,365)	-	-	-	-
(Increase)/Decrease in 2022/23		**396**	**(48,365)**	**(16,641)**	**(64,610)**	**(7,808)**	**(72,418)**
Balance at 31 March 2023		**(8,175)**	**(59,671)**	**(77,628)**	**(145,472)**	**(72,365)**	**(217,837)**

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.

2021/22					2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			Continuing NECA Services				
941	(162)	779	Corporate		1,749	(1,043)	705
338	-	338	Transport - Retained Levy Budget		377	(24)	353
15,457	-	15,457	Transport - Durham		15,609	-	15,609
33,264	-	33,264	Transport - Tyne and Wear		34,734	-	34,734
16,012	(53,998)	(37,986)	Transport - Other		39,540	(102,478)	(62,938)
13,673	(17,983)	(4,310)	Transport - Tyne Tunnels		16,309	(20,317)	(4,008)
893	(1,419)	(526)	Covid-19 Grants		-	-	-
80,578	**(73,562)**	**7,016**	**Cost of Services**		**108,318**	**(123,862)**	**(15,544)**
3,820	(950)	2,870	Financing and Investment Income and Expenditure	4	3,804	(2,405)	1,398
-	(49,270)	(49,270)	Taxation and Non-Specific Grant Income	5	-	(51,522)	(51,522)
		(39,384)	**(Surplus) on Provision of Services**				**(65,668)**
		(6,720)	Re-measurement of the defined benefit liability	19			(6,750)
		(6,720)	**Other Comprehensive Income and Expenditure**				**(6,750)**
		(46,104)	**Total Comprehensive Income and Expenditure**				**(72,418)**

2.3 Balance Sheet

The Balance Sheet summarises NECA's financial position at 31 March 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".

31 March 2022 £000		Note	31 March 2023 £000
188,013	Property, Plant and Equipment	11, 11a	185,047
17,870	Long Term Debtors	15	17,049
5,570	Net Pension Asset	19	11,890
211,453	**Long Term Assets**		**213,986**
89,792	Short Term Investments	12	152,694
1,890	Short Term Debtors	14	3,277
40,013	Cash and Cash Equivalents	16	51,321
131,695	**Current Assets**		**207,292**
(1,266)	Short Term Borrowing	12	(1,260)
(56,654)	Short Term Creditors	17	(66,212)
(1,220)	Grants Receipts in Advance	6	(1,130)
(2,814)	New Tyne Crossing Deferred Income	18	(2,802)
(61,954)	**Current Liabilities**		**(71,404)**
(42,207)	New Tyne Crossing Deferred Income	18	(39,228)
(93,568)	Long Term Borrowing	12	(92,809)
-	Pension Liability	19	-
(135,775)	**Long Term Liabilities**		**(132,037)**
145,419	**Net Assets**		**217,837**
(80,862)	Usable Reserves	20	(145,472)
(64,557)	Unusable Reserves	22	(72,365)
(145,419)	**Total Reserves**		**(217,837)**

Chief Finance Officer Certificate

I certify that the accounts set out on pages 4 to 78 give a true and fair view of the financial position of the North East Combined Authority as at the 31 March 2023.

Signed:

Janice Gillespie, Chief Finance Officer

Date:

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.

2021/22 £000		Note	2022/23 £000
39,383	Net Surplus on the provision of services		65,668
20,807	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	9,039
(49,259)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(46,763)
10,931	**Net cash flows from Operating Activities**		**27,944**
(8,209)	Investing Activities	25	(15,682)
(893)	Financing Activities	26	(953)
1,829	**Net (Decrease)/Increase in cash and cash equivalents**		**11,309**
38,183	Cash and cash equivalents at the beginning of the reporting period	16	40,012
40,012	**Cash and cash equivalents at the end of the reporting period**		**51,321**

Note 01: Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority

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

At this date:

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

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

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

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

Paragraph 2.1.2.9 of the Code makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. The establishment of the NTCA and decisions about accountable body status therefore have no impact on the going concern basis of the NECA accounts.

On 1 April 2020, the Accountable Body role for the North East Local Enterprise Partnership transferred to the NTCA. This includes the employment of all North East LEP staff and administration of its income and expenditure. In addition, the Invest North East England function also transferred to the NTCA on the same date.

This was accounted for in the 2020/21 financial statements as a transfer by absorption. Assets and liabilities have been transferred at carrying value. The Comprehensive Income and Expenditure Statement shows services transferred to NTCA separately from services continuing to be reported by NECA in the prior year results, in order to aid comparatives across financial years. In the notes to the accounts, a separate line disclosing the transfer is included after the balance brought forward from the previous year.

Note 01a: North East Mayoral Combined Authority

On 12 March 2024 the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provides 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 abolishes the existing North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA), and the office of the Mayor of North of Tyne.

The accounts for 2022/23 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 Code of Practice on Local Authority Accounting 2022/23 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA), sets out that transfers of services under combinations of public sector bodies do not negate the presumption of going concern. The Order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The Order also provides for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to the mayoral combined authority. This ensures that the regional transport arrangements which are currently overseen by the JTC and other funding programmes of NECA and NTCA will be maintained by the MCA without interruption. For this reason it is considered appropriate, in line with the Code, for these accounts to be prepared on a going concern basis.

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.

	2022/23				
	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	75	-	630	-	705
Transport - Retained Levy Budget	644	(291)	-	-	353
Transport - Durham	15,609	-	-	-	15,609
Transport - Tyne and Wear	34,734	-	-	-	34,734
Transport - Other	(46,686)	(16,252)	-	-	(62,938)
Transport - Tyne Tunnels	(2,517)	(1,451)	(40)	-	(4,008)
Covid-19 Grants	-	-	-	-	-
Cost of services	**1,860**	**(17,994)**	**590**	**-**	**(15,544)**
Other Income and Expenditure	**(49,829)**	-	(160)	(134)	**(50,123)**
(Surplus)/Deficit on Provision of Services	**(47,969)**	**(17,994)**	**430**	**(134)**	**(65,668)**
Opening General Fund Balances	(19,876)				
Closing General Fund Balances	**(67,846)**				

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.

	2021/22				
	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	279	-	500	-	779
Transport - Retained Levy Budget	625	(287)	-	-	338
Transport - Durham	15,457	-	-	-	15,457
Transport - Tyne and Wear	33,264	-	-	-	33,264
Transport - Other	(1,094)	(36,892)	-	-	(37,986)
Transport - Tyne Tunnels	(2,487)	(1,773)	(50)	-	(4,310)
Covid-19 Grants	(526)	-	-	-	(526)
Cost of services	**45,518**	**(38,952)**	**450**	**-**	**7,016**
Other Income and Expenditure	**(46,049)**	(41)	(170)	(140)	**(46,400)**
(Surplus)/Deficit on Provision of Services	**(531)**	**(38,993)**	**280**	**(140)**	**(39,384)**
Opening General Fund Balances	(19,348)				
Closing General Fund Balances	**(19,879)**				

Note 02a: Income and Expenditure Analysed by Nature

	2021/22 £000	2022/23 £000
Expenditure		
Employee benefit expenses	541	730
Other service expenses	65,527	74,799
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	14,510	32,789
Interest payments	3,820	3,804
Total expenditure	**84,398**	**112,122**
Fees, charges and other service income (Tyne Tunnels tolls)*	(15,948)	(17,375)
Interest and investment income	(950)	(2,405)
Income from transport levy	(49,271)	(51,509)
Government grants and contributions	(53,560)	(102,036)
Other income	(4,053)	(4,464)
Total income	**(123,782)**	**(177,789)**
Surplus/Deficit on the provision of services	**(39,384)**	**(65,668)**

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

Note 3: 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.

2021/22					2022/23			
General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves	**Adjustments between Accounting Basis and Funding Basis Under Statute**	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account (CAA)				
				Reversal of items debited or credited to the CIES				
(2,385)	-	-	2,385	Charges for depreciation and impairment of non current assets	(2,372)	-	-	2,372
2,814	-	-	(2,814)	Other income that cannot be credited to the General Fund	2,802	-	-	(2,802)
6,584	-	-	(6,584)	Capital grants and contributions applied	7,660	-	-	(7,660)
(12,125)	-	-	12,125	Revenue expenditure funded from capital under statute	(30,417)	-	-	30,417
				Insertion of items not debited or credited to the CIES				
993	-	-	(993)	Statutory provision for the financing of capital investment	1,018	-	-	(1,018)
437	-	-	(437)	Capital expenditure charged against the General Fund	200	-	-	(200)
				Adjustments primarily involving the Capital Grants Unapplied Account				
42,675	-	(42,675)	-	Grants and contributions unapplied credited to the CIES	39,103	-	(39,103)	-
-	-	5,375	(5,375)	Application of grants to capital financing transferred to the CAA	-	-	22,462	(22,462)
				Adjustments involving the Capital Receipts Reserve				
-	(807)	-	807	Loan principal repayments	-	(775)	-	775
-	807	-	(807)	Application of Capital Receipts to repayment of debt	-	775	-	(775)
				Adjustments involving the Financial Instruments Adjustment Account				
140	-	-	(140)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	134	-	-	(134)
				Adjustments involving the Pensions Reserve				
(330)	-	-	330	Reversal of items relating to retirement benefits debited or credited to the CIES	(470)	-	-	470
50	-	-	(50)	Employer's pension contributions and direct payments to pensioners payable in the year	40	-	-	(40)
38,853	**-**	**(37,300)**	**(1,553)**	**Total Adjustments**	**17,699**	**-**	**(16,641)**	**(1,058)**

Note 04: Financing and Investment Income and Expenditure

	Note	2021/22	2022/23
		£000	£000
Interest Payable and Similar Charges		3,990	3,964
Interest Payable on defined benefit liability	19	(170)	(160)
Interest Receivable and similar income		(950)	(2,405)
Total		**2,870**	**1,399**

Note 05: Taxation and Non Specific Grant Income

		2021/22	2022/23
		£000	£000
Transport Levy		(49,230)	(51,509)
Non-Specific Capital Grants		(41)	(13)
Total		**(49,271)**	**(51,522)**

Note 06: Grant Income

		2021/22	2022/23
		£000	£000
Local Authority Contributions to NECA		(276)	(201)
Active Travel Fund		(10,188)	(10,336)
Active Travel Capability Fund		-	(778)
Bus Recovery Grants		(689)	(236)
Bus Service Improvement Plan		-	(64,860)
City Regional Sustainable Transport Settlement		-	(3,127)
COVID-19 Grants		(1,419)	-
Local Growth Fund		(15)	(12)
Local Transport Fund		-	(6,905)
Local Transport Plan		(7,755)	(7,735)
Office for Low Emission Vehicles		(41)	(1)
Other Grants		(1,582)	(506)
Transforming Cities Fund		(31,595)	(7,340)
Total		**(53,560)**	**(102,036)**

The Government have provided Grants to cover some losses, identified by Local Authorities and NEXUS, due to the COVID-19 pandemic. These have been identified separately in the table above.

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

Grants Receipts in Advance	31 March 2022 £000	31 March 2023 £000
Office for Low Emission Vehicles	(29)	(28)
Other Grants	(1,192)	(1,102)
Total	**(1,221)**	**(1,130)**

Shown as Short-Term Liability on the Balance Sheet	(1,221)	(1,130)
Short as Long-Term Liability on the Balance Sheet	-	-
Total	**(1,221)**	**(1,130)**

Note 7: Members' Allowances

The Authority paid the following amounts to independent members of its various committees during the year. Representatives from constituent authorities receive no allowances from NECA.

	2021/22 £000	2022/23 £000
Allowances	12	11
Total	**12**	**11**

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
Managing Director of Transport Operations	2022/23	135	-	135
	2021/22	133	-	133

All three of the Authority's statutory officers in 2022/23 were not formal employees of the authority (and are not therefore included in the statutory disclosure above). Their services are provided by Service Level Agreements between the authority and their Local Authority employers. The individuals involved received no additional remuneration for these roles.

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

	2021/22 £000	2022/23 £000
£50,000-£54,999	1	0
£55,000-£59,999	2	2
£60,000-£64,999	0	1
£65,000-£69,999	0	0
£70,000-£74,999	1	1
£75,000-£79,999	0	0
£80,000-£84,999	0	0
£85,000-£89,999	0	0
£90,000-£94,999	0	0
£95,000-£99,999	1	0
£100,000-£104,999	0	0
£105,000-£109,999	0	1
£110,000-£114,999	0	0
£115,000-£119,999	0	0
£120,000-£124,999	0	0
£125,000-£129,999	0	0
£130,000-£134,999	0	1
£135,000-£139,999	0	0
£140,000-£144,999	0	0
Total	**5**	**6**

Note 9: 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.

	2021/22 £000	2022/23 £000
Scale fee for the audit of the Statement of Accounts	19	19
Total	**19**	**19**

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
- NECA Constituent Authorities
- Joint Transport Committee 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 6.

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 2022/23 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.

NECA Constituent Authorities

The Leaders of the four NECA constituent Authorities serve as members of the NECA Leadership Board. Prior to 2 November 2018, the Leaders and Elected Mayor of the seven North East local authorities were members of the NECA Leadership Board. Details of material transactions with the seven Authorities are set out in the table below.

Joint Transport Committee Constituent Authorities

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

Other Public Bodies

The Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus). NECA (via its participation in the Joint Transport Committee) 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 NECA are shareholders in Newcastle Airport.

	2021/22				2022/23			
	Receivables	Income	Expenditure	Payables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000	£000	£000	£000
NECA Constituent Authorities								
Durham	(12)	(15,508)	19,598	701	-	(15,851)	19,466	597
Gateshead	-	(10,847)	1,139	106	-	(11,695)	1,889	449
South Tyneside	-	(8,111)	573	6	-	(8,804)	1,375	275
Sunderland	-	(14,903)	2,101	24	-	(15,999)	8,714	1,996
Remaining JTC Constituent Authorities								
Newcastle	-	(10)	2,600	1,005	-	(299)	4,941	1,883
North Tyneside	-	(10)	1,895	1,157	-	(10)	6,532	1,403
Northumberland	-	(10)	1,173	90	-	(18)	1,456	86
Other Public Bodies								
North of Tyne Combined Authority	-	-	-	-	-	-	-	-
Nexus	(101)	(834)	34,208	54,268	(1,036)	(107)	37,046	4,473

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

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

	2022/23			
	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 1 April 2022	2,890	729	**3,619**	-
Additions	1	181	**182**	-
Reclassification from Assets Under Construction	-	-	**-**	-
Impairment recognised in the Surplus on the Provision of Services	-	-	**-**	-
Other Adjustments	-	-	**-**	-
At 31 March 2023	**2,891**	**910**	**3,801**	**-**

Accumulated Depreciation and Impairment				
At 1 April 2022	(1,081)	-	**(1,081)**	-
Depreciation charge for the Year	(163)	-	**(163)**	-
At 31 March 2023	**(1,244)**	**-**	**(1,244)**	**-**

Net Book Value				
At 1 April 2022	**1,809**	**729**	**2,537**	**-**
At 31 March 2023	**1,647**	**910**	**2,556**	**-**

	2021/22			
	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 1 April 2021	2,881	561	**3,442**	-
Additions	-	177	**177**	-
Reclassification from Assets Under Construction	76	(76)	**-**	-
Impairment recognised in the Surplus on the Provision of Services	-	-	**-**	-
Other Adjustments	-	-	**-**	-
At 31 March 2022	**2,957**	**662**	**3,619**	**-**
Accumulated Depreciation and Impairment				
At 1 April 2021	(914)	-	**(914)**	-
Depreciation charge for the Year	(167)	-	**(167)**	-
At 31 March 2022	**(1,081)**	**-**	**(1,081)**	**-**
Net Book Value				
At 1 April 2021	1,967	561	**2,528**	-
At 31 March 2022	**1,876**	**662**	**2,538**	**-**

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.

	2021/22	2022/23
	£000	£000
Net book value (modified historical cost)		
At 1 April	188,122	185,476
Additions	260	13
Derecognition	-	-
Depreciation	(2,218)	(2,209)
Impairment	-	-
Other movements in cost	(688)	(789)
At 31 March	185,476	182,491

Reconciliation to Balance Sheet

	2021/22	2022/23
	£000	£000
Infrastructure assets	185,476	182,491
Other PPE assets	2,538	2,557
Total PPE assets	188,014	185,048

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

NECA has estimated a net book value at 31 March 2023 for its structures at £182.491m. 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	60 years
Southbound vehicle tunnel	108 years
Pedestrian and cyclist tunnels	60 years

Depreciation for the tunnels (and total annual depreciation for 2022/23 on structures) is £2.209m.

Note 12: 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 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Amortised cost	-	-	17,870	17,049	89,792	152,694	658	1,270
Total financial assets	**-**	**-**	**17,870**	**17,049**	**89,792**	**152,694**	**658**	**1,270**
Non-financial assets	-	-	-	-	-	-	1,232	2,007
Total	**-**	**-**	**17,870**	**17,049**	**89,792**	**152,694**	**1,890**	**3,277**

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.

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 the Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(93,568)	(92,809)	-	-	(1,266)	(1,260)	(21,788)	(7,136)
Total financial liabilities	**(93,568)**	**(92,809)**	**-**	**-**	**(1,266)**	**(1,260)**	**(21,788)**	**(7,136)**
Non-financial liabilities	-	-	-	-	-	-	(34,866)	(59,077)
Total	**(93,568)**	**(92,809)**	**-**	**-**	**(1,266)**	**(1,260)**	**(56,654)**	**(66,212)**

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:

31 March 2022				31 March 2023		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	**Financial assets: measured at amortised cost**	**Total**		**Financial Liabilities at amortised cost**	**Financial assets: measured at amortised cost**	**Total**
3,990	-	**3,990**	Interest expense	4,144	-	**4,144**
3,990	**-**	**3,990**	**Total expense in Surplus on Provision of Services**	**4,144**	**-**	**4,144**
-	(950)	**(950)**	Investment income	-	(2,406)	**(2,406)**
-	**(950)**	**(950)**	**Total income in Surplus on Provision of Services**	**-**	**(2,406)**	**(2,406)**
3,990	**(950)**	**3,040**	**Net (gain)/loss for the year**	**4,144**	**(2,406)**	**1,738**

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 2023 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 2022/23 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:

		31 March 2022		31 March 2023	
	Level	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities held at amortised cost	2	(94,834)	(136,768)	(94,069)	(90,515)
Total		**(94,834)**	**(136,768)**	**(94,069)**	**(90,515)**
Financial Assets at amortised cost					
Held to maturity investments		89,792	89,792	152,694	152,694
Nexus loan debtor	2	17,870	26,018	17,049	16,562
Total		**107,662**	**115,810**	**169,743**	**169,256**

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

Note 13: 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	**2021/22 £000**	**2022/23 £000**
n/a - investments with UK local authorities	34,535	34,391
n/a - investments with banks	38,679	99,045
n/a - investments with unrated building societies	16,577	19,259
Total Short-Term Investments	**89,791**	**152,695**
AAA		17,058
A-	15,196	-
Total Cash Equivalents	**15,196**	**17,058**

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 2023 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 2022 £000	31 March 2023 £000
Between 1-2 years	(368)	(367)
Between 2-5 years	(921)	(550)
Between 5-10 years	-	-
More than 10 years	(92,278)	(91,892)
	(93,567)	**(92,809)**
Less than 1 year	(1,266)	(1,260)
Total borrowing	**(94,833)**	**(94,069)**

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 2022 £000	31 March 2023 £000
Increase in interest payable on variable rate borrowing	-	
Increase in interest receivable on variable rate investments	(458)	(1,093)
Impact on the (Surplus)/Deficit on Provision of Services	**(458)**	**(1,093)**

The increase in interest payable on variable rate borrowings is nil, because all NECA'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 £14.035m 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 14: Short Term Debtors

	31 March 2022 £000	31 March 2023 £000
Central Government bodies	1,232	2,007
Other local authorities	374	214
Other entities and individuals	284	1,056
Total	**1,890**	**3,277**

Note 15: Long Term Debtors

	31 March 2022 £000	31 March 2023 £000
Nexus borrowing	17,049	17,049
Total	**17,049**	**17,049**

Note 16: Cash and Cash Equivalents

	31 March 2022 £000	31 March 2023 £000
Cash held in Authority's bank account	24,817	34,264
Cash equivalents	15,196	17,058
Total	**40,013**	**51,322**

Note 17: Short Term Creditors

	31 March 2022 £000	31 March 2023 £000
Central government bodies	(43)	(2)
Other local authorities	(4,984)	(6,965)
Other entities and individuals		-
- Nexus	(49,731)	(51,448)
- TT2	-	(998)
- Other	(1,896)	(6,799)
Total	**(56,654)**	**(66,212)**

Note 18: 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 public sector balance sheet.

In 2022/23 the total payment under the contract was £24.555m (2021/22 £20.012m) of which £13.511m is shown in the account of NECA and £11.044m shown in the accounts of NTCA.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 31 March 2023 value of £76.384m (31 March 2022 £81.476m), of which £42.030m is shown on the NECA balance sheet and £34.354m shown on the NTCA balance sheet.

	Deferred Income Release	
	2021/22 £000	2022/23 £000
Payable in 2021/22	(2,814)	(2,802)
Payable within 2 to 5 years	(11,255)	(11,208)
Payable within 6 to 10 years	(14,069)	(14,010)
Payable within 11 to 15 years	(14,069)	(14,010)
Payable within 16 to 20 years	(2,814)	-
Total	**(45,021)**	**(42,030)**

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.

Note 19: 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

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	500	630	-	-
Settlement cost	-	-	-	-
Financing and Investment Income and Expenditure				
Interest on net defined benefit liability (asset)	(190)	(180)	20	20
Pension expense recognised in profit and loss	**310**	**450**	**20**	**20**
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	1,430	2,000	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(1,990)	(13,010)	(20)	(140)
Actuarial (gains)/losses due to changes in demographic assumptions	(40)	-	(10)	-
Actuarial (gains)/losses due to changes in liability assumptions	(5,950)	4,340	(140)	60
Adjustment in respect of paragraph 64	-	-	-	-
Income	**(6,550)**	**(6,670)**	**(170)**	**(80)**
Total amount recognised	**(6,240)**	**(6,220)**	**(150)**	**(60)**

North East Local Enterprise Partnership employees were transferred to the North of Tyne Combined Authority on 01 April 2020. The settlement cost in the table above reflects the transfer between employers.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening balance at 1 April	(46,900)	(48,910)	(870)	(670)
Current service cost	(500)	(630)	-	-
Interest cost	(980)	(1,360)	(20)	(20)
Contributions by participants	(80)	(100)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	1,990	13,010	20	140
Actuarial gains/(losses) on liabilities - demographic assumptions	40	-	10	-
Actuarial gains/(losses) on liabilities - experience	(3,080)	(4,340)	140	(60)
Net benefits paid out	600	470	50	40
Past service costs	-	-	-	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31 March	**(48,910)**	**(41,860)**	**(670)**	**(570)**

Reconciliation of the fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening balance at 1 April	55,930	55,150	-	-
Interest income on assets	1,170	1,540	-	-
Remeasurement gains/(losses) on assets	(1,430)	(2,000)	-	-
Employer contributions	-	-	50	40
Contributions by scheme participants	80	100	-	-
Net benefits paid out	(600)	(470)	(50)	(40)
Settlements	-	-	-	-
Closing balance at 31 March	**55,150**	**54,320**	**-**	**-**

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	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Fair value of LGPS assets	**48,300**	**45,570**	**55,930**	**59,310**	**54,320**
Present value of liabilities:					
- LGPS liabilities	(39,520)	(42,750)	(46,900)	(48,910)	(41,860)
- Impact of minimum funding	(8,780)	(2,820)	(9,030)	-	-
Surplus / (Deficit) on funded defined benefit scheme	**-**	**-**	**-**	**6,240**	**12,460**
Discretionary benefits	(900)	(840)	(870)	(670)	(570)
Total net pension asset / (liability)	**(900)**	**(840)**	**(870)**	**5,570**	**11,890**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows: active members 8%, deferred pensioners 6% and pensioners 86%.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £42.430m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £0.570m. 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 2024 is nil. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2024 are £0.05m 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 Pension Scheme		Discretionary Benefits	
	2021/22	2022/23	2021/22	2022/23
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	21.5	21.6	21.8	21.6
- Women	24.5	24.6	25.0	24.6
Longevity at 45 for future pensioners:				
- Men	22.8	22.9	n/a	n/a
- Women	26.0	26.1	n/a	n/a
Principal financial assumptions (% per annum)				
Rate for discounting scheme liabilities	2.8%	4.7%	2.8%	4.7%
Rate of inflation - Consumer Price Index	3.1%	2.7%	3.1%	2.7%
Rate of increase in pensions	3.1%	2.7%	3.1%	2.7%
Pension accounts revaluation rate	3.1%	2.7%	n/a	n/a
Rate of increase in salaries	4.6%	4.2%	n/a	=

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

	31 March 2022	31 March 2023		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	57.0%	40.1%	11.1%	51.2%
Property	8.4%	0.0%	10.5%	10.5%
Government bonds	2.0%	1.3%	0.0%	1.3%
Corporate bonds	18.8%	19.5%	0.0%	19.5%
Multi Asset Credit	0.0%	4.5%	0.0%	4.5%
Cash	1.8%	1.8%	0.0%	1.8%
Other*	12.0%	0.0%	11.2%	11.2%
Total	**100.0%**	**67.2%**	**32.8%**	**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

	Local Government Pension Scheme	
	2021/22	2022/23
	£000	£000
Interest Income on Assets	1,170	1,540
Remeasurement gain/(loss) on assets	(1,430)	(2,000)
Actual Return on Assets	**(260)**	**(460)**

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)	41.23	41.86	42.49
% change in present value of total obligation	-1.5%		1.5%
Projected service cost (£M)	0.22	0.23	0.24
Approximate % change in projected service cost	-5.2%		5.4%

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)	41.86	41.86	41.86
% change in present value of total obligation	0.0%		0.0%
Projected service cost (£M)	0.23	0.23	0.23
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	42.45	41.86	41.27
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M)	0.24	0.23	0.22
Approximate % change in projected service cost	5.4%		-5.2%

Post retirement mortality assumption	- 1 year	Base Figure	+ 1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	42.95	41.86	40.77
% change in present value of total obligation	2.6%		-2.6%
Projected service cost (£M)	0.24	0.23	0.22
Approximate % change in projected service cost	3.7%		3.7%

* 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

The impact of the Covid-19 pandemic on long-term mortality trends is being monitored and was taken into account by the actuaries in the 2022 valuation assumption. Future adjustments will be made taking into account updated views on the impact of the pandemic on future longevity trends.

McCloud Judgement

In December 2018 the Government lost a Court of Appeal case (the "McCloud/Sargeant" judgement) which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed amount to illegal age discrimination. The Government has acknowledged that the difference in treatment will need to be remedied across all public service schemes, including the LGPS. Protections applied to all active members of schemes who were within 10 years of their Normal Pension Age on 1 April 2012. In relation to the LGPS all members joined the new Scheme for membership after 1 April 2014 (2015 for NI), but members within 10 years of normal retirement were given an underpin (or "better of both") promise, so their benefits earned after that date would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the pre-reformed final salary scheme.

Figures produced by Aon last year included a McCloud "underpin" liability within the current service cost, together with an allowance within the balance sheet reflecting service since the scheme reforms (2014 in England and Wales, and 2015 in Northern Ireland). For accounting periods ending in 2023 the same approach as last year has been adopted, using a roll-forward method based on last year's results. AON have set out the methodology used as part of the 2022 valuation to address this issue in their Terms of Reference.

In summary, calculations have been made dependent on active and deferred membership joining dates, age and sex and assumption's on pay increases. Assumptions have been made that the numbers of pensioner and dependant members affected by McCloud will be small and so excluded. Under the proposed remedy the period of protection will apply from 1 April 2014 to 31 March 2022. The McCloud allowances has been included in the past service liabilities but no allowance has been made within the current service cost over this accounting period.

The method for valuing the McCloud remedy is closely aligned with the method proposed by MHCLG (now DLUHC) in its consultation issued in July 2020.

Cost Management in the LGPS

Legislation requires HM Treasury and the Scheme3 Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

The outcome to bother reviews relating to the 2016 Valuations recommended no changes to the provisions of the Scheme, however the legality of the Government's decision to include McCloud costs as a member cost within the process is being challenged by Judicial Review brought by the trades unions. If successful, this may cause the 2016 HMT% process to be re-run and could result in changes in benefits or member contributions backdated to 1 April 2019.

No allowance for the potential cost of improving members' benefits under these reviews for the period ending 31 March 2023 has been made.

Guaranteed Minimum Pension (GMP) Equalisation and Indexation

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997.

Prior to 6 April 2016, public service pension schemes and the State Pension worked together to ensure pension increases on State Pension and LGPS Pension kept in line with inflation. The LGPS was not required to pay any pension increases on GMPs accrued before April 1988. The Additional Pension (AP) element of the State Pension paid top-up payments to pensioners to give inflation protection on the GMP element where this was not provided by the LGPS. However reforms were made to the State Pension system in April 2016 which scrapped AP and therefore removed the facility for central government to fully index the combined pension through AP. The government has since introduced 'interim solutions' for public sector schemes to pay full inflationary increases on GMPS for those reaching the State Pension Age (SPA) to ensure that members continue to receive full inflationary increases on the combined public sector scheme and State pensions.

The government has since introduced 'interim solutions' for public sector schemes to pay full inflationary increases on GMPS for those reaching the State Pension Age (SPA) to ensure that members continue to receive full inflationary increases on the combined public sector scheme and State pensions. This applied to those reaching SPA on or after 6 April 2016.

On 7 October 2020 MHCLG (now DLUHC) consulted on proposed solutions to compensate members reaching SPA after 5 April 2021 which focused on making further extensions to GMP indexation followed by ultimate conversion or indefinite indexation as a permanent solutions for public sector pension schemes. The Government announced on 23 March 2021 that it would compensate members in line with full indexation for members whose SPA is on or after 06 April, 2016.

The rate of which GMP was accrued, and the date it is payable, is different for men and women. On 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. On 20 November 2020 the High Court ruled on the equalisation for GMPs of historic transfers out of the three largest Lloyds Banking Group pension schemes. The judgement requires all transfers between 17 May 1990 and 5 April 1997 with GMPs to be equalised. Schemes will be expected to pay a top-up to the receiving scheme with interest at Bank base rate +1%. At this point in time, the Government has not indicated an approach to rectifying this.

Note 20: Usable Reserves

	Note	31 March 2022 £000	31 March 2023 £000
General Fund Balance		(8,572)	(8,176)
Earmarked Reserves	21	(11,305)	(59,669)
Capital Receipts Reserve		-	-
Capital Grants Unapplied Reserve		(60,986)	(77,627)
Total		**(80,863)**	**(145,472)**

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 21: 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.

	Opening Balance 1 April 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
Metro Reinvigoration Reserve	(5,164)	891	-	**(4,273)**	-	(87)	(4,360)
Metro Fleet Replacement Reserve	(5,641)	-	(31)	**(5,672)**	-	(109)	(5,781)
Metro and Rail Studies	(389)	-	(712)	**(1,101)**	119	-	(982)
Nexus contribution to Bus Partnership Project	(258)		-	**(258)**	18	-	(240)
Revenue Grants Unapplied	-	-	-	**-**	-	(46,890)	(46,890)
Transport Devolution	-	-	-	**-**	-	(1,416)	(1,416)
Total	**(11,452)**	**891**	**(743)**	**(11,304)**	**138**	**(48,502)**	**(59,669)**

Note 22: Unusable Reserves

Summary

	31 March 2022 £000	31 March 2023 £000
Capital Adjustment Account	(54,816)	(56,268)
Financial Instruments Adjustment Account	170	35
Revaluation Reserve	(4,340)	(4,242)
Pension Reserve	(5,570)	(11,890)
Total	**(64,555)**	**(72,365)**

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.

	2021/22 £000	2022/23 £000
Opening Balance 1 April	**(53,027)**	**(54,816)**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	2,385	2,372
Other income that cannot be credited to the General Fund	(2,814)	(2,802)
Revenue expenditure funded from capital under statute	12,125	30,416
Write down of long term debtors	807	775
Adjusting amounts written out of the Revaluation Reserve	**(96)**	**(98)**
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(11,959)	(30,122)
Statutory provision for the financing of capital investment	(993)	(1,018)
Capital expenditure charged against the General Fund	(437)	(200)
Debt redeemed using capital receipts	(807)	(775)
Balance at 31 March	**(54,816)**	**(56,268)**

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.

	2021/22	2022/23
	£000	£000
Opening Balance 1 April	**309**	**170**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(140)	(135)
Balance at 31 March	**170**	**35**

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.

	2021/22	2022/23
	£000	£000
Opening Balance 1 April	**(4,436)**	**(4,340)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	96	98
Balance at 31 March	**(4,340)**	**(4,242)**

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.

	2021/22	2022/23
	£000	£000
Opening Balance 1 April	**870**	**(5,570)**
Remeasurements of the net defined benefit liability (asset)	(6,720)	(6,750)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	330	470
Employer's pension contributions and direct payments to pensioners payable in the year	(50)	(40)
Balance at 31 March	**(5,570)**	**(11,890)**

Note 23: Capital Expenditure and Capital Financing

	2021/22 £000	2022/23 £000
Opening Capital Financing Requirement 1 April	**102,776**	**101,142**
Capital Investment		
Property, Plant and Equipment	437	195
Revenue Expenditure Funded from Capital Under Statute	12,125	30,417
Sources of Finance		
Capital receipts - repayment of principal from long term debtors	(807)	(775)
Government Grants and other contributions	(11,959)	(30,122)
Sums set aside from revenue		
Direct revenue contributions	(437)	(200)
Minimum Revenue Provision	(993)	(1,018)
Additional Voluntary Provision	-	-
Closing Capital Financing Requirement 31 March	**101,142**	**99,639**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(1,634)**	**(1,503)**

Note 24: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities

	2021/22 £000	2022/23 £000
Surplus on the provision of services	39,383	65,668
Adjustments to Surplus on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	2,385	2,372
Increase/(Decrease) in Creditors	16,778	9,558
(Increase)/Decrease in Debtors	4,178	(519)
Movement in Pension Liability	280	430
Other non-cash items charged to the net surplus on the provision of services	(2,814)	(2,802)
	20,807	**9,039**
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	(49,259)	(46,763)
Net cash flow from operating activities	**10,931**	**27,944**

The cash flows for operating activities include the following items:

	2021/22 £000	2022/23 £000
Interest received	950	664
Interest paid	(3,820)	(3,163)

Note 25: Cash Flow Statement - Investing Activities

	2021/22 £000	2022/23 £000
Purchase of property, plant and equipment, investment property and intangible assets	250	594
Purchase of short-term and long-term investments	(159,968)	(226,428)
Proceeds from short-term and long-term investments	104,559	163,525
Other receipts from investing activities	46,950	46,626
Net cash flows from investing activities	**(8,209)**	**(15,683)**

Note 26: Cash Flow Statement - Financing Activities

	2021/22 £000	2022/23 £000
Repayments of short and long-term borrowing	(893)	(953)
Net cash flows from financing activities	**(893)**	**(953)**

Note 26a: Reconciliation of liabilities arising from Financing Activities

	1 April 2022	Financing Cash Flows	Changes which are not financing cash flows		31 March 2023
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(93,567)	759	-	-	(92,808)
Short term borrowings	(1,266)	-	-	5	(1,261)
Total Liabilities from financing activities	**(94,833)**	**759**	**-**	**5**	**(94,069)**

	1 April 2021	Financing Cash Flows	Changes which are not financing cash flows		31 March 2022
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(94,275)	708	-	-	(93,567)
Short term borrowings	(1,274)	-	-	8	(1,266)
Total Liabilities from financing activities	**(95,549)**	**708**	**-**	**8**	**(94,833)**

Note 27: Accounting Standards Issued, Not Yet Adopted

Impact of the adoption of new accounting standards on the 2022/23 Financial Statements

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is a recognition exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024. Work to date has shown that NECA leases identified will not have a material effect on the 2022/23 statements.

The above changes in accounting requirements for 2022/23 are minor amendments and are not anticipated to have a material impact on the Authority or the Group's financial performance or financial position.

Note 28: 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 Accounts are:

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 North East Joint Transport Committee

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

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

Accounting for the Transfer of the North East Local Enterprise Partnership

As set out in Note 1, on 1 April 2020 the Accountable Body role for the North East Local Enterprise Partnership transferred to NTCA.

This has been accounted for in the 2020/21 financial statements as a transfer by absorption. Assets and liabilities have been transferred at carrying value. The Comprehensive Income and Expenditure Statement shows services transferred to NTCA separately from services continuing to be reported by NECA in the prior year results, in order to aid comparatives across financial years. In the notes to the accounts, a separate line disclosing the transfer is included after the balance brought forward from the previous year.

Note 29: 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 2023 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2023 and the projected service cost for the year ending 31 March 2024 are set out below. Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £41.23m, a variance of £0.63m, whereas a decrease of (0.1%) p.a. results in an increase to £42.49m, a variance of £0.63m. The percentage change in the present value of the total obligation would be (1.5%) and 1.5% respectively.

		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 £0.59m to £42.45m, whereas a decrease of (0.1%) p.a. results in a decrease to £41.27m, a variance of £0.59m. The percentage change in the present value of the total obligation would be 1.4% and (1.4%) respectively.
		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 £42.95m, an increase of £1.09m, whereas an adjustment of +1 year results in a reduction to £40.77m, a variance of £1.09m. The percentage change in the present value of the total obligation would be 2.6% and (2.6%) respectively.
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.	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. 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. Accumulated depreciation totalled £35m as at 31 March 2023 and a change in methodology resulting in a 1% movement would only change the Balance Sheet by £0.35m

Government Funding	The outcome of the Fair Funding Review which aims to distribute government funding in a fairer way to Local Authorities - expected to be implemented in 2024/25	Possible impact could be reductions in; - funding for the North East region's transport infrastructure and initiatives - contributions from Local Authorities - grant funding from government

Note 30: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, 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.

On 12 March 2024 the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provides 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 abolishes the existing North East Combined Authority (NECA) and the North of Tyne Combined Authority (NTCA) and the office of the Mayor of North of Tyne.

The Code sets out that transfers of services under combinations of public sector bodies do not negate the presumption of going concern. The Order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The Order also provides for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to the mayoral combined authority. For this reason it is considered appropriate, in line with the Code, for these accounts to be prepared on a going concern basis.

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 reliability 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.

No such amounts are payable in 2022/23

8. Post-Employment Benefits

NECA 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 NECA 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 NECA 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 19 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 that 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 form the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure 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 bases:

· Assets Under Construction - cost

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

The following useful economic lives are in use for NECA's PPE assets: Plant and Equipment 10-30 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. 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 deminimis 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 31 March 2023, 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. Highways Infrastructure Assets

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

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

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.

Depreciation

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

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network have been assessed by the authority using industry standards where applicable as follows:
- Structures (tunnels) - useful life of up to 120 years.

Disposals and derecognition

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

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

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 tangible fixed asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria, and NECA 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. NECA 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 NECA 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 NECA. If NECA varies a Real Toll from its corresponding Formula Toll beyond a certain level, the Operator is compensated for the effect of this adjustment on demand.

NECA 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 NECA has no long-term obligation to transfer economic resources to the Operator, since the Operator revenue is in substance transferred directly to it. NECA 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. NECA 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.

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 not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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 2022/23.

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 2022/23 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 2022/23 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2022/23 and comparators for 2021/22. 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. Joint Transport Committee

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

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

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

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

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

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

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

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

25. Transfer of North East Local Enterprise Partnership Accountable Body role

On 1 April 2020, the Accountable Body responsibility for the North East Local Enterprise Partnership (North East LEP) transferred from NECA to the North of Tyne Combined Authority.

The transfer has been accounted for as a transfer by absorption. The authority will disclose in the financial statements that the transfer has taken place (including a brief description of the transferred function) giving the date of the transfer, the name of the transferring body and the effect on the financial statements.

Functions transferred to NTCA will be disclosed separately in the comparative year. Where the transfer requires reporting in the notes to the accounts, a separate line disclosing the transfer shall be included after the balance brought forward from the previous year. A new sub-total shall be inserted to disclose the restated opening Balance Sheet figures. These lines will be required in the notes showing the movement in assets, liabilities and reserves, including the Movement in Reserves Statement.

Note 31: Events After the Balance Sheet Date

Adjusting events after the Balance Sheet date

Where events take place after 31 March which provide information about conditions existing at 31 March, 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 which do not relate to conditions at 31 March 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.

On 12 March 2024 the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provides 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 abolishes the existing NECA and NTCA, and the office of the Mayor of North of Tyne. The Order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The Order also provides for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to the mayoral combined authority. For this reason it is considered appropriate, in line with the Code, for these accounts to be prepared on a going concern basis and so no adjustments are required.

North East Combined Authority

Group Statement of Accounts 2022/23

3.1 Group Movement in Reserves Statement

	Note	NECA Usable Reserves	NECA Unusable Reserves	Total NECA Reserves	Authority Share of Nexus	Total Group Reserves
		£000	£000	£000	£000	£000
Balance at 1 April 2021 carried forward		**(43,033)**	**(56,283)**	**(99,316)**	**(270,767)**	**(370,084)**
Total Comprehensive Income and Expenditure		(39,383)	(6,720)	**(46,103)**	(55,578)	**(101,681)**
Adjustments between accounting basis & funding basis under regulations	G14	1,553	(1,553)	**-**	-	**-**
(Increase)/Decrease in 2021/22		**(37,830)**	**(8,273)**	**(46,103)**	**(55,578)**	**(101,681)**
Balance at 31 March 2022 carried forward		**(80,863)**	**(64,556)**	**(145,419)**	**(326,345)**	**(471,765)**
Total Comprehensive Income and Expenditure		(65,668)	(6,750)	**(72,418)**	(138,589)	**(211,007)**
Adjustments between accounting basis & funding basis under regulations	G14	1,058	(1,058)	**-**	-	**-**
(Increase)/Decrease in 2022/23		**(64,610)**	**(7,808)**	**(72,418)**	**(138,589)**	**(211,007)**
Balance at 31 March 2023 carried forward		**(145,473)**	**(72,364)**	**(217,837)**	**(464,934)**	**(682,772)**

3.2 Group Comprehensive Income and Expenditure Statement

2021/22					2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			Continuing NECA Services				
941	(162)	779	Corporate		1,749	(1,043)	705
338	-	338	Transport - Retained Levy Budget		377	(24)	353
15,457	-	15,457	Transport - Durham		15,609	-	15,609
106,199	(50,863)	55,336	Transport - Tyne and Wear		112,489	(51,463)	61,026
13,736	(45,051)	(31,315)	Transport - Other		30,019	(102,211)	(72,192)
13,673	(17,983)	(4,310)	Transport - Tyne Tunnels		16,309	(20,317)	(4,008)
893	(10,188)	(9,295)	Covid-19 Grants		-	-	-
151,238	**(124,247)**	**26,991**	**Cost of Services**		**176,552**	**(175,058)**	**1,494**
9,650	(4,989)	4,662	**Financing and Investment Income and Expenditure**	G03	10,846	(8,797)	2,049
-	(97,089)	(97,089)	**Taxation and Non-Specific Grant Income**	G04	-	(133,696)	(133,696)
17	(697)	(680)	**(Gain)/Loss on disposal or derecognition of non-current assets**		16	-	16
		(66,117)	**Surplus on the Provision of Services**				**(130,137)**
		773	**Taxation of Group Entities**		-	-	(1,773)
		(65,344)	**Group Surplus**				**(131,910)**
		(36,337)	Re-measurement of the defined benefit liability	G12	-	-	(79,097)
		(36,337)	**Other Comprehensive Income and Expenditure**				**(79,097)**
		(101,681)	**Total Comprehensive Income and Expenditure**				**(211,007)**

3.3 Group Balance Sheet

31 March 2022 £000		Note	31 March 2023 £000
521,676	Property, Plant and Equipment	G6	588,319
3,263	Intangible Assets	G7	3,916
-	Long Term Debtors	G8	0
1	Long Term Investments	G8	1
-	Net Pension Asset	G12	47,111
524,940	**Long Term Assets**		**639,347**
89,792	Short Term Investments	G8	152,694
11,704	Short Term Debtors	G9	12,384
47,913	Cash and Cash Equivalents	G10	62,096
503	Inventories		480
149,912	**Current Assets**		**227,654**
(1,266)	Short Term Borrowing	G8	(1,257)
(34,485)	Short Term Creditors	G11	(44,027)
(1,220)	Grants Receipts in Advance		(1,130)
(2,814)	New Tyne Crossing Deferred Income		(2,802)
(39,785)	**Current Liabilities**		**(49,216)**
(42,207)	New Tyne Crossing Deferred Income		(39,228)
(93,568)	Long Term Borrowing	G8	(92,809)
(22,948)	Pension Liability	G12	-
(1,998)	Provisions		(2,180)
(2,582)	Deferred Taxation	G13	(798)
(163,303)	**Long Term Liabilities**		**(135,015)**
471,764	**Net Assets**		**682,770**
(111,559)	Usable Reserves	G14	(179,886)
(360,205)	Unusable Reserves	G15	(502,884)
(471,764)	**Total Reserves**		**(682,770)**

Chief Finance Officer Certificate

I certify that the accounts set out on pages 81 to 111 give a true and fair view of the financial position of the North East Combined Authority Group as at the 31 March 2023.

Signed: Janice Gillespie, Chief Finance Officer

Date:

3.4 Group Cash Flow Statement

2021/22 £000		Note	2022/23 £000
65,344	Surplus on the provision of services	G16	131,910
55,486	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G16	43,020
(97,545)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G16	(137,385)
23,285	**Net cash flows from Operating Activities**	G16	**37,545**
(24,389)	Investing Activities	G17	(20,874)
(3,476)	Financing Activities	G18	(3,222)
(4,580)	**Net (Decrease)/Increase in cash and cash equivalents**		**13,449**
52,493	Cash and cash equivalents at the beginning of the reporting period		48,646
47,913	**Cash and cash equivalents at the end of the reporting period**	G10	**62,095**

3.5 Explanatory Notes to the Group Financial Statements

Note G1: Group Accounts

Under 9.1.17 of the Code of Practice for Local Authority Accounting 2022/23, 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 NECA with the following minor differences:

Deferred Taxation

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

Property, Plant and Equipment and Intangible Assets

Nexus uses the following estimated useful lives for each class of 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

Details of NECA depreciation policy can be found in Note 30 - Accounting Policies.

Nexus' policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NECA charges a full year of depreciation in the year of acquisition.

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

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

As described in Note 1 to the single entity accounts, the establishment of the North of Tyne Combined Authority (NTCA) and the North East Joint Transport Committee on 2 November 2018 necessitates the division of income and expenditure, assets and liabilities relating to Joint Transport Committee activity between the NECA and NTCA accounts. Since all Nexus activity reported in the NECA group accounts relates to Transport at the Tyne and Wear level, it has been fully apportioned between NECA and NTCA on the basis of Tyne and Wear population using the ONS statistics used as the basis of dividing the levy contributions.

For more details see Note 1.

Note G02: Expenditure and Funding Analysis

	2022/23				
	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	75	-	630	-	705
Transport - Retained Levy Budget	644	(291)	-	-	353
Transport - Durham	15,609	-	-	-	15,609
Transport - Tyne and Wear	123,022	(70,443)	8,447	-	61,025
Transport - Other	(55,940)	(16,252)	-	-	(72,192)
Transport - Tyne Tunnels	(2,517)	(1,451)	(40)	-	(4,008)
Covid-19 Grants	-	-	-	-	-
Cost of services	**80,893**	**(88,437)**	**9,037**	**-**	**1,493**
Other Income and Expenditure	(131,497)	0	-	(134)	(131,631)
(Surplus)/Deficit on Provision of Services	**(50,604)**	**(88,437)**	**9,037**	**(134)**	**(130,138)**
Opening General Fund Balances	(49,885)				
Closing General Fund Balances	**(100,489)**				

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.

	2021/22				
	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	279	-	500	-	779
Transport - Retained Levy Budget	625	(287)	-	-	338
Transport - Durham	15,457	-	-	-	15,457
Transport - Tyne and Wear	30,411	16,434	8,491	-	55,336
Transport - Other	5,386	(36,700)	-	-	(31,314)
Transport - Tyne Tunnels	(2,487)	(1,773)	(50)	-	(4,310)
Covid-19 Grants	(9,295)	-	-	-	(9,295)
Cost of services	**40,376**	**(22,326)**	**8,941**	**-**	**26,991**
Other Income and Expenditure	(42,575)	(49,760)	-	(773)	**(93,108)**
(Surplus)/Deficit on Provision of Services	**(2,199)**	**(72,086)**	**8,941**	**(773)**	**(66,117)**
Opening General Fund Balances	(47,685)				
Closing General Fund Balances	**(49,884)**				

Note G02a: Income and Expenditure Analysed by Nature

	2021/22 £000	2022/23 £000
Expenditure		
Employee benefit expenses	21,762	23,713
Other service expenses	94,517	96,604
Support Services Recharges	3,352	3,938
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	31,623	52,310
Interest payments	9,651	10,846
Total expenditure	**160,904**	**187,411**
Income		
Fees, charges and other service income	(38,369)	(45,202)
Interest and investment income	(4,989)	(8,796)
Income from transport levy	(49,271)	(51,509)
Government grants and contributions	(130,536)	(207,846)
Other income	(3,857)	(4,197)
Total income	**(227,021)**	**(317,550)**
Surplus on the provision of services	**(66,117)**	**(130,139)**

Note G03: Financing and Investment Income and Expenditure

	Note	2021/22	2022/23
		£000	£000
Interest Payable and Similar Charges		4,157	4,123
Interest Payable on defined benefit liability	G12	836	572
Interest Receivable and similar income		(331)	(2,644)
Total		**4,662**	**2,050**

Note G04: Taxation and Non-Specific Grant Income

	Note	2021/22	2022/23
		£000	£000
Transport Levy		(49,230)	(51,509)
Non-Specific Capital Grants		(47,860)	(82,187)
Total		**(97,090)**	**(133,696)**

Note G05: Grant Income

	Note	2021/22	2022/23
		£000	£000
Local Authority Contributions to NECA		(276)	(201)
Active Travel Fund		(689)	(10,336)
Active Travel Capability Fund			(778)
Bus Recovery Grants		(1,469)	(236)
Bus Service Improvement Plan			(64,860)
City Regional Sustainable Transport Settlement			(3,127)
COVID-19 Grants		(10,520)	(5,593)
Nexus Energy Bill Relief Scheme			(3,105)
European Grants		-	-
Local Growth Fund		(15)	(12)
Local Transport Fund			(1,088)
Local Transport Plan		(7,755)	(5,076)
Metro Rail Grant		(16,792)	(16,948)
Nexus Non-Specific Grants		(1,006)	(1,071)
Office for Low Emission Vehicles		(41)	(1)
Other Grants		(10,888)	(506)
Transforming Cities Fund		(31,595)	(6,294)
Total		**(81,046)**	**(119,231)**

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

	2022/23				
	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 1 April 2022	19,672	73,237	2,061	94,970	-
Additions	1	92,572	-	92,573	-
Reclassifications from Assets Under Construction	957	(77,811)	2,729	(74,125)	-
Transfers between categories	-	(41)	(6)	(47)	-
Derecognition - Disposals	(200)	(15)	-	(215)	-
Revaluation Recognised in Revaluation Reserve	-	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other Adjustments	-	-	-	-	-
At 31 March 2023	**20,430**	**87,942**	**4,784**	**113,156**	**-**

Accumulated Depreciation and Impairment					
At 1 April 2022	(14,882)	-	(181)	(15,063)	-
Depreciation charge	(622)	-	(13)	(635)	-
Derecognition - Disposals	125	-	2	127	-
At 31 March 2023	**(15,379)**	**-**	**(192)**	**(15,571)**	**-**

Net Book Value					
At 1 April 2022	**4,791**	**73,237**	**1,880**	**79,908**	**-**
At 31 March 2023	**5,052**	**87,942**	**4,592**	**97,586**	**-**

	2021/22				
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation					
At 1 April 2021	19,618	34,748	2,209	56,576	-
Additions	-	50,156	-	50,156	-
Transfers from Assets Under Construction	76	(11,611)	-	(11,535)	-
Transfers between categories				-	-
Transfers to Intangibles	-	(32)	-	(32)	-
Derecognition - Disposals	(22)	(24)	(148)	(194)	-
Revaluation Recognised in Revaluation Reserve	-			-	-
At 31 March 2022	**19,672**	**73,237**	**2,061**	**94,971**	**170,269**

Accumulated Depreciation and Impairment					
At 1 April 2021	(14,258)	-	(308)	(14,566)	-
Depreciation charge	(645)	-	(14)	(659)	-
Derecognition - Disposals	22	-	141	163	-
At 31 March 2022	**(14,881)**	**-**	**(181)**	**(15,062)**	**-**

Net Book Value					
At 1 April 2021	**5,360**	**34,748**	**1,901**	**42,009**	**-**
At 31 March 2022	**4,791**	**73,237**	**1,880**	**79,908**	**-**

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.

	2021/22	2022/23
	£000	£000
Net book value (modified historical cost)		
At 1 April	**452,238**	**441,768**
Additions	260	74,676
Reclassification from Assets under construction	11,535	-
Derecognition	(1,106)	(2,258)
Depreciation	(18,021)	(20,785)
Impairment	-	-
Other movements in cost	(3,138)	(2,187)
At 31 March	**441,768**	**491,214**

Reconciliation to Balance Sheet

	2021/22	2022/23
	£000	£000
Infrastructure assets	441,768	491,214
Other PPE assets	97,106	97,106
Total PPE assets	**538,874**	**588,320**

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 G07: Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

	2021/22 £000	2022/23 £000
Cost or Valuation		
Opening Balance	6,705	7,241
Additions	566	1,100
Transfers from assets under construction	32	41
Derecognition - Disposals	(1)	(4)
Total	**7,302**	**8,378**
Amortisation		
Opening Balance	(3,732)	(3,992)
Amortisation provided during the period	(307)	(470)
Total	**(4,039)**	**(4,462)**
Net Book Value at 31 March	**3,263**	**3,916**

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 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	1	1	-	-	89,792	152,694	11,552	10,377
Total financial assets	1	1	-	-	89,792	152,694	11,552	10,377
Non-financial assets	-		-		-	-	1,232	2,007
Total	**1**	**1**	**-**	**-**	**89,792**	**152,694**	**12,784**	**12,384**

Financial assets at amortised cost

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

- 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.

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 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(93,568)	(92,809)	-	-	(1,266)	(1,257)	(18,138)	15,050
Total financial liabilities	(93,568)	(92,809)	-	-	(1,266)	(1,257)	(18,138)	15,050
Non-financial liabilities	-	-	-	-	-	-	(7,927)	(59,077)
Total	**(93,568)**	**(92,809)**	**-**	**-**	**(1,266)**	**(1,257)**	**(26,065)**	**(44,027)**

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:

31 March 2022				31 March 2023		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total		Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
4,157	-	4,157	Interest expense	4,123	-	4,123
4,157	**-**	**4,157**	**Total expense in Surplus on Provision of Services**	**4,123**	**-**	**4,123**
-	(501)	(501)	Investment income	-	(2,644)	(2,644)
-	**(501)**	**(501)**	**Total income in Surplus on Provision of Services**	**-**	**(2,644)**	**(2,644)**
4,157	**(501)**	**3,656**	**Net (gain)/loss for the year**	**4,123**	**(2,644)**	**1,478**

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 31st March 2023, 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.

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 2022 Carrying amount £000	31 March 2022 Fair value £000	31 March 2023 Carrying amount £000	31 March 2023 Fair value £000
Financial liabilities held at amortised cost	2	(94,834)	(136,768)	(94,069)	(90,515)
Total		**(94,834)**	**(136,768)**	**(94,069)**	**(90,515)**
Financial Assets at amortised cost					
Held to maturity investments		89,792	89,792	152,694	152,694
Total		**89,792**	**89,792**	**152,694**	**152,694**

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 13 of the single entity accounts.

Note G09: Short Term Debtors

	31 March 2022 £000	31 March 2023 £000
Central Government bodies	9,375	7,834
Other local authorities	1,304	550
NHS bodies	1	25
Other entities and individuals	1,025	3,974
Total	**11,704**	**12,383**

Note G10: Cash and Cash Equivalents

	31 March 2022 £000	31 March 2023 £000
Cash	32,717	34,936
Short-term deposits with financial institutions	15,196	27,160
Total	**47,913**	**62,096**

Note G11: Short Term Creditors

	31 March 2022 £000	31 March 2023 £000
Central government bodies	(9,870)	(3,806)
Other local authorities	(5,493)	(10,598)
Other entities and individuals	(19,122)	(29,623)
Total	**(34,485)**	**(44,027)**

Note G12: Defined Benefit Pension Schemes

NECA 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 Liability

The Group net pension asset of £35.221m (2022 liability £29.188m) is the sum of the NECA and Nexus net pension asset.

Transactions Relating to Post-employment Benefits

The following transactions relating to the Local Government Pension Scheme and Unfunded Benefits provided by the NECA 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	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Cost of Services:				
Current service cost [1]	10,767	10,986	-	-
Past service cost	22	-	-	-
Settlement cost	-	-	-	-
Exceptional loss on transfer of pension liability	-	-	-	-
Financing and Investment Income and Expenditure				-
Interest cost	5,446	6,676	48	48
Expected Return on Scheme Assets	(4,658)	(6,152)	-	-
Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services	**11,577**	**11,510**	**48**	**48**
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	(2,730)	2,000	(170)	-
Remeasurement of the net Defined Benefit Liability	(31,652)	(81,000)	(216)	(97)
Adjustment in respect of paragraph 58	-	-	-	-
Total amount recognised in Other Comprehensive Income and Expenditure	**(35,952)**	**(79,000)**	**(386)**	**(97)**
Total amount recognised in CIES	**(24,375)**	**(67,490)**	**(338)**	**(49)**

1. The Current Service cost includes an allowance for administration expenses of £0.010m for NECA and £0.160m for the Nexus Group (of which £0.088m attributable to NECA).

Reconciliation of the Present Value of Scheme Liabilities:

	LGPS		Discretionary Benefits	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening balance at 1 April	**(318,620)**	**(306,275)**	**(2,329)**	**(1,769)**
Current service cost	(10,767)	(10,986)	-	-
Interest cost	(6,616)	(8,216)	(48)	(48)
Contributions by participants	(1,566)	(1,833)	-	-
Remeasurement of the net Defined Benefit liability	24,599	90,148	392	101
Net benefits paid out	6,717	6,941	216	183
Past service costs	(22)	-	-	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31 March	**(306,275)**	**(230,222)**	**(1,769)**	**(1,533)**

Reconciliation of the Fair Value of the Scheme Assets:

	LGPS		Discretionary Benefits	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening balance at 1 April	**279,963**	**285,096**	**-**	**-**
Interest income on assets	5,828	7,692	-	-
Remeasurement gains/(losses) on assets	2,494	(11,033)	-	-
Employer contributions	1,962	2,218	216	40
Contributions by scheme participants	1,566	1,833	-	-
Net benefits paid out	(6,717)	(6,941)	(216)	(40)
Settlement costs	-	-	-	-
Net decrease in assets from Stadler transfer	-	-	-	-
Closing balance 31 March	**285,096**	**278,865**	**-**	**-**

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	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Fair value of LGPS assets	**220,327**	**237,767**	**279,963**	**290,317**	**278,865**
Present value of liabilities:					
- LGPS liabilities	(251,678)	(271,818)	(318,620)	(306,275)	(230,222)
- Impact of minimum funding	(8,780)	(2,820)	(9,030)	-	-
Surplus/(Deficit) on funded defined benefit s	**(40,131)**	**(36,871)**	**(47,687)**	**(21,179)**	**48,644**
Discretionary benefits	(2,880)	(2,380)	(2,329)	(1,770)	(1,533)
Total (Deficit)	**(43,011)**	**(39,251)**	**(50,016)**	**(22,948)**	**47,111**

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	8%	40%
Deferred pensioners	6%	11%
Pensioners	86%	49%

The weighted average duration of the defined benefit obligation for scheme members is 14.8 years for NECA and 17.4 years for Nexus.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £231.754m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a net pension asset of £47.111m. 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 2024 is nil for NECA and £4.290m for Nexus (of which £2.360m is attributable to NECA).

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:

NECA and Nexus	**LGPS**		**Discretionary Benefits**	
	2021/22	**2022/23**	**2021/22**	**2022/23**
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.5	21.6	21.8	21.8
Women	24.5	24.6	25.0	25.0
Longevity at 65 for future pensioners:				
Men	22.8	22.9	n/a	n/a
Women	26.0	26.1	n/a	n/a
Principal financial assumptions (% per annum)				
Rate for discounting scheme liabilities	2.7%	4.7%	2.8%	4.7%
Rate of inflation - Consumer Price Index	3.0%	2.7%	3.1%	2.7%
Rate of increase in pensions	3.0%	2.7%	3.1%	2.7%
Pension accounts revaluation rate	3.0%	2.7%	n/a	n/a
Rate of increase in salaries	4.5%	4.5%	n/a	n/a

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

	31 March 2022	31 March 2023		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	57.0%	40.1%	11.1%	51.2%
Property	8.4%	0.0%	10.5%	10.5%
Government bonds	2.0%	1.3%	0.0%	1.3%
Corporate bonds	18.8%	19.5%	0.0%	19.5%
Multi Asset Credit	0.0%	4.5%	0.0%	4.5%
Cash	1.8%	1.8%	0.0%	1.8%
Other*	12.0%	0.0%	11.2%	11.2%
Total	**100.0%**	**67.2%**	**32.8%**	**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

	Local Government	
	2021/22	2022/23
	£000	£000
Interest Income on Assets	5,828	7,692
Remeasurement gain/(loss) on assets	8,521	(8,067)
Actual Return on Assets	**14,349**	**(375)**

Sensitivity Analysis

Sensitivity analysis of NECA pension liabilities is set out in Note 19 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 2023 and the projected cost for the period ending 31 March 2024 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)	336.50	342.32	348.48
% change in present value of total obligation	-1.7%		1.8%
Projected service cost (£M)	7.91	8.27	8.63
Approximate % change in projected service cost	-4.3%		4.4%

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)	343.00	342.32	341.64
% change in present value of total obligation	20.0%		-20.0%
Projected service cost (£M)	8.27	8.27	8.27
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	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to pension increase rate			
Present value of total obligation	347.80	342.32	337.19
% change in present value of total obligation	1.6%		-1.5%
Projected service cost (£M)	8.63	8.27	7.91
Approximate % change in projected service cost	4.4%		-4.3%

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	351.22	342.32	333.42
% change in present value of total obligation	2.6%		-2.6%
Projected service cost (£M)	8.57	8.27	7.97
Approximate % change in projected service cost	3.6%		-3.6%

* 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 G13: Deferred Taxation

The movement for the year comprises:

	2021/22 £000	2022/23 £000
Capital Allowances	465	(365)
Roll over relief on capital gains	-	(144)
Other timing differences	(3)	(3)
Tax effect of losses	311	(1,261)
Total	**773**	**(1,773)**

The balance at the year end comprises:

	31 March 2022 £000	31 March 2023 £000
Excess of capital allowances over depreciation	2,184	1,810
Roll over relief on capital gains	681	534
Other timing differences	(57)	(60)
Tax effect of losses	(226)	(1,486)
Total	**2,582**	**798**

Note G14: Usable Reserves

	31 March 2022 £000	31 March 2023 £000
General Fund Balance	(38,430)	(42,591)
Earmarked Reserves	(11,453)	(59,669)
Capital Receipts Reserve	(691)	0
Capital Grants Unapplied Reserve	(60,986)	(77,627)
Total	**(111,560)**	**(179,887)**

Note G15: Unusable Reserves

Summary

	31 March 2022 £000	31 March 2023 £000
Capital Adjustment Account	(377,614)	(450,216)
Financial Instruments Adjustment Account	169	36
Revaluation Reserve	(5,709)	(5,595)
Pension Reserve	22,947	(47,112)
Total	**(360,207)**	**(502,887)**

Details of movements on the Financial Instruments Adjustment Account is shown in Note 22 of the NECA single entity accounts. This reserve relates to NECA 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 1 April 2021	**(5,805)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	96
Revaluation Gain recognised in Revaluation Reserve	-
Balance at 31 March 2022	**(5,709)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	114
Revaluation Gain recognised in Revaluation Reserve	
Balance at 31 March 2023	**(5,595)**

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
Balance at 1 April 2021	**50,015**
Remeasurements of the net defined benefit liability to 31 March 2022	(36,338)
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 2022	11,625
Employer's pension contributions and direct payments to pensioners to 31 March 2022	(2,354)
Balance at 31 March 2022	**22,948**
Remeasurements of the net defined benefit liability to 31 March 2023	(79,097)
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 2023	11,438
Employer's pension contributions and direct payments to pensioners to 31 March 2023	(2,401)
Balance at 31 March 2023	**(47,112)**

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
Balance at 1 April 2021	**(343,230)**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	18,686
Other income that cannot be credited to the General Fund	(2,814)
Revenue expenditure funded from capital under statute	12,125
Write down of long term debtors	1,498
Non Current Assets written off on disposal	611
Adjusting amounts written out of the Revaluation Reserve	**(96)**
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(61,678)
Statutory provision for the financing of capital investment	(993)
Capital expenditure charged against the General Fund	(915)
Debt redeemed using capital receipts	(807)
Balance at 31 March 2022	**(377,614)**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	21,092
Other income that cannot be credited to the General Fund	(2,802)
Revenue expenditure funded from capital under statute	30,417
Write down of long term debtors	775
Non Current Assets written off on disposal	2,281
Adjusting amounts written out of the Revaluation Reserve	**(114)**
Capital financing applied in the year:	-
Capital grants and contributions credited to the CIES that have been applied to capital financing	(120,460)
Statutory provision for the financing of capital investment	(1,018)
Capital expenditure charged against the General Fund	(1,998)
Debt redeemed using capital receipts	(775)
Balance at 31 March 2023	**(450,216)**

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

	2021/22 £000	2022/23 £000
Surplus/(Deficit) on the provision of services	65,344	131,910
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation, Impairment and Amortisation	19,498	21,712
Loss on disposal of non-current assets	(69)	2,477
(Increase)/Decrease in Creditors	43,373	26,959
Increase/(Decrease) in Debtors	(13,948)	(15,872)
Increase/(Decrease) in Inventories	(2)	21
Movement in Pension Liability	9,447	9,157
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,814)	(1,435)
	55,486	**43,020**
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	(99,336)	(138,458)
Other adjustments for items that are financing or investing activities	1,791	1,072
Net cash flow from operating activities	**23,286**	**37,545**

The cash flows for operating activities include the following items:

	2021/22 £000	2022/23 £000
Interest received	950	664
Interest paid	(3,820)	(3,163)

Note G17: Cash Flow Statement - Investing Activities

	2021/22 £000	2022/23 £000
Purchase of property, plant and equipment, investment property and intangible assets	(50,305)	(92,898)
Purchase of short-term and long-term investments	(159,968)	(226,428)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	697	-
Proceeds from short-term and long-term investments	84,615	160,832
Other receipts from investing activities	100,572	137,620
Net cash flows from investing activities	**(24,389)**	**(20,874)**

Note G18: Cash Flow Statement - Financing Activities

	2021/22 £000	2022/23 £000
Repayments of short and long-term borrowing	(1,671)	(1,699)
Other payments for financing activities	(1,805)	(1,523)
Net cash flows from financing activities	**(3,476)**	**(3,222)**

Note G18a: Reconciliation of liabilities arising from Financing Activities

	1 April 2022	Financing Cash Flows	Changes which are not financing cash flows		31 March 2023
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(93,568)	759	-	-	(92,809)
Short term borrowings	(1,266)	-	-	5	(1,261)
Total Liabilities from financing activities	**(94,834)**	**759**	**-**	**5**	**(94,070)**

	1 April 2021	Financing Cash Flows	Changes which are not financing cash flows		31 March 2022
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(94,276)	708	-	-	(93,568)
Short term borrowings	(1,274)	-	-	8	(1,266)
Total Liabilities from financing activities	**(95,550)**	**708**	**-**	**8**	**(94,834)**

Note G19: Capital Expenditure and Capital Financing

	£000
Opening Capital Financing Requirement 1 April 2021	**102,776**
Capital Investment	
Property, Plant and Equipment	50,416
Intangible Assets	576
Revenue Expenditure Funded from Capital Under Statute	12,125
Sources of Finance	
Capital receipts - repayment of principal from long term debtors	(807)
Government Grants and other contributions	(62,036)
Sums set aside from revenue	
Direct revenue contributions	(915)
Minimum Revenue Provision	(993)
Additional Voluntary Provision	-
Closing Capital Financing Requirement 31 March 2022	**101,142**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(1,634)**

Opening Capital Financing Requirement 1 April 2022	**101,142**
Capital Investment	
Property, Plant and Equipment	92,586
Intangible Assets	1,100
Revenue Expenditure Funded from Capital Under Statute	30,417
Sources of Finance	-
Capital receipts - repayment of principal from long term debtors	(775)
Government Grants and other contributions	(121,817)
Sums set aside from revenue	-
Direct revenue contributions	(1,997)
Minimum Revenue Provision	(1,018)
Additional Voluntary Provision	-
Closing Capital Financing Requirement 31 March 2023	**99,639**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(1,503)**

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	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 Statement line 'adjustments between accounting basis and funding basis under regulation'.
Usable Reserves	Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
Useful Life	The period over which the Authority will derive benefits from the use of a fixed asset.

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Narrative Report for the Year ended 31 March 2023

North East Combined Authority Narrative Report 2022/23

1. Introduction

This Narrative Report provides information about the North East Combined Authority (NECA), including the key issues affecting the Authority and its accounts. It provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2022/23 and its future financial prospects.

This report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which occurred during the year.
- A summary of the Authority's financial performance during the year ending 31 March 2023 and its financial position at that date.
- A look ahead to 2023/24 and beyond.

The Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2023 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Movement in Reserves Statement.
- Comprehensive Income and Expenditure Statement.
- Balance Sheet.
- Cash Flow Statement.

The purpose of each of the above statements is described at the end of this report and the actual statements are contained within the accompanying Statement of Accounts document, which also includes detailed notes providing further information relating to specific amounts and balances.

The main statements are supplemented by a further section which presents the Group Accounts, consolidating the figures of Nexus with those of the Authority.

These statements and accounts collectively provide a comprehensive view of the Authority's financial position during the period to which they relate. The format of the accounts changed in 2018/19 to reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) which changed the boundaries of NECA on 2 November 2018.

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2023/24, available on the NECA website (www.northeastca.gov.uk) sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance over the past year. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

2. What is the North East Combined Authority?

The North East Combined Authority (NECA) was established in April 2014 as a legal body that brought together the seven councils which serve Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland. It had transport and economic development powers and its ambition was to create the best possible conditions for growth in jobs, investment and living standards, making the North East an excellent location for business and enabling residents to develop high-level skills so they can benefit long into the future.

The North of Tyne authorities secured a devolution deal with devolution funding for the North of Tyne area, which required the establishment of a separate North of Tyne Mayoral Combined Authority during 2018/19. On the 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 changed the boundaries of NECA.

As a result of these governance changes, from 2 November 2018 the boundary of NECA covers the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland. At the same time the North of Tyne Combined Authority was established, and the North East Joint Transport Committee was created, which continues to exercise the Transport functions over the area covered by the two Combined Authorities.

A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region, the Deed of Co-operation was updated in March 2020.

On 20 November 2018 NECA was formally confirmed as retaining the Accountable Body role for Transport on behalf of the North East Joint Transport Committee.

NECA continued to be the accountable body for the North East Local Enterprise Partnership (North East LEP) until the North of Tyne Mayoral Combined Authority (NTCA) was fully established. The role of accountable body for the North East LEP transferred on 1 April 2020. NECA continues to work closely with other bodies in the region to secure external funding, including funding for transport; infrastructure; economic development; skills and employment activities. NECA works closely with the North East LEP and the wider business community to deliver the Strategic Economic Plan for the North East and capitalise on these opportunities.

On 28 December 2022, HM Government announced a “minded to” devolution deal with the seven local councils across the North East (i.e. Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland). The “minded to” devolution deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total, it is expected to provide £4.2 billion of additional investment to the region over 30 years, including a £1.4 billion investment fund alongside significant funding for transport, education and skills, housing and regeneration.

The deal requires the creation of a new mayoral combined authority for the region. This will be dependent on the Secretary of State making a statutory order under the Local Democracy, Economic Development and Construction Act 2009 to deliver the following proposals:

a. The abolition of the two existing combined authorities, i.e. NECA and NTCA; and
b. The creation of a new mayoral combined authority which covers the area of all 7 Councils, which will be called the North East Mayoral Combined Authority (NEMCA).

These changes will also entail the abolition of the Joint Transport Committee as NEMCA will be responsible for the exercise of transport functions across the regions in the future.

As the first stage of the statutory process, the North East Councils undertook a governance review regarding the proposals set out above. The results of the governance review were reported to their respective Cabinets in January 2023. On the basis of the governance review, each Council's Cabinet concluded that the proposals were likely to improve the exercise of statutory functions in accordance with sections 108 and 111 of the 2009 Act. The North East Councils therefore agreed to progress to the next stage of the statutory process by publishing a scheme relating to the proposals and then carrying out a public consultation exercise.

The public consultation began on 26 January 2023 and closed on 23 March 2023. It provided information about how the devolution deal would be implemented and the proposed changes to governance across the region, and allowed residents, businesses and other stakeholders to comment on these proposals. Opportunities to take part in the consultation included the completion of surveys, attending an event or by submitting written comments. In total, around 3,235 people or organisations took part in the consultation process.

The majority of responses from residents, businesses, the voluntary and community sector and other key stakeholder groups have been positive, and in agreement with the proposed governance changes as set out in the constitution. In addition, their comments have expressed strong support for the overall aims and objectives of the "minded to" devolution deal. There was particularly strong support for devolution around transport, skills, employment and adult education.

On 12 March 2024, the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provides for the establishment on 7 May of the North East Mayoral Combined Authority, and simultaneously abolishes the existing NECA and NTCA and the office of the Mayor of North of Tyne. The Order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The Order also provides for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to the mayoral combined authority.

Revenue Financial Summary 2022/23

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of NECA expenditure against the budget is set out in Table 1 below. Expenditure totalling £136.693m was slightly lower than the revenue budget of £138.773m due to the reprofiling of some Transport North East project based work, such as Active Travel Fund revenue projects and aspects of the Metro Futures Studies work, into the 2023/24 financial year. Income received was £139.315m, which resulted in a net transfer to reserves of £2.622m which has been carried forward to fund expenditure in 2023/24, particularly on the Transport devolution workstreams.

Table 1: Summary of Revenue Expenditure

	2022/23 Revised Budget	2022/23 Actual	Variance
	£000	£000	£000
Expenditure			
Joint Transport Committee			
- Retained Levy Budget	2,120	1,998	(122)
- Grant to Durham	15,609	15,609	-
- Grant to Nexus	63,125	63,125	-
- Grant to Northumberland	6,347	6,347	-
Tyne Tunnels			
- Contract Payments	24,104	24,555	451
- JTC costs	1,038	1,334	296
- Financing Costs	6,466	6,241	(225)
Other Transport Activity			
- Transport North East Core Budget	860	929	69
- Transport North East Grants/Revenue Projects	18,218	15,648	(2,570)
Corporate/Central Budget	886	907	21
Total Expenditure	**138,773**	**136,693**	**(2,080)**
Income			
Revenue Grants	(19,564)	(17,119)	2,445
Transport Levies	(87,201)	(87,201)	-
Tolls Income	(30,977)	(31,530)	(553)
Interest/Investment Income	(356)	(2,868)	(2,512)
Contributions from Constituent Authorities	(170)	(170)	-
Other Income	(436)	(427)	9
Total Income	**(138,704)**	**(139,315)**	**(611)**
Net Revenue Expenditure to fund from Reserves	**69**	**(2,622)**	**(2,691)**

This statement provides a comparison of the outturn position with the NECA (including JTC) revised revenue budget for 2022/23, before any allocation of costs and income between the accounts of NECA and NTCA. The purpose of this statement is to give the reader an understanding of overall spending and income for the whole year, in comparison with the revised budget.

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 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 **Movement in Reserves Statement** (MIRS, page 4 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Authority's reserves. There has been an increase in reserves from £145.419m at 31 March 2022 to £217.747m at 31 March 2023, mainly due to an increase in the capital grants unapplied reserve and earmarked reserves holding revenue grants, arising from a significant amount of grants being received during the year which have not yet been applied to fund transport activity.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £108.336m (£80.578m in 2021/22). 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 £15.544m surplus (£7.016m deficit in 2021/22). Expenditure was funded from sources including the Transport Levy, other contributions from Constituent Authorities and Government Grants 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.

Usable reserves totalled £145.472m at 31 March 2023, which included £59.669m earmarked reserves (including earmarked revenue grants) and £77.627m capital grants unapplied, representing funds committed to meet expenditure requirements in future years.

3. Treasury Management

The Balance Sheet on page 6 of the accounts shows total external borrowing of £94.069m at the end of the year, which is split between short term borrowing (£1.260m) and long term borrowing (£92.809m), after the allocation of part of the transport borrowing to NTCA accounts. This is a small decrease compared to the total external borrowing of £94.834m the previous year due to repayments made on Equal Instalment of Principal (EIP) loans during the year. The average rate of interest on external borrowing for the year was 4.3%, which is comparable with the previous year.

The Balance Sheet also shows short term external investments of £152.694m in the NECA Group accounts at the end of the year compared to £89.792m at the end of the previous year. The total of investments included £34.391m of investments held on behalf of Nexus. A further £17.058m cash equivalents were held on behalf of Nexus. The increase compared to the previous year is due to NECA receiving a significant amount of transport grants during the year which have not yet been applied to fund capital expenditure on projects, particularly in relation to the Bus Service Improvement Plan (BSIP) but also the Transforming Cities Fund and Active Travel Fund programmes.

4. Debtors

The Balance Sheet on page 6 of the accounts shows a short-term debtors balance at 31 March 2023 of £3.277m (£1.890m at 31 March 2022). This relates mainly to interest income due on short term investments (which has increased significantly during this financial year as interest rates have increased) and interest and principal repayments due within 12 months on borrowing by Nexus and is analysed in more detail in Note 14.

5. Creditors

Short term creditors at 31 March 2023 were £66.212m (£56.654m at 31 March 2022). These balances are analysed in more detail in Note 17. This includes a creditor for balances owed to Nexus for short term investments and cash equivalents placed on their behalf (£93.500m total creditor of which £51.448m is shown in the NECA accounts) and has increased during the year due to a higher value of Quarter 4 claims submitted by project sponsors as part of the Transforming Cities Fund programme where the majority of schemes are now in delivery.

6. Pensions Costs

The Authority is an employer in the Tyne and Wear Pension Fund (the pension fund), which is part of the Local Government Pension Scheme (LGPS), which provides defined benefits based on members' final pensionable salary and years of service. In accordance with IAS19, 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.

NECA 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 NECA pension fund is in a notional surplus position amounting to £12.460m at 31 March 2023, compared with £6.240m at 31 March 2022. The increase in the net surplus is primarily due to a lower valuation of future liabilities due to a higher discount rate.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme and are therefore not backed by assets and must be paid as incurred on a monthly basis. These costs relate to former Tyne Tunnels employees and are paid from the Tyne Tunnels revenue account, at a cost of approximately £50,000 in 2022/23. At the end of the year there was an unfunded liability of £0.570m (£0.670m at 31 March 2022).

Note 19 to the accounts provides further analysis and detailed disclosures in relation to Pension liabilities.

7. Net Assets

Net assets in the NECA accounts have increased from £145.419m at 31 March 2022 to £217.747m at 31 March 2023. The increase is due to mainly to a significant amount of grants being received during the year which have not yet been applied to fund transport activity. Cash balances have been placed in short term investments in line with the authority's treasury management policies until such time as they are required to fund revenue and capital expenditure.

8. Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note G01 on page 82.

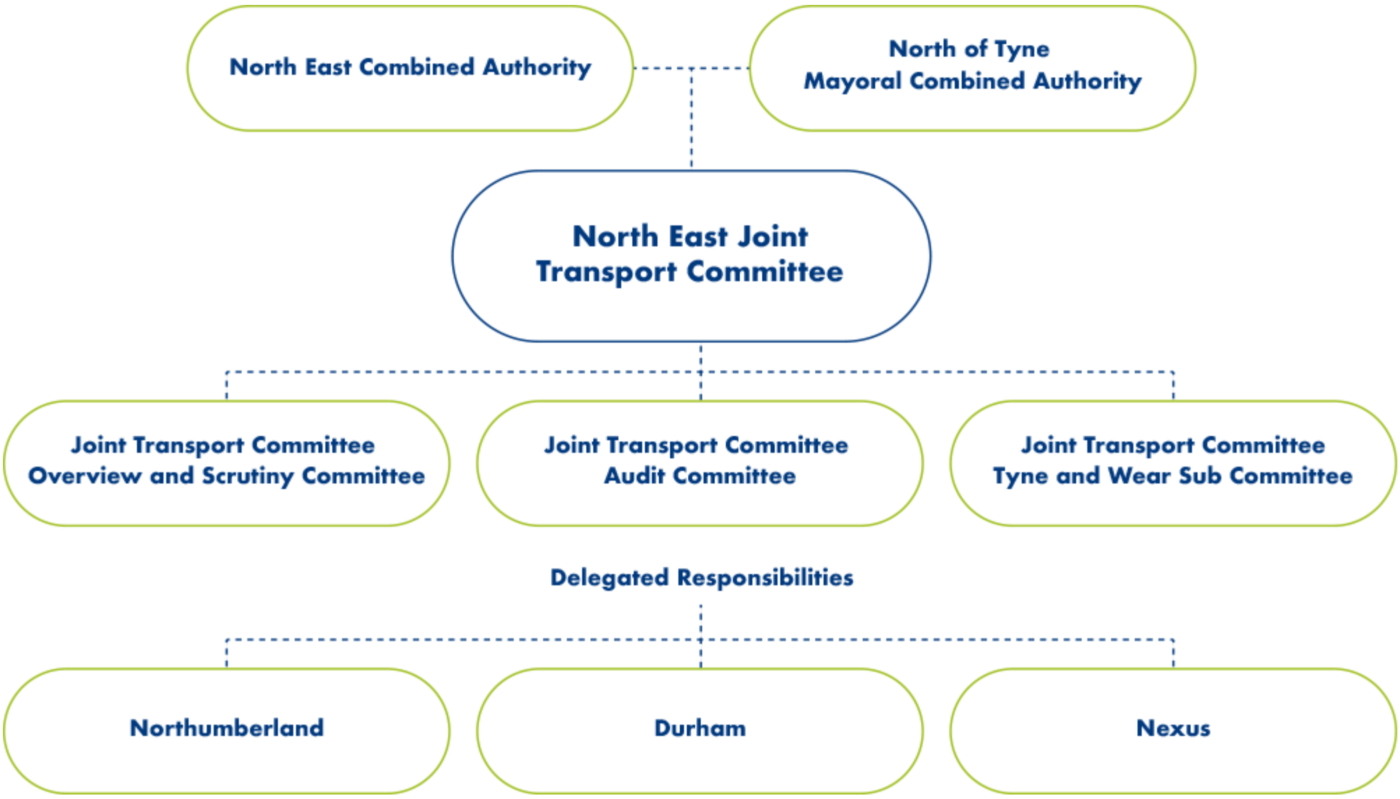
The Nexus accounts are apportioned between NTCA and NECA accounts (after elimination of intra-Group transactions), with the balance sheet information at 31 March 2023 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 2. The full accounts for the Nexus Group and more information about their activity and performance can be obtained from the Nexus website at https://www.nexus.org.uk.

9. Accounting for the North East Joint Transport Committee

The North East Joint Transport Committee brings together a total of seven members from each of the Constituent Authorities of the region; four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority in accordance with the Order and was created on the 2nd November 2018.

Transport is of strategic importance to the North East, and the collaborative working of both Combined Authorities allows effective decision making across the region, which ensures that the local needs and priorities are delivered.

The structure for Transport that was established in November 2018 is shown in the diagram below.



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

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

2. The revenues which relate to Tyne and Wear must be divided into that which relates wholly to the NECA or NTCA area and that which relates to activities now wholly attributable under the preceding two points which requires apportionment.

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

For the 2022/23 accounts the mid-year estimated population published by the Office of National Statistics as at June 2020 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2023 is shown in Table 2 below.

Table 2 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	Mid-Year 2020 Population	Proportion
	People	**Proportion**
NECA		
- Gateshead	201,950	
- South Tyneside	151,133	
- Sunderland	277,846	
	630,929	0.55025
NTCA		
- Newcastle	306,824	
- North Tyneside	208,871	
	515,695	0.44975
Tyne and Wear Total	**1,146,624**	

10. The Statement of Accounts

The Statement of Accounts is set out in the accompanying document, they consist of the following statements that are required to be prepared under the Code of Practice:

Movement in Reserves Statement (Statement of Accounts page 4)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NECA's services, more details of which are shown in the

Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement (Statement of Accounts page 5)

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 to be funded from the levy and other sources of income which is set out in the MiRS, as described above.

Balance Sheet (Statement of Accounts page 6)

The Balance Sheet summarises the Authority's financial position at 31 March each year. The net assets of the Authority (total assets less total liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MiRS line "adjustments between accounting basis and funding basis under regulations".

Cash Flow Statement (Statement of Accounts page 7)

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.

Expenditure and Funding Analysis (Statement of Accounts page 9)

The objective of the expenditure and funding analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, levies, contributions) for the year has been used in providing services in comparison with those resources consumed or earned by authorities 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 service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Group Financial Statements and Notes (Statement of Accounts page 77 onwards)

Reports the financial picture of all activities conducted by the Authority, including those delivered through partnership and separate undertakings controlled by the Authority.

11. Annual Governance Statement

To accompany the Narrative Report and Statement of Accounts, the leadership of the Authority prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Authority's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

12. Non-Financial Performance

The Statement of Accounts is focused on the financial performance of the Authority. NECA also reports non-financial Performance through thematic updates on Economic Development and Digital, Transport, and Finance, Skills & Employability. These are available on the NECA website under the Leadership Board agendas.

Transport

Since the formation of the North East Joint Transport Committee, the LA7 Authorities have been working together on shared transport priorities. During 2022/23 progress has been made in delivering the key priorities detailed in the North East Transport Plan, including:

- Bus Service Improvement Plan (BSIP) – following the highest allocation in England of £163.5m in government funding to improve bus services in the North East, stakeholders across the bus industry are working together through the newly formed Enhanced Partnership to implement the interventions outlined in the BSIP. One of the early measures is the introduction of a capped fares scheme which allows Under 22s to travel on a single fare anywhere in the region for £1. Further fare initiatives are set to be introduced later this year, including capped adult tickets and free travel for young people leaving local authority care. Work also continues on a variety of other improvements to the bus network, including bus priority implementation, new bus services and enhancements to existing services through increasing frequencies. The combination of these measures will lead to bus travel becoming cheaper, faster and more reliable.
- **Active Travel Fund** – approximately half of the £9.049m Tranche 2 programme is now complete. An additional £17.9m was secured through Tranche 3 with delivery of schemes expected to commence imminently. At the end of March 2023, the region was also successful in securing an additional £17.4m through the Tranche 4 bid, taking the total to £46.5m of active travel funding since March 2020.
- **Capability Fund (Active Travel)** - £2.16m of capability fund activities have been delivered providing resources and training for those using the active travel network, this includes maps, itineraries and family friendly roadshows. The region successfully secured £1.4m through the 2022/23 bid which is actively being used to support the development of schemes and wider behaviour change initiatives.
- **Transforming Cities Fund –** the TCF programme is well under way with 20 schemes now in delivery. By the end of March 2023, £102.6m of investment in sustainable transport projects was approved by the JTC. In December 2022, Nexus completed the delivery of the £104m TCF funded Metro Flow project to enhance capacity and improve reliability across the network.
- **Levelling Up Fund –** In January 2023, the region received an indicative award of £19.5m from the Levelling Up Fund, to deliver new high-quality zero emission buses and supporting infrastructure, which will operate on eight of the highest frequency bus routes across the North East which currently experience some of the highest levels of air pollution. Up to 82 new Electric Vehicle (EV) chargers will be provided across 36 regional sites including Park and Ride locations and other key destinations to encourage multi-modal journeys.
- **Leamside Line** – TNE has continued its campaign for the full reopening of the Leamside Line, the most important piece of infrastructure for the economic future of the North East which would operate as a diversionary route for the East Coast Main Line, freeing up much-

needed capacity to meet future rail needs, and allow the extension of rail and Metro services to more communities in the region. In January 2023 the Strategic Outline Business Case for the "Washington Metro Loop" was submitted to the Department for Transport and work on the more detailed "Outline Business Case" has now begun.

- **Tyne Tunnels** – in November 2021 the 'Tyne Pass' scheme for barrierless open road tolling was launched at the Tyne Tunnels. The barrierless scheme has modernised the payment system, reduced journey times and provides other benefits for the area, including significantly reduced carbon emissions and the creation of new local jobs. Traffic during 2022/23 has recovered to and exceeded pre-pandemic levels. Whilst the rise in traffic will be in part due to the effects of displaced traffic from other river crossings, the tunnel operators, TT2, considers that the main reason for the higher traffic level is the faster journey times due to the barrierless system at the Tyne Tunnels and other A19 improvements such as Testos and Silverlink which have also improved journey times on this stretch of road.

Table 3 – Tyne Tunnel Traffic Flow data

	Class 1	Class 2	Class 3	Exempt	Total
2022/23	80,736	16,848,793	1,054,301	508,011	18,491,841
2021/22	102,536	14,371,810	931,608	472,178	15,878,132
2020/21	99,990	10,441,472	775,745	423,317	11,740,524
2019/20	153,474	14,928,809	824,798	648,435	16,555,516
2018/19	171,626	14,839,928	823,469	631,444	16,466,467
2017/18	172,655	14,802,233	855,656	584,809	16,415,353
2016/17	197,688	15,705,319	951,785	605,670	17,460,462
2015/16	204,751	16,218,493	989,451	581,377	17,994,072
2014/15	195,798	15,265,379	873,270	508,444	16,842,891
2013/14	185,471	13,970,360	804,147	464,529	15,424,507

Class 1 = Motorcycles; Class 2 = Car, Van or Bus less than 3.5 tonnes; Class 3 = LGV, Van or Bus more than 3.5 tonnes Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 11 April 2022 from £3.70 to £3.90 for Class 3 vehicles. There was no increase for Class 2 vehicles during the 2022/23 financial year.

Tyne and Wear Passenger Transport Executive – Nexus

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2022/23.

- The number of passenger journeys across all modes within Tyne and Wear in 2022/23 was estimated at 123.4 million, a 15.4% increase when compared to the 106.9 million in the previous year and a 20.1% decline when compared to 154.5 million in 2019/20.
    - Bus patronage was 92.1 million in 2022/23; a 13.1% increase when compared to 81.4 million in the previous year and a 22.9% decline when compared to 119.4 million in 2019/20.
    - Metro patronage was 29.3 million in 2022/23; a 21.1% increase when compared to 24.2 million in the previous year and a 11.5% decline when compared to 33.1 million in 2019/20.
    - Ferry patronage was 0.292 million passengers in 2022/23; a 8.6% increase when compared to 0.269 million journeys in the previous year and 8.3% decline when compared to 0.353 million journeys in 2019/20.

    - Rail patronage was 1.695 million journeys in 2022/23; a 54.1% increase when compared to 1.1 million journeys in the previous year and a 12.6% decline when compared to 1.94 million journeys in 2019/20.

- Metro reliability (operated mileage) was 94.6% during 2022/23, a decrease of 0.7% versus the figure of 95.3% achieved in the previous year.
- Metro reliability (Charter punctuality) was 81.7% during 2022/23, a decrease of 2.4% on the 81.4% achieved in the previous year.

NECA Staffing

- NECA continues to adapt and change to meet the requirements of the area, while keeping costs to a minimum. Many services are provided through Service Level Agreements with constituent local authorities.
- The majority of the NECA employees work on behalf of Transport North East with numbers growing in 2022/23 as the responsibilities of the team increase following successful bids for grant funding.

Table 4 – Change in Staffing numbers since 2015/16

	Total NECA Employees at the year end	Employed on behalf of North East LEP
2022/23	30	0
2021/22	26	0
2020/21	16	0
2019/20	63	56
2018/19	43	39
2017/18	29	21
2016/17	21	18
2015/16	15	11

13. Looking Ahead

As set out in section 2, the Government and the seven North East Councils agreed a “minded to” devolution deal during the 2022/23 year. The governance review carried out by the North East Councils concluded that the creation of a new mayoral combined authority would meet the necessary statutory criteria under the Local Democracy, Economic Development and Construction Act 2009, namely that it would improve the exercise of statutory functions across the region.

In order to establish the new regional NEMCA, the existing combined authorities – NECA and NTCA – will need to be abolished. The Leadership Board of NECA and the Mayor and Cabinet of NTCA consented to the statutory order which provides for their abolition and the creation of NEMCA, which was approved in Parliament on 12 March 2024. The new mayoral combined authority will be created on 7 May and the existing combined authorities abolished simultaneously when the elected mayor for NEMCA takes office.

The statutory order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The order also provides for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to NEMCA. This will ensure that the regional transport arrangements which are currently overseen by the Joint Transport Committee (and the existing funding programmes of NTCA) are maintained by the NEMCA without interruption. For this reason it is considered appropriate, in line with the Code of Practice on Local Authority Accounting, for these accounts to be prepared on a going concern basis. Officers from both combined authorities and the local authorities are liaising on the operational requirements of the transition.

NECA continues to focus on working with delivery partners on its thematic areas of Transport, Economic Development and Digital, and Finance, Skills and Employability. Key areas of focus for the year ahead are detailed below.

Transport

During 2023/24 the EP signed with regional bus operators will begin to deliver fares initiatives and capital infrastructure aimed at making bus travel cheaper, faster and more reliable.

2023/24 is the planned final year of the Transforming Cities Fund Programme, which will at completion have delivered over £153m of investment in sustainable transport when local and private contributions are taken into account.

In 2023/24 TNE will continue to deliver improvements to the region’s walking and cycling network totalling £17.9m awarded through Tranche 3 of the Active Travel Fund and £17.4m awarded through Tranche 4.

The Local Electric Vehicle Infrastructure fund (LEVI) aims to deliver public electric vehicle chargepoints, primarily aimed at benefiting residents who do not have off street parking. The region has already received £250k of capability funding and this is being used to support a bid for a further initial allocation of up to £15.8m capital and a further £1.1m capability funding.

Work is underway on development of a programme level business case for the delivery of the City Region Sustainable Transport Fund, which must be agreed with DfT and HMT and will set out the schemes the region wishes to bring forward.

Economic Development and Digital

The economic picture across the NECA area continues to be one of challenges as businesses continue to recover from the impact of the pandemic and are now being buffeted by both skills shortages and, most pointedly, the surge in inflation.

Invest North East England has a healthy project and visit pipeline which it hopes to secure investments in 2023/24. Key areas of focus include electrification projects, renewables, digital technology and advanced manufacturing.

Finance, Skills and Employability

Employment and Skills issue and the opportunities for development remain under development through meetings of the Skills and Employment Working Group. Working arrangements and the Employment and Skills focus may change over the coming months in line with the further development and consultation on the recently announced North East Devolution Deal.

Activity continues to progress all aspects of the Finance, Skills and Employment needs and opportunities across NECA. The UK Shared Prosperity Fund (UKSPF) provides £2.6bn of funding for local investment by March 2025. Every place in the UK has been allocated a share of the UKSPF.

In order to access UKSPF funding, lead local authorities are being asked to complete an investment plan, setting out how they intend to use and deliver the funding, in conjunction with local stakeholders.

14. Further Information Available

Access to this report, the accounts and the Annual Governance Statement will be made available to the general public via the Authority's website. If this information is needed in another format or language, please use the contact below.

If you have any problems understanding this publication, any general enquiries on the accounts or have any suggestions on how it may be improved, please contact:

Eleanor Goodman
Finance Manager, North East Combined Authority
Eleanor.goodman@northeast-ca.gov.uk

……………………………

Janice Gillespie, Chief Finance Officer (S73 Officer), North East Combined Authority

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To: Mr Gavin Barker
Director
Mazars LLP

Date: 6 May 2024

NECA and Group - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of NECA and Group for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

I have prepared this as the outgoing Chief Finance Officer / s73 Officer for NECA, which ceases to exist on 7 May 2024, with all functions transferred to the North East Mayoral Combined Authority at that point.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;

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- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within NECA and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all NECA and Group committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the NECA and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by NECA and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and

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- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.
NECA and Group have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting NECA and Group involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and

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- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting NECA and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of NECA and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Ukraine

We confirm we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on NECA and Group and there is no significant impact on NECA and Group's operations from restrictions or sanctions in place.

Global Banking Challenges

We confirm that we have assessed the impact on NECA and Group of the on-going Global Banking challenges, in particular whether there is any impact on NECA and Group's ability to continue as a going concern, and on the post balance sheet events disclosures.

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We confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Reinforced Autoclaved Aerated Concrete (RAAC)

I confirm I have disclosed to you the extent of RAAC in Authority-owned buildings and to date, there is no indication of any significant issues.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed .Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

NECA will cease to exist on 7 May 2024 but its functions will be transferred to the North East Mayoral Combined Authority from that date, and that because services will continue to be provided by another public sector entity, the financial statements are prepared on a going concern basis. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the financial statements.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

I have appended the schedule of unadjusted misstatements as a result of the conclusion of the external audit.

Yours faithfully,

P. Darby

Paul Darby
Chief Finance Officer: North East Combined Authority Date: 6 May 2024

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Summary of unadjusted misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £253k (NECA) and £520k (Group).

Unadjusted misstatements - NECA

There are no misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

Unadjusted misstatements - Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Net pension assets			818	
	CR Remeasurement of net defined pension liability		818		
	Our review of this report identified that the value of pension fund assets was higher than those originally reported, which is entirely due to timing issues compared to when the actuary prepares their report and the final valuations received during EY's audit. Application of this issue to the pension assets held by NECA & Nexus as a proportion of total pension errors resulted in an understatement of pension assets of ££817.704k Pension errors identified during overall procedures for NECA:£175.012k NECA share in Nexus understatement of pension assets is £1,168k*55.025%= £642.692k				
	Total adjusted misstatements	0	818	818	0

North East Combined Authority

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ANNUAL GOVERNANCE STATEMENT 2022/23

In partnership with

Durham County Council	Gateshead Council	South Tyneside Council	Sunderland City Council	North East LEP	NEXUS

Annual Governance Statement 2022/23

Section 1: Introduction

This Annual Governance Statement provides an overview of how the North East Combined Authority's governance arrangements operate, including how they are reviewed annually to ensure they remain effective.

Section 2: Scope Of Responsibility

The North East Combined Authority (NECA) was established in April 2014 and brought together the seven councils which serve Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

Following the establishment of a North of Tyne Mayoral Combined Authority (NTCA), On 2 November 2018 the boundaries of NECA were changed. As a result of these governance changes the boundaries of NECA now cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland.

NECA and the NTCA continue to work together on a number of areas to support the region, including transport. To oversee strategic transport functions a new North East Joint Transport Committee has been established with members from both Combined Authorities. All seven Local Authorities will remain members of the North East Local Enterprise Partnership to deliver the objectives of the regions Strategic Economic Plan, which is the North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

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

In discharging this overall responsibility, the Authority's Leadership Board and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

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

In relation to (ii) the Authority has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

a) identify and prioritise the risks to the achievement of our aims and objectives; and

b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and Strategic Risk Register, which is reported to regular meetings of the Authority's Audit and Standards Committee. This information can be found under the Audit and Standards Committee on the Authority's web-site.

Section 3: Purpose Of The Governance Framework

In addition to the above the Authority's Governance Framework comprises the systems, processes, culture, values and activities through which we are directed and controlled and through which we account to, engage with, creating the conditions of economic growth and investment. It enables us to monitor the achievement of the Authority's objectives and to consider whether those objectives have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2023 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (Amended 2022) to conduct a review of the effectiveness of the system of internal controls and prepare an Annual Governance Statement.

Section 4: The Governance Framework

The core principles and outcomes of our Governance framework are set out below and through these we will aim to provide strong governance to achieve our objectives:

1. Ensuring openness and comprehensive stakeholder engagement

1.1 We ensure that we are clear on delivering the objectives of the Combined Authority and intended outcomes of our Strategic Economic Plan, January 2019, to create the best possible conditions for growing and developing a more productive, inclusive and sustainable regional economy.

1.2 We ensure we assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.

1.3 Meetings, agendas and minutes are accessible via NECA's website. A Forward Plan is available which contains matters which are expected to be the subject of key decisions taken by the Leadership Board. All meetings are held in public (other than where consideration of confidential or exempt information)

1.4 All meetings have been held in person during 2022/23.

1.5 We publish a register of key decisions to notify the public of the most significant decisions it is due to take. Details of each decision are included on the Forward Plan 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that the Combined Authority is planning to take.

1.6 Our Freedom of Information Scheme is published on our website.

1.7 The Authority maintains a list of significant partners which set out the purpose of the partnerships, link officers ad review dates.

1.8 Transport is of strategic importance to the North East and together with the North of Tyne Mayoral Combined Authority a North East Joint Transport Committee is in place bringing together members from both Combined Authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.

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

2.1 We have defined and documented in our Constitution the roles and responsibilities of the Board, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Leadership Board, Members and Officers have been agreed by the Combined Authority.

2.2 We identify and aim to address the development needs of members and officers in relation to their strategic roles, and support these with appropriate training.

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

3.1 We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful, fair and ethical. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the Chief Finance Officer.

3.2 We develop, communicate and embed codes of conduct set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deals with issues of conduct and generally promotes high standards among officers and members, reporting annually to Leadership Board. The Constitution is available on the NECA website.

3.3 We ensure that there are effective arrangements for "Whistle-blowing" and for receiving and investigating complaints from the public. Administration of the Authority's policies on anti-fraud and corruption is undertaken by Internal Audit. Whistleblowing policy and procedure is at Part 6.5 of our Constitution

3.4 A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region.

3.5 A register of Members' interests (including gifts and hospitality) is also maintained.

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

4.1 Our scrutiny arrangements enhance accountability and transparency of decision making, The Overview and Scrutiny Call-in Sub Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 13.3) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.

4.2 The Authority's procurement procedures are carried out in line with financial regulations set out in Part 5 of the Constitution through Service Level Agreements.

4.3 The Accounts and Transparency page of our website contains the most recent accounts of the North East Combined Authority, and includes monthly spending reports, procurement procedures, lists and registers.

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

5.1 Our Risk Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.

5.2 We have an information governance strategy and framework in place to ensure the effective safeguarding, collection, storage and sharing of the Authority's data. A Data Protection Officer has been appointed to oversee the data protection strategy and its implementation to ensure compliance with the General Data Protection Regulations.

5.3 We have arrangements in place to manage significant change evidenced by the establishment of the Combined Authorities Reconfiguration Programme to oversee the implementation of the governance arrangements for NECA following its split with the North of Tyne Authorities.

5.4 The control and financial management arrangements are reviewed by Internal and External Audit throughout the year. The outcome for 2022/23 are noted in Section 5 of this Statement - Annual Review of Effectiveness of Governance Framework.

5.5 The Authority has a robust internal control process in place which supports the achievement of its objectives while managing risks. The Audit and Standards Committee acts as principle advisory committee to NECA, providing independent assurance on the adequacy of the risk management framework and internal control environment.

5.6 An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The chief internal auditor will provide an annual opinion for 2022/23 to support this AGS.

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

6.1 The North East LEP works with its partners to produce and deliver the Strategic Economic Plan (SEP). The SEP was updated January 2019 at a time of significant change for the global and national economy. New opportunities in technology and areas such as ageing, and the management of climate risks provide potential for economic growth.

6.2 We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.

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

7.1 Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy and effectiveness of our governance, risk and control framework.

7.2 We publish details of delegated decisions on our website.

7.3 We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities 2018.

Section 5: Annual Review Of Effectiveness Of Governance Framework

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

The review is informed by:

(a) The views of our internal auditors, reported to Audit and Standards Committee through regular progress reports, and the Annual Internal Audit Opinion. The Annual Internal Audit Opinion for 2022/23 is that the authority has good control arrangements in place. The internal Audit service complies with the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. The service receives a regular independent review against these standards, the last being in December 2018 which concluded:

'We conclude that the IA is compliant with the requirements of the PSIAS and the CIPFA Application Note.'

(b) A regular review of the effectiveness of internal audit (as required by Public Sector Internal Audit Standards).

(c) The views of our external auditors, reported to Audit and Standards Committee through regular progress reports, the Auditor’s Annual Report and Annual Completion Report.

(d) The activities and operations of the themes (economic development and regeneration, employability & inclusion, and transport & digital connectivity) and significant partnerships through written assurance statements.

(e) The views of the Authority’s Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements (Appendix 2 of the Annual Governance Review 2022/23 Report).

(f) The views of Members through the ongoing activities of Audit and Standards Committee (providing independent assurance on the effectiveness of the governance and internal control environment). And an Overview and Scrutiny Committee who review and scrutinise Leadership Board decisions as well as other Transport committee’s decisions.

(g) The Risk Management process, particularly the Strategic Risk Register.

(h) Performance information which is reported to Leadership Board and other meetings on a regular basis.

(i) The assurance framework that is in place to ensure Local Growth Fund monies are subject to appropriate levels of internal control and are focussed on the delivery of the Combined Authority’s objectives and delivery of the Strategic Economic Plan.

(j) An Assurance Statement from the chief financial officer of Nexus has been obtained and is attached at Appendix 4 of the Annual Governance Statement 2022/23 Report. The opinion of the Nexus Chief Internal Auditor for 2022/23 is “*The opinion of the Chief Internal Auditor (Nexus), based on the internal audit work undertaken in year, is that there is an adequate and effective framework of governance, risk management and control.*” At Appendix 4 of the Annual Governance Statement 20232/23 Report.

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

The North East Combined Authority’s decision not to proceed with a Mayoral Combined Authority in September 2016 and the withdrawal of the devolution deal has resulted in the seven local authorities that made up a single Combined Authority splitting and forming two combined authorities. This change happened on 2 November 2018. NECA now constitutes the four Local Authority areas south of the River Tyne. The North of Tyne Mayoral Combined Authority now constitutes the three Local Authority’s north of the River Tyne, Newcastle, North Tyneside and Northumberland.

Regional transport remains to operate and be governed at the seven Local Authority geography through a newly formed North East Joint Transport Committee, bringing together the two Combined Authorities which allows effective decision-making across the region to ensure that the local needs and transport priorities are delivered.

NECA as accountable body for the Joint Transport Committee and the functions delegated to it, are responsible for overseeing the legal and financial management of all regional transport resources, recognising that the assets are, in many cases jointly owned by the two Combined Authorities. NECA will also host the Transport Strategic Unit (formerly named the Regional Transport Team), including the Proper Officer for Transport.

Section 7: Significant Weaknesses In Governance and Internal Control

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

The review highlighted no significant weaknesses in governance or internal control during 2022/23.

Section 8: Conclusion

We consider the governance and internal control environment operating during 2022/23 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to continually review and improve the governance and internal control environment. Mid-year checks are undertaken to provide assurance that improvements are being implemented and that the assessment is improving.

The annual review has shown that the arrangements for 2022/23 are in place and operating as planned.

We have been advised on the implications of the review by the Audit and Standards Committee and propose over the coming year to continue to improve our governance and internal control arrangements.

Head of Paid Service

Full Name: Patrick Melia

Signature:

P. Melia

Date: 01/05/2024

Chair of the North East Combined Authority

Full Name: Councillor Graeme Miller

Signature:

Date: 30/04/2024

North East Combined Authority

Cabinet

11 June 2024

Title: **Devolution of the Adult Education Budget**
Report of: **Head of Skills and Inclusion**
Directorate: **Education, Inclusion and Skills**

Report Summary

The North East Combined Authority (North East CA) Devolution Deal includes a fully devolved Adult Education Budget (AEB) of circa £69m which includes a ringfenced allocation for the delivery of a Level 3 Adult Skills offer 'Free Courses for Jobs' (FCFJ) for the North East from academic year (AY) 2024-25. Delivery of this devolved funding must commence from 1st August 2024.

The AEB is part of a wider package of investment and reform in skills, education and inclusion being developed by NECA, and which will be brought forward to Cabinet in due course.

This report provides Cabinet with an update on progress relating to devolution of the Adult Education Budget (AEB) from 1st August 2024 for the 2024-2025 AY onwards. The report sets out the proposed approach to commissioning AEB funded provision for North East CA residents for AY 2024/25, including procurement activity, and requests Cabinet approval to proceed as recommended.

AEB is the cornerstone of investment in the skills system and has a significant role in providing skills that are essential to a successful and sustainable economy in the region. A devolved AEB is one element towards creating a truly joined up model across employment and training, a vision of which is set out in the North East CA devolution deal.

Having control of the devolved AEB will enable the North East CA to proactively match the skills and training on offer to the jobs available now and in the future across the region. AEB funding can be utilised to achieve outcomes directly linked to local skills needs, this provision will include a wide range of community-based learning with wellbeing benefits, helping residents to improve their quality of life and ensuring that our employers can access residents with the skills their businesses need to grow and thrive.

A devolved AEB enables skills providers to be more responsive to changes in the labour market and to specialise their provision to meet the needs of the region's growth sectors and foundational economy, which, coupled with a more joined up approach to employment support provision creates an inclusive and productive economy.

The North East CA's commissioning role regarding the devolved AEB will enable collaboration with national and regional strategic partners to align this investment with other funding for skills activity. This will ensure it complements and adds value to wider funding streams for skills which are aimed at supporting residents and employers in the North East CA region.

Recommendations

The Cabinet is recommended to:

a) Approve the proposal set out in paragraph 3.1 of this report that 15 providers detailed in Appendix 1 of this report are classified as 'in scope' grant providers and North East CA continue to grant fund them for delivery of the AEB for AY 2024-25 to the value of the AEB allocations that they were in receipt of in AY 2022-23. This would result in 15 Grant Funding Agreements with an overall value of £47,125,157, circa 74% of North East CA's AEB funding.

b) Approve the proposal as set out in paragraph 3.2 of this report to grant fund the 15 providers detailed in Appendix 1 for the delivery of FCFJ for AY 2024-25 to the value of the FCFJ allocations that they were in receipt of in AY 2022-23. This would result in 15 Grant Funding Agreements with an overall value of £2,620,976, circa 66% of North East CA's FCFJ funding.

c) Approve the proposal set out in paragraph 4.6 of this report to award contract for services to those providers ranked from the highest evaluation score to the lowest, up to the Lot funding values detailed in Appendix 4 of this report. This would result in 24 contracts for service awards in Lot 1 AEB with an overall value of £15,815,680 and 6 contract for service awards in Lot 2 Free Courses for Jobs with an overall value of £1,997,532.

d) Approve the recommendation set out in paragraph 6.4 of this report to utilise circa £2.5m of reserve funding to support transition during the first year of delivery of the AEB and make such approvals as it considers appropriate.

e) Cabinet is recommended to endorse the approach to performance management of the devolved AEB set out in paragraphs 7.1 to 7.5 of this report.

f) Cabinet is recommended to endorse the approach to devolved AEB flexibilities as set out in paragraphs 8.1 to 8.5 of this report.

g) Cabinet is recommended to endorse the proposed next steps to devolved AEB as set out in paragraphs 9.1 to 9.2 of this report.

A. Context

1 Introduction

1.1 The North East CA's devolved AEB for the period 1st August 2024 to 31st July 2025 is £64.8m plus an additional £4,342,725 for a ring-fenced Level 3 Free Courses for Jobs offer. Bringing the total AEB for AY 2024-25 to £69,142,725.

1.2 The principal purpose of the AEB is to engage adults and provide them with the skills needed for entering and sustaining work, an apprenticeship or other further learning. It provides funding for programmes of learning up to Level 2 (GCSE level equivalent) and some Level 3 qualifications (A level equivalent), dependant on eligibility. It does not fund all Level 3 learning, or programmes at Level 4 and above as these are funded through Advanced Learner Loans or Higher Education (HE) funding.

1.3 AEB encompasses a range of statutory entitlements for learners which include digital, maths, English and English for Speakers of other Languages (ESOL) and, depending on the resident's age and employment status, an entitlement to a first Level 2 and/or Level 3 qualification.

1.4 The AEB will also include additional funding for Free Courses for Jobs. This targeted Level 3 provision has been developed to support adults without an existing full Level 3 qualification and has recently been extended to include a second Level 3 qualification. It introduces free fully funded Level 3 qualifications for learners aged 24 years and over.

1.5 In taking receipt of the devolved AEB, North East CA will become the commissioner of adult learning across the whole of the North East CA region. North East CA will be responsible for taking their own decisions on provider funding allocations, there is no requirement to jointly agree these allocations with the Department of Education (DfE). However, we continue to hold regular local discussions with DfE, and the North East CA will keep the Department sighted on any planned or proposed allocations and consider the impact on the overall financial position of the region's provider base.

1.6 AEB is the cornerstone of investment in the skills system and has a significant role in providing skills that are essential to a successful and sustainable economy in the region. A devolved AEB is one element towards creating a truly joined up model across employment and training, a vision of which is set out in the North East CA devolution deal.

1.7 The North East CA's commissioning role regarding the devolved AEB will enable collaboration with national and regional strategic partners to align this investment with other funding for skills activity. This will ensure it complements and adds value to wider funding streams for skills which are aimed at supporting residents and employers in the North East CA region.

2 Commissioning Approach

2.1 In advance of the formation of the North East CA, the North of Tyne Combined Authority (NTCA) has led in undertaking the preparatory work on the commissioning approach for the devolved AEB. This is work which had to be undertaken in advance of North East CA's formation because funding agreements will need to be in place with successful providers by 1 August 2024, ahead of the 2024-25 academic year.

2.2 On 16th January 2023 there was agreement by the seven constituent authorities to establish a Combined Authority Steering Group ("CASG") to provide political and policy leadership towards North East CA. The members were the leaders of each of the seven authorities. In turn, the CASG then formed an AEB Implementation Strategy Group ("implementation group"), referred to as 'a working group' and/or 'implementation group' which was to develop a plan for the devolved AEB. Initial stated priorities were to: develop and deliver a commissioning approach for devolved AEB; stakeholder engagement and communications strategy; and management of the initial funding allocations and procurement activity.

2.3 In due course the implementation group, consisting of NTCA officers and colleagues from across the seven constituent local authorities, recommended a commissioning approach for the devolved AEB, to CASG. A set of readiness conditions was submitted to the DfE which included a detailed 'Strategic Implementation Plan' providing an overview of the AEB and funding proposed funding allocation arrangements. These documents are provided as background papers to this report.

2.4 The planned approach to commission the AEB funds is via two routes of both Grant Funding Agreements and procured Contract for Services. Combining these two approaches will allow us to make an immediate and positive impact on the provision offered to North East CA residents while minimising the risk to continuity of provision in the region. It will also offer all providers the opportunity to apply for funding where their provision and delivery model is targeted at and will benefit North East CA residents and employers.

2.5 In preparing for the delivery of North East CA's devolved AEB and ringfenced FCFJ there has been significant stakeholder engagement and robust data analysis of the most recent full year delivery data. In recommending the commissioning approach, we have been mindful of the stability and capacity of the skills delivery infrastructure in North East CA, as well as the capacity of the Combined Authority to manage, monitor and assure activity on this scale.

2.6 To summarise, the recommended combined approach is set out in full below:

Route One: Plan Led Grant Funding Agreements

2.6.1 Establishing funding agreements with in-scope grant providers will provide stability for residents and ensure that appropriate levels of statutory entitlement provision and community learning is available.

2.6.2 In scope grant providers includes: a) those who are wholly or mainly funded by the public purse; b) are currently grant funded; c) have an established place-based approach which supports North East CA priorities; and d) deliver significant volumes of activity within the North East CA region and support existing travel to learn patterns (e.g., FE Colleges and the Local Authorities)

Route Two – Contract for services

2.6.3 Securing the remaining AEB funds via an open and competitive procurement process open to all skills providers will provide a sustainable and response skills offer aligned to specific, localised skills needs which maximise employment opportunity for North East CA residents. This will also enable North East CA to test and pilot innovative new methods of delivery. This approach provides the opportunity to join up the area's skills and training offer, reduce duplication and reach communities most disadvantaged.

3 Grant Funding Agreements

3.1 It is proposed that 15 providers detailed in Appendix 1 of this report are classified as 'in scope' grant providers and North East CA continue to grant fund them for delivery of the AEB for AY 2024-25 to the value of the AEB allocations that they were in receipt of in AY 2022-23. This would result in 15 Grant Funding Agreements with an overall value of £47,125,157, circa 74% of North East CA's AEB funding.

3.2 It is also proposed that North East CA continue to grant fund the 15 providers detailed in Appendix 1 for the delivery of FCFJ for AY 2024-25 to the value of the FCFJ allocations that they were in receipt of in AY 2022-23. This would result in 15 Grant Funding Agreements with an overall value of £2,620,976, circa 66% of North East CA's FCFJ funding.

3.3 Establishing funding agreements with these 'in-scope' grant providers will provide stability to the provider base, ensure that appropriate levels of statutory entitlement provision and community learning are available, thereby minimising the risk to continuity of provision for residents.

3.4 To identify 'in-scope' grant providers robust analysis has been undertaken on the current provider base across the North East CA region utilising data provided by NTCA and the DfE. This analysis revealed that 207 providers were in receipt of a grant funding agreement or contract for service across County Durham, Gateshead, South Tyneside, and Sunderland. These providers were located across England and the funding allocations from funding agreements varied from less than £100 up to more than £4.5 million.

3.5 By contrast, NTCA had in line with other Mayoral Combined Authorities, focussed on reducing and rationalising the provider base in the North of Tyne, with the total number of providers delivering in the devolved area falling from 192 providers in AY 2019/20 to 31 in AY 2021-22. This enabled NTCA to build a small, more cohesive provider base and introduce more robust performance management and a greater focus on providers aligning provision with local area needs and priorities.

3.6 Whilst we do not want to limit resident choice or exclude providers from the market, North East CA cannot work with the current provider base in its entirety, as the monetary loss to learners and the frontline would be very high due to the disproportionate management resources that would be required and poor value for money that would result.

3.7 Further detail related to how the in-scope criteria was applied to the current provider base, is included in Appendix 2 of this report.

4 Procured Contract for Services

4.1 Devolved AEB provision was included in a procurement exercise to establish an Adult Skills Flexible Procurement Framework in November 2023. A wide range of organisations and providers of skills including FE Colleges, independent training organisations, VCSE organisations and other stakeholders including employer providers tendered for a place on the Flexible Procurement Framework. 240 tenders were received from 127 organisations covering 3 Lots (Devolved AEB, FCFJ and Skills Bootcamps). Evaluation of the tenders completed in Feb 2023, and we have issued 176 Framework Agreements across the 3 Lots on the Framework.

4.2 A call-off competition from the Adult Skills Flexible Procurement Framework was launched in February 2024 to procure £16m for the delivery of the devolved AEB and £2m for FCFJ provision in AY 2024-25. Providers were required to tender for delivery themes in Lot 1 AEB and Lot 2 FCFJ. The procurement deadline closed on 5th April 2024 and a total of 73 tender responses were received for Lot 1 devolved AEB a total bid value of £40,709,594. A total of 28 tender responses were received for Lot 2 FCFJ a total bid value of £11,525,590.

4.3 An evaluation panel was convened on 10th April 2024 to review the tender submissions. The panel consisted of 3 NTCA Skills Officers and NTCA's Principal Skills Manager. The process was overseen by a North Tyneside Council procurement officer.

4.4 Bidders were evaluated against the published award criteria, and then ranked in respect of their final weighted scores for quality from highest to lowest in each Lot. The full outcome of the evaluation is included in Appendix 3 of this report.

4.5 In accordance with the terms in the tender documentation providers with an overall evaluation score in a Lot **below 60%** did not progress any further in the evaluation and therefore not considered for funding.

4.6 It is proposed that contract awards will be made to those providers ranked from the highest evaluation score to the lowest, up to the Lot funding values detailed in Appendix 4 of this report. These values are subject to future extension option/s. Further approvals would be sought prior to exercising any extension option/s.

4.7 Any decrease to funding requested, in the proposed awards in Appendix 4, would require discussion between North East CA and the relevant provider/s. It would only relate to reduced awards, and not cases where the funding requested is being met in full. Where agreement could not be reached, the proposed reduced award would not take place and North East CA would instead retain the amounts shown in the "proposed award" section.

5 Devolved AEB Commissioning Outcomes

5.1 Further work will need to be done to analyse data on performance as the first year of the devolved AEB gets underway, if the recommendations in this report are approved. However, there are some positive messages emerging from analysis of delivery plans submitted by providers which illustrate provision will be consistent with the Authority's priorities.

5.2 High level analysis of proposed provision is included in Appendix 6 and Appendix 7 of this report. Highlights of this analysis include:

- Over 93,000 enrolment opportunities across the region (an increase of over 25% in AY 2021-22)
- Over 22,000 (24%) of the enrolment opportunities are informal community learning activity with a range of courses designed to engage residents, build confidence, improve health and wellbeing, including mental health and break down barriers to learning and work.

- A significant increase in digital entitlement opportunities offering 2000 places (an increase of over 1400 opportunities in AY 2021-22)

- A 20% increase in the Full Level 3 programmes for 19–23-year-olds. Over 1200 places for adult aged 24+ to study high value Level 3 qualifications as part of the Free Courses for Jobs offer.

- A significant focus on support for unemployed residents with programmes offering skills for work in key sectors including the low carbon economy.

5.3 It should be noted that the process of commissioning the devolved AEB will have an impact on the pre-devolution provider base, and this has resulted in representations being made to the Mayor, MPs and Leaders about the commissioning process. Devolution is a catalyst for change in approach and some degree of disruption is an inevitable consequence.

5.4 A specific representation from a Specialist Designated Institution who operate in the region has been received, highlighting a potential reduction in Community Learning provision. A number of residents have also submitted representations expressing concern over potentially losing provision that is currently delivered by the Institution and a petition has been submitted to the Mayor. The Institution have put forward a case to be recommended as an 'in scope' grant funded provider.

5.5 This representation, in addition to ongoing consultation with residents, providers, stakeholders and partners, has been fully considered and has informed the recommendations and transition options set out in this report. The representation made, and response from NTCA are included as confidential background papers to this report.

5.6 Please also note that an Equality Impact Assessment accompanies this report, which Cabinet should carefully consider in order to comply with the North East CA's duties under the Equality Act 2010, in particular its public sector equality duty.

6 Transition

6.1 We will ensure that information is available in as many different settings as possible to help potential learners find the learning opportunities we have commissioned. We will add information to the North East CA website to help residents navigate the offer.

6.2 We will work with the constituent Local Authorities and third parties, such as DWP and VCSE forums, to ensure that information about courses is available to them for referrals of residents from all of our communities. We will also work with those providers who may no longer be providing AEB funded activity because of these commissioning proposals to help them understand where to signpost new provision for learners they may have relationships with.

6.3 The North East CA will carry in circa £2.5m of reserve funding from AY 2023-24. Cabinet may wish to consider utilising this reserve funding to support transition during the first year of delivery of the AEB.

6.4 The reserve funding could be deployed through a call off competition from the Adult Skills Flexible Procurement Framework which would be designed to support activity during the transition period. However, the proposed recommendation would be to utilise this funding to maintain grant funding arrangements for one year with a further 5 providers who currently operate in the region to support transition of learning for the residents that they currently deliver to. This would be on the condition they develop a delivery plan in conjunction with the North East CA to focus on the transition of learners which will create more stability for residents during the first year of devolution.

6.5 The 5 providers for consideration did sufficiently meet 3 elements of the in-scope criteria a) to c), however they were not recommended as in scope for funding when assessed against criteria d) as set out in Appendix 2 of this report. This contrasts with the other 130 providers who were assessed as meeting only 2 elements of the criteria, a) and b). Further context on the rationale for this option is provided at Appendix 5 of this report.

6.6 Maintaining grant funding arrangements for one year with 5 providers who currently operate in the region to support transition of learners. The North East CA will work with these providers to ensure that this funding explicitly focuses on the transition of learners and supports their learning outcomes. This will create more stability for these residents during the first year of devolution.

6.7 The award of this funding for transition does not exclude these providers (or any new or unsuccessful providers) from bidding for AEB funding for AY 2025-26. Section 9 of this report sets out some proposed next steps for AY 2025-26.

7 Performance management arrangements

7.1 AEB officers will work with all North East CA funded providers, through proactive and collaborative performance management that will support us to understand and improve the impact and outcomes for our residents through the devolved AEB funding. A set of funding and performance management rules have been developed to support this process.

7.2 Provider performance management will be a risk-based approach focused on the value of the contract, quality of provision, contract compliance, data submissions, overall progress against delivery plans, financial resilience and audit and assurance.

7.3 All North East CA funded AEB providers will be required to submit a detailed delivery plan for the funding year, which will provide the vehicle upon which the provider's performance will be monitored. Grant funded providers will be paid monthly, in arrears, against a payment profile, with reconciliation points throughout the year. Contract for Service providers will be paid monthly, in arrears on 'actual delivery'.

7.4 Whilst we are taking a risk-based approach, we want the performance monitoring approach to be capable of moving funding around in-year in response to performance and demand. Alongside the regular reconciliation points, we want all our providers to identify when they are not meeting profile or when they are experiencing higher demand so we can look to re-distribute funding throughout the year.

7.5 Procurement exercises will continue to be undertaken for 'unallocated' funding where necessary, however we also require flexibility to allocate funding to both Grant and Contract for Service providers where underperformance has been identified or there is evidence of increased demand.

7.6 Cabinet is recommended to endorse the approach to performance management of the devolved AEB set out in paragraphs 7.1 to 7.5 above.

8 Devolved AEB Flexibilities

8.1 Devolution of the AEB provides an opportunity to make commissioning decisions on an area focused and forward-looking basis. It will enable North East CA to offer flexible provision to meet the needs of residents and businesses and will allow a quick response to changes in the labour market whilst supporting residents who may need additional support to access learning or employment.

8.2 Over time, North East CA can make full use of the freedoms and flexibilities afforded by devolution of the AEB in relation to its funding rules, rates, and eligibility criteria. Working strategically with key partners and stakeholders North East CA can build a robust evidence base which underpins any future changes.

8.3 Flexibilities that have been retained as part of NTCA's funding rules include providers being able to access AEB funding to offer informal activities to improve learner confidence, mental health and wellbeing. Learning support funding is extended across all AEB providers to remove barriers and provide resources to support learning to ensure this investment is accessible to all.

8.4 We have extended a Low Wage pilot to mirror the 'earnings threshold' to provide full funding for adults who earn less than £25,000 per annum. The aim is to help increase adult education participation and lift social mobility barriers to learning for those who would not otherwise engage due to course fees being unaffordable. This flexibility also supports those that are in low paid employment and are wanting to further progress in work and in their chosen career.

8.5 Cabinet is recommended to endorse the approach to devolved AEB flexibilities as set out in paragraphs 8.1 to 8.4 above.

9 Proposed Next Steps

9.1 The impact on our residents and communities of the recommended approach to allocating the devolved AEB funding, as set out in this report, will be monitored closely. Delivery data received from the provider base will be analysed to assess the reach of AEB provision and demographics of participants. A learner survey will be launched during the first quarter of AY 2024-25 to gain residents feedback on accessibility of the offer.

9.2 AEB officers will continue to work with providers across the North East CA region to understand and improve the impact and outcomes of the devolved funding. This continuation of our collaborative and evidence-based approach will inform future commissioning criteria from AY 2025-26 and help to secure the best possible impact and positive outcomes for our residents.

B. Impact on North East CA Objectives

1. AEB links directly to North East CA's vision, policies and priorities and supports delivery themes across all 7 of North East CA's portfolios. We want everyone to have the opportunity to thrive, with access to good employment and progression. Supporting the availability of good quality, well paid work, whilst providing the right support for people to access these jobs and further training is crucial to our economic and social success.

C. Key risks

Key risks associated with the proposals in this report have been considered and include:

i. A legal challenge on the commissioning process which could result in delay in getting delivery of the devolved AEB underway from 1 August 2024. Mitigation: External legal advice has been sought on the probability of a challenge, and the commissioning decisions being taken to a judicial review. Extensive work has been undertaken to fully set out the full rationale for the commissioning recommendations should a review take place.

ii. A challenge to the procurement process. Mitigation: An open and transparent process has been undertaken fully aligned to procurement regulations.

iii. Recipients awarded a grant agreement or contract for service through the procurement exercise will fail to delivery their funding allocations. Mitigation: Capacity and resource to deliver provision has been ascertained through the procurement responses. High level delivery plans have been submitted setting out profiles of learner starts and completions from 1st August 2024 to 31st July 2025. These plans will be monitored on a monthly basis by North East CA officers, underperformance against the plans will be reconciled and redistributed to providers who are meeting delivery targets.

iv. The devolved AEB will be included as a strategic risk on the North East CA Strategic Risk Register, alongside the ringfenced FCFJ. In addition, at project level, appropriate risk management processes are in place to identify and mitigate risks with escalation requirements embedded.

D. Financial and other resources implications

1. Table 1 below illustrates income from the DfE for AEB and FCFJ for AY 2024-25

Table 1

Income FY 2024-25 (For Academic Year 2024-25)	£
Predicted balance on account at end of Academic Year 2023-24	£2,366,661
AEB income from DfE for period 1st August 2024 to 31st March 2025	£43,431,303
FCFJ income from DfE for period 1st August 2023 to 31st March 2024	£2,888,796
Total Income FY 2024-25	**£48,686,760**
Income FY 2025-26 (For Academic Year 2024-25)	£
AEB income from DfE for period 1st April 2024 to 31st July 2024	£21,440,246
FCFJ income from DfE for period 1st April 2024 to 31st July 2024	£1,453,929
Total Income FY 2025-26	**£22,894,175**
Total Income for Academic Year 2024-25	**£71,580,935**

2. Table 2 illustrates proposed expenditure if the recommendations within this report are approved.

Table 2

Proposed Expenditure AY 2024-25	£
Administration Costs	£1,944,000
Proposed AY 2024-25 Adult Skills Grant Funding Agreements	£47,125,157
Proposed AY 2024-25 Contracts for Service	£16,000,000
Proposed AY 2024-25 FCFJ Grant Funding Agreements	£2,620,976
Proposed FCFJ Contracts for Service	£1,997,532
Proposed Transition Funding in AY 2024-25	£2,180,000
Total Committed Expenditure AY 2023-24	**£71,867,665**
Reserves carried into AY 2025-26	-£286,731

3. The proposals do result in an over commitment of £286,731. This funding has been 'over procured' to deliver an increase in the FCFJ allocation. DfE will pay for 10% over delivery on this funding allocation at the end of the AY 2024-25.

E. Legal implications

1. The Monitoring Officer's comments have been incorporated within this report.

F. Consultation and engagement

1. In July 2023, Cllr Dixon (Interim Portfolio Lead Education Inclusion and Skills) hosted a significant stakeholder engagement event setting out key priorities for North East CA's devolved AEB and the commissioning/funding allocations approach. This included information on the criteria for 'in scope' Grant allocations vs procured contract for services.

2. A second large scale provider engagement event also took place on 13 November 2023 to set out the procurement arrangements for the devolved AEB. The event included further information on the criteria for 'in scope' Grant allocations.

3. Material published from the event clarified that all 'in scope' Grant providers had been notified and therefore those providers who had not received a notification must apply through the procurement process to tender for an allocation of North East CA's skills funding.

4. All existing NTCA Grant Agreements for AY 2023-24 clearly state that these agreements will end on 31st July 2024. Follow up emails were sent to all NTCA's Grant and Contract for Service AEB providers to remind them that their agreements would not continue beyond 31st July 2024.

5. Throughout November 2023 NTCA officers commenced meetings with current NTCA grant funded providers to clarify recommendations in relation to grant allocations from North East CA.

6. North East CA officers have established effective working relationships with employers and providers to inform the proposal related to the devolved AEB and this will continue to inform additional future skills programmes.

7. North East officers maintain regular contact with relevant stakeholders including Skills Providers, VCSE forums, the Department for Work and Pensions (DWP), the Department for Education (DfE) and Employers.

8. Officers attend regular meetings with DfE, the ESFA and other MCA's/GLA to share information and best practice.

9. The Skills team have recently launched a resident page on the Commonplace platform which enables residents to 'rate' the quality of delivery of the AEB, personal outcomes and impact of the provision. Feedback on the Commonplace platform also informs the devolved AEB annual assurance report to the DfE.

10. We will continue to work collaboratively with strategic partners and local stakeholders to align the devolved AEB with other funding streams and activity to ensure it complements, rather than duplicates the wider learning experiences and opportunities aimed at supporting our residents to progress in learning and to move towards or into productive and sustained employment.

G. Appendices

CONFIDENTIAL Appendix 1 – Proposed in scope grant providers.
CONFIDENTIAL Appendix 2 – Application of the in-scope criteria
CONFIDENTIAL Appendix 3 – Outcome of Evaluation
CONFIDENTIAL Appendix 4 – Proposed Contract Awards
CONFIDENTIAL Appendix 5 – Option for Transitional Funding

(Appendices 1 to 5 are not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, information relating to the financial or business affairs of any particular person (including the authority holding that information).

Appendix 6 - Headline analysis of proposed grant funded provision
Appendix 7 – Headline analysis of proposed contract for service provision
Appendix 8 – Devolution of the devolved AEB Equalities Impact Assessment

H. Background papers

Briefing Note – North East Mayoral Combined Authority Devolved AEB Implementation Plan
AEB Strategic Implementation Plan

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J. Glossary

AEB	Adult Education Budget
AY	Academic Year
DfE	Department for Education
DWP	Department for Work and Pensions
ESFA	Education & Skills Funding Agency
FCFJ	Free Courses for Jobs
MCA	Mayoral Combined Authority
NTCA	North of Tyne Combined Authority

Appendix 6: Headline analysis of proposed grant funded delivery proposals

1 Grant funded AEB enrolment opportunities.

1.1 Providers proposed as 'in scope' submitted indicative delivery plans for AY2024-25. Analysis of these plans reveals that over 66,000 indicative enrolment opportunities created through grant funding.

1.2 Over 17,000 of these opportunities would be delivered as 'Community Learning', with a range of courses designed to engage residents, build confidence, improve health and wellbeing, including mental health and break down barriers to learning and work.

1.3 We value the positive impact that informal community learning can have on our resident's. Grant providers have continued to utilise this funding with integrity, and it enables them to deliver targeted niche provision, the majority of which is aimed at residents who are most at risk of being left behind in terms of education and employment opportunities.

1.4 Most of the Community Learning provision proposed would be delivered by constituent Local Authority providers who utilise a range of community venues to ensure this funding can be targeted where it is needed most and ensure provision is flexible and accessible for residents in communities outside of urban centres.

1.5 It should be noted that from 1st August 2024 the AEB will be renamed as the Adult Skills Fund (ASF). As part of the new ASF, the term 'tailored learning' brings together what was AEB community learning, formula-funded AEB non-regulated learning (previously delivered through adult skills) and any new employer-facing innovative provision that is not qualification based.

1.6 The primary purpose of 'tailored learning' is to support learners into employment and to progress to further learning. It will, however, continue to support wider outcomes including using it to improve health and wellbeing, equip parents/carers to support their child's learning and develop stronger communities.

1.7 Alongside their delivery function we view grant funded providers as key strategic partners in increasing the impact of skills provision across the North East Combined Authority region and having a key role in place-shaping the investment of skills funding.

1.8 We will work closely with the proposed grant funded provider base during the transition period, and beyond, to navigate national policy changes related to the new Adult Skills Fund including 'tailored learning. Our partnership with these providers will also enable us to align the grant delivery plans to the overarching vision and missions of the Combined Authority and the flexibility to refocus provision to meet emerging priorities.

2 Adult Skills range of provision

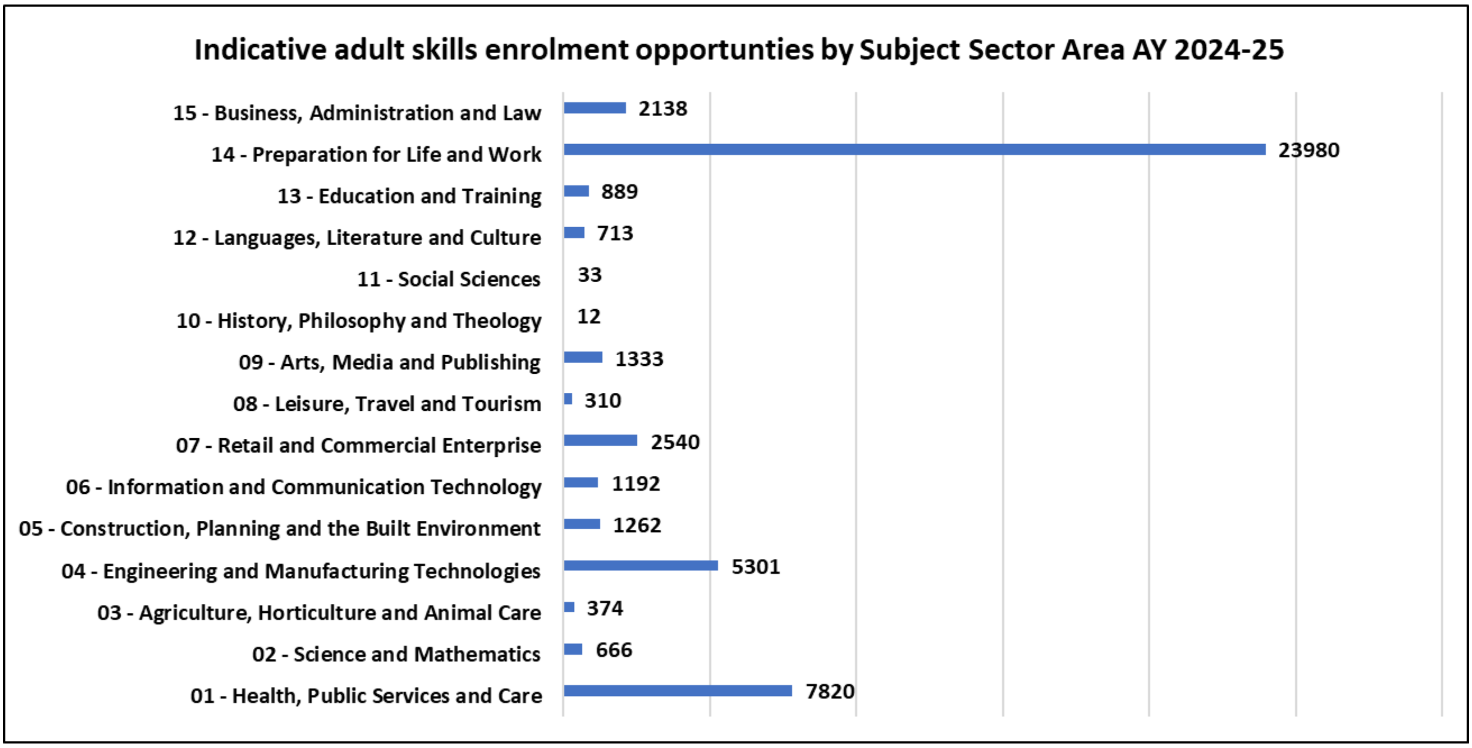
2.1 Analysis of Indicative delivery plans submitted by proposed grant funded providers include a range of adult skills provision targeting employed and unemployed residents including basic maths, English and digital skills and full Level 2 and Level 3 vocational programmes required for work. There are effective links to Job Centre Plus (JCP) work coaches across the region who will promote this offer and refer unemployed residents.

2.2 Going forward the delivery data will also be analysed at Ward level to ensure that enrolment opportunities are being undertaken by residents in our most deprived areas to ensure that the investment is reaching residents most disadvantaged in terms of poverty and skills.

2.3 The indicative delivery plans include provision to support skills demand in sectors such as engineering and manufacturing, construction, creative industries, childcare and hospitality, and catering. The provision continues to support the health & social care sector with 16% of adult skills enrolment opportunities offered in this area.

2.4 Chart 1 below illustrates proposed grant funded adult skills enrolment opportunities by subject sector area in AY 2024-25.

Chart 1

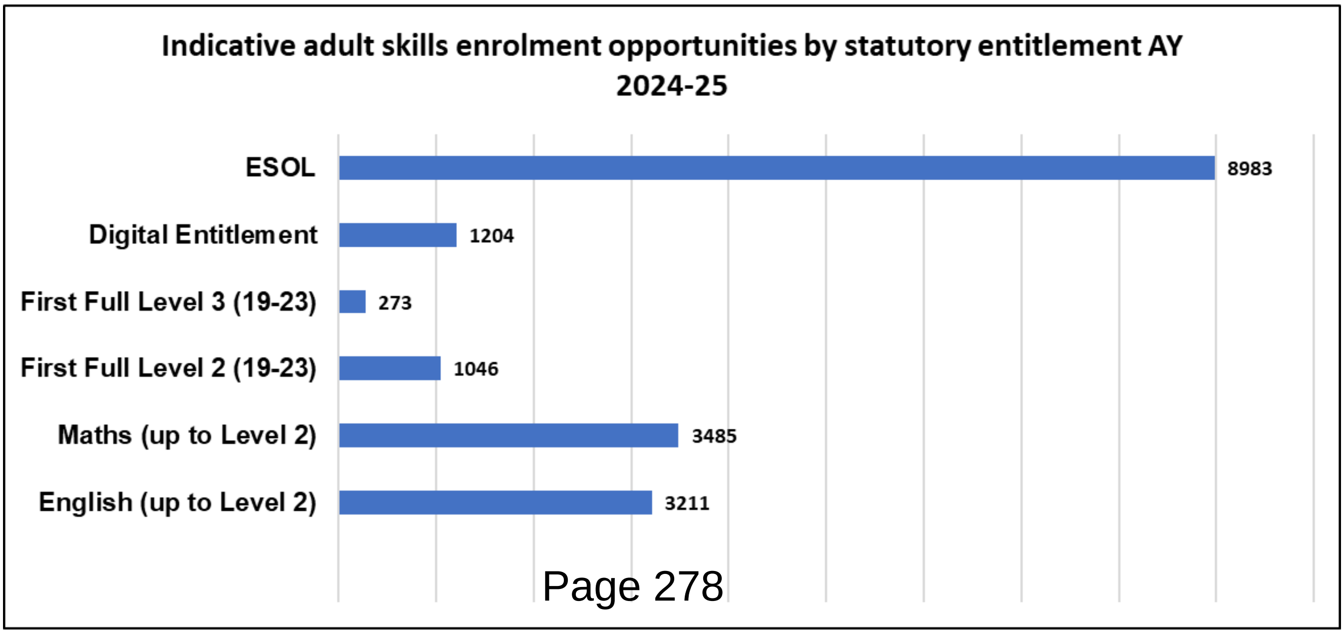


2.5 Subject sector area (SSA) 14 – Preparation for Life and Work accounts for the largest number of adult skills enrolment opportunities (49%) in the proposed delivery plans. This delivery includes statutory entitlement provision including English for Speakers of other Languages (ESOL), essential qualifications in English and maths and the digital skills entitlement as well as sector routeways back to employment in vocational areas.

2.6 Establishing funding agreements with the proposed 'in-scope' grant providers detailed in the main body of this report will provide stability to the provider base and ensure that appropriate levels of statutory entitlement provision are available.

2.7 Chart 2 below illustrates proposed grant funded adult skills enrolment opportunities by statutory entitlement in AY 2024-25.

Chart 2

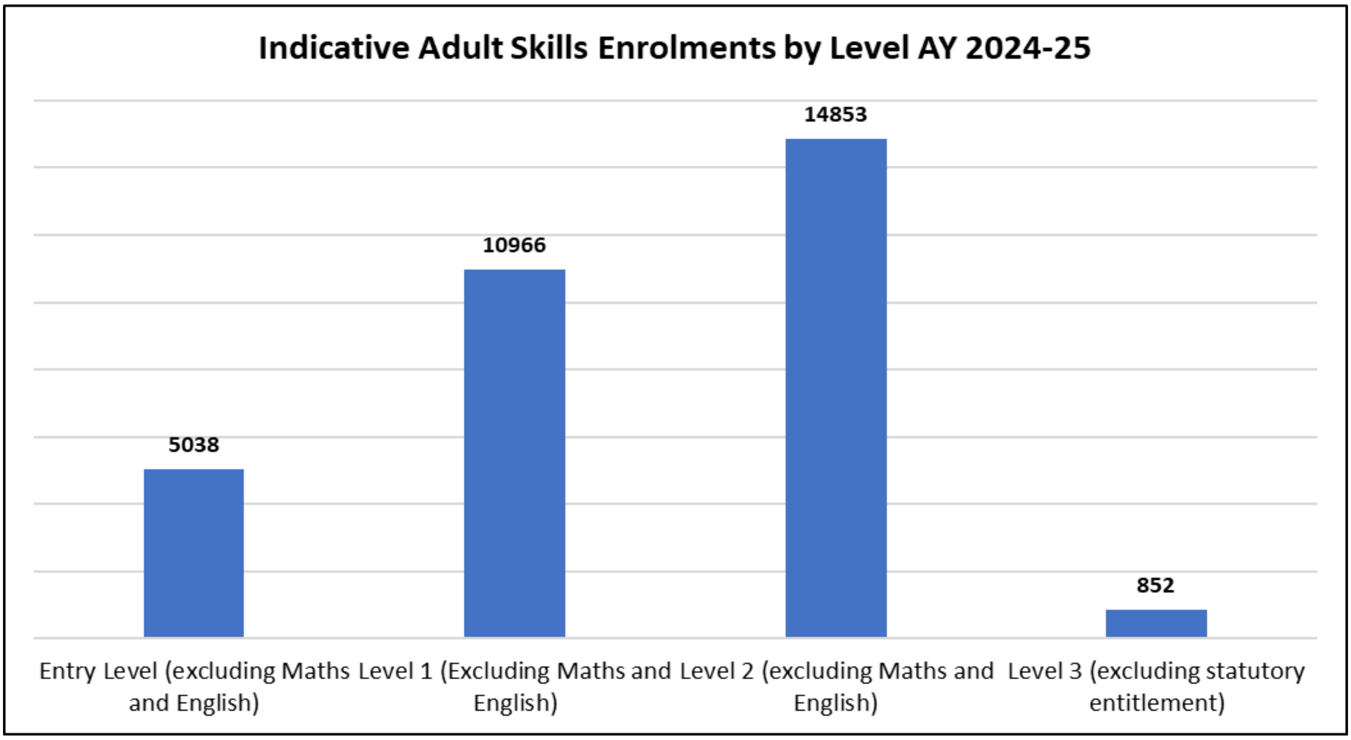


3 Adult Skills level of provision

3.1 We will work with proposed grant providers to manage the balance of provision by level to ensure that there are opportunities at Level 1 and below as well as Level 2 and above.

3.2 Chart 3 below illustrates indicative adult skills enrolments by level. Please note that the figures in the chart do not include statutory entitlement provision or Level 3 provision that we will secure through the Free Courses for Jobs offer.

Chart 3



4 Outcomes

4.1 We want to ensure that a greater focus on the economic and social outcomes is secured through the devolved skills funding rather than just the outputs in terms of qualifications delivered. This underpins our commissioning approach to secure provision which is increasingly focused on outcomes, such as securing employment, progressing to higher levels of learning and progressing in employment. We will work with proposed grant providers to gather data on target outcomes when the indicative delivery plans are being finalised.

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Appendix 7: Headline analysis of proposed contract for service awards

1 Contract for Service AEB enrolment opportunities.

1.1 Providers proposed for contract for service awards submitted indicative delivery plans for AY 2024-25. Analysis of these plans reveals that over 24,600 indicative enrolment opportunities will be created through these proposed awards.

1.2 Over 4000 of these opportunities would be delivered as non-regulated informal learning opportunities designed to engage residents, build confidence, improve health and wellbeing, including mental health and break down barriers to learning and work.

1.3 It should be noted that from 1st August 2024 the AEB will be renamed as the Adult Skills Fund (ASF). As part of the new ASF, the term 'tailored learning' brings together what was AEB community learning, formula-funded AEB non-regulated learning (previously delivered through adult skills) and any new employer-facing innovative provision that is not qualification based.

1.4 The primary purpose of 'tailored learning' is to support learners into employment and to progress to further learning. It will, however, continue to support wider outcomes including using it to improve health and wellbeing, equip parents/carers to support their child's learning and develop stronger communities.

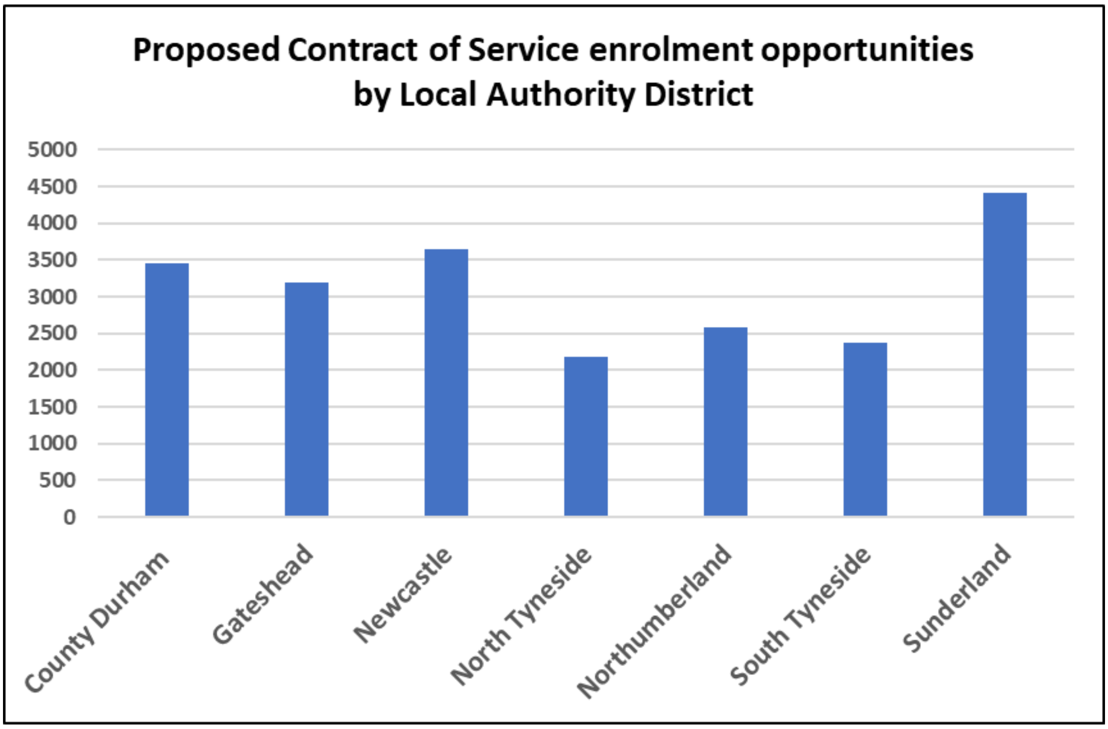
1.5 We will work closely with the proposed contract for service provider base during the transition period, and beyond, to navigate national policy changes related to the new Adult Skills Fund including 'tailored learning.

2 Contract for Service range of provision

2.1 Analysis of indicative delivery plans submitted by contract for service providers include a range of adult skills provision targeting employed and unemployed residents. Delivery plans have been analysed to assess the geographical spread on procured provision. Going forward the delivery data will also be analysed at Ward level to ensure that enrolment opportunities are being undertaken by residents in our most deprived areas to ensure that the investment is reaching residents most disadvantaged in terms of poverty and skills.

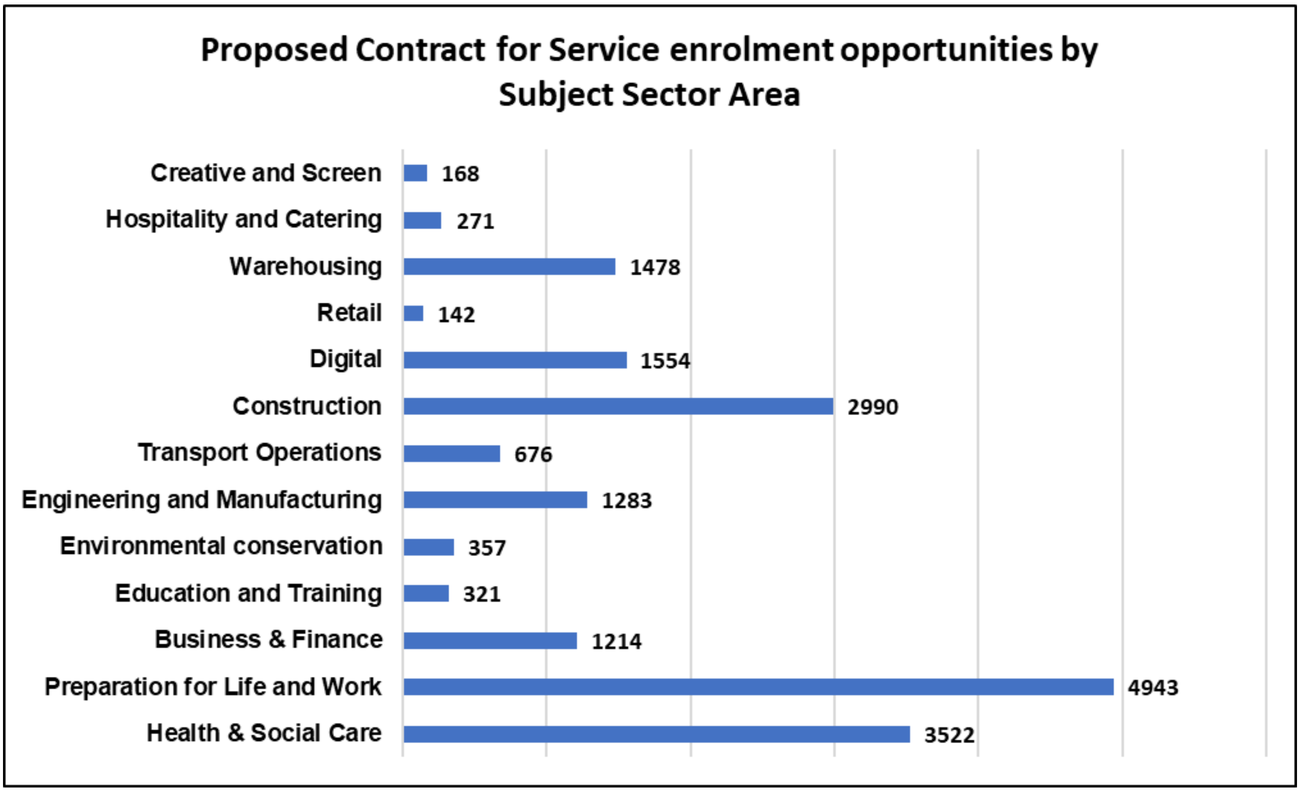
2.2 Chart 1 illustrates procured enrolment opportunities by local authority district.

Chart 1



2.3 The proposed contract for service delivery plans include provision to support adult skills demand in key sectors.

2.4 Chart 2 below illustrates proposed contract for service adult skills enrolment opportunities in key subject sector areas in AY 2024-25. Please note the data below excludes non regulated provision.



3 Summary of proposed Contract for Service provision

Table 1 over the page contains a summary of Contract for Service provision. Provider names will be published once procurement processes are complete.

Table 1 – Summary of Proposed Contract for Service Provision

Provider	Indicative numbers to be trained (regulated)	Indicative numbers to be trained (non regulated)	Delivery Theme	Key Sector Coverage	Summary of Provision
1	449		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Engineering and Manufacturing Technologies Business, Administration and Law	Level 1 and 2 courses within the engineering and manufacturing sector to support unemployed and economically inactive residents as well as the upskilling of employed learners.
2	466		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Information and Communication Technology Preparation for Life and Work	Specialising in telecommunications training with a core focus on improving English, Maths and Digital Skills for the telecommunications sector.
3	721		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Health, Public Services and Care Agriculture, Horticulture and Animal Care Engineering and Manufacturing Technologies Information and Communication Technology Retail and Commercial Enterprise Education and Training Preparation for Life and Work Business, Administration and Law	Flexible learning pathways designed to address skills shortages across priority sectors with an emphasis on upskilling and reskilling initiatives to support career progression.

4	723		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 3: Courses or provision to support the low carbon economy	Health, Public Services and Care Agriculture, Horticulture and Animal Care Engineering and Manufacturing Technologies Construction, Planning and the Built Environment Information and Communication Technology Retail and Commercial Enterprise Arts, Media and Publishing Business, Administration and Law	Courses supporting residents to upskill and reskill learners across key sectors. The curriculum offers progressive vocational learning pathways for higher level skills.
5	456		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Information and Communication Technology Arts, Media and Publishing Business, Administration and Law	Place-based and progression-focused models for Level 1 to Level 3 qualifications covering Information and Communication Technology; Marketing and Sales; and Crafts, Creative Arts and Design sectors.
6	1061		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Construction, Planning and the Built Environment Information and Communication Technology Preparation for Life and Work	Qualifications up to Level 2 for learners who want to work in the construction sector in trades; painting and decorating; carpentry and joinery; construction operations; and building renovation.
7	180	180	Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Unclassified non-sector specific	Bespoke Better Business Skills programme, unique to learner and business need, to develop essential business skills and support local enterprise.

8	1319		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Health, Public Services and Care Construction, Planning and the Built Environment Information and Communication Technology Retail and Commercial Enterprise Education and Training Preparation for Life and Work Business, Administration and Law	Level 1 and 2 courses across 6 priority sectors for employed and unemployed learners. The Skills Routeways target upskilling and reskilling for progression and higher-level jobs.
9	420		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Health, Public Services and Care Information and Communication Technology Preparation for Life and Work	Provision to address the acute shortage of staff in the Health and Social Care sector. Supporting residents to achieve their first Level 2 or 3 qualification as well as soft skills including functional skills and digital literacy.
10	562	164	Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Health, Public Services and Care Retail and Commercial Enterprise	Three programmes at Level 1 and 2 which will enable unemployed and economically inactive residents to acquire the skills employers need aligned to construction and commercial sectors.
11	841	552	Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 2: Innovative courses to support those with health, confidence and wellbeing barriers to access good jobs	Health, Public Services and Care Science and Mathematics Engineering and Manufacturing Technologies Information and Communication Technology Retail and Commercial Enterprise Education and Training Preparation for Life and Work Business, Administration and Law	Accredited and non-accredited provision across priority sectors with progressions into further and higher education and employment.

12	1234		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Health, Public Services and Care Agriculture, Horticulture and Animal Care Engineering and Manufacturing Technologies Information and Communication Technology Retail and Commercial Enterprise Preparation for Life and Work Business, Administration and Law	Courses to support priority sectors with skills shortages and job vacancies including logistics and advanced manufacturing provision that addresses employer skills needs.
13		560	Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 2: Innovative courses to support those with health, confidence and wellbeing barriers to access good jobs	Unclassified non-sector specific	Specialised Level 1 and 2 provision for enterprise and entrepreneurship to equip individuals with skills useful in employment and starting businesses.
14	984		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Health, Public Services and Care Engineering and Manufacturing Technologies Retail and Commercial Enterprise Arts, Media and Publishing Education and Training Preparation for Life and Work Business, Administration and Law	Entry Level to Level 2 provision across priority sectors for unemployed and employed residents. Provision includes flexible support to maximise inclusion and attendance.
15	329		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Construction, Planning and the Built Environment Preparation for Life and Work	Courses and programmes to address skills shortages and vacancy trends in Construction, Engineering, Transport & Logistics, and Customer Service, providing vocational qualifications for entry routes into these sectors.

16	600		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Engineering and Manufacturing Technologies Retail and Commercial Enterprise Preparation for Life and Work Business, Administration and Law	Entry Level to Level 2 provision in the transport and logistics industry for employer training requirements and local industry needs.
17	1490	2464	Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 2: Innovative courses to support those with health, confidence and wellbeing barriers to access good jobs Theme 3: Courses or provision to support the low carbon economy	Health, Public Services and Care Engineering and Manufacturing Technologies Leisure, Travel and Tourism Preparation for Life and Work Business, Administration and Law	Entry level and basic skills development and workforce upskilling across priority sectors.
18	749		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 2: Innovative courses to support those with health, confidence and wellbeing barriers to access good jobs Theme 3: Courses or provision to support the low carbon economy	Health, Public Services and Care Engineering and Manufacturing Technologies Construction, Planning and the Built Environment Information and Communication Technology Retail and Commercial Enterprise Preparation for Life and Work Business, Administration and Law	Provision supports the upskilling of the local population with maths, English and digital skills in sectors including construction, digital, manufacturing, hospitality and support services.

19	1090		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies	Health, Public Services and Care Engineering and Manufacturing Technologies Construction, Planning and the Built Environment Retail and Commercial Enterprise Leisure, Travel and Tourism Education and Training Preparation for Life and Work	Sector-based work academy programme to tackle identified challenges such as lower productivity than national average, high proportion of residents with no/low qualifications, skills shortages in key sectors (construction, hospitality & tourism, transport & logistics), and consistently higher economic inactivity than national average.
20	1554		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 2: Innovative courses to support those with health, confidence and wellbeing barriers to access good jobs Theme 3: Courses or provision to support the low carbon economy	Health, Public Services and Care Construction, Planning and the Built Environment Information and Communication Technology Retail and Commercial Enterprise Preparation for Life and Work	Priority sector courses designed to promote higher levels of economic activity in response to current and future skills gaps in the NEMCA labour market, specifically targeting under-represented groups through direct community level engagement.
21	625		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 2: Innovative courses to support those with health, confidence and wellbeing barriers to access good jobs	Health, Public Services and Care Information and Communication Technology Retail and Commercial Enterprise Education and Training Preparation for Life and Work Business, Administration and Law	Provision across five vacancy-led sector areas and basic skills for unemployed and economically inactive residents.

22	1536		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 3: Courses or provision to support the low carbon economy	Health, Public Services and Care Agriculture, Horticulture and Animal Care Construction, Planning and the Built Environment Preparation for Life and Work	Provision at Entry Level to Level 2 in Retrofit, Civil Service and Health and Social Care sectors with functional skills programmes for English and maths.
23	746		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 3: Courses or provision to support the low carbon economy	Health, Public Services and Care Agriculture, Horticulture and Animal Care Engineering and Manufacturing Technologies Information and Communication Technology Retail and Commercial Enterprise Arts, Media and Publishing Preparation for Life and Work	Provision to upskill learners in priority sectors through sector-based work academy programmes, providing skills to enter or sustain employment.
24	2000		Theme 1: Courses and programmes to support sectors with skills shortages/job vacancies Theme 3: Courses or provision to support the low carbon economy	Construction, Planning and the Built Environment Information and Communication Technology Preparation for Life and Work	Sector-based work academy programmes in construction and green sectors addressing critical skills shortages and job vacancies within the sectors.
	20,135	**3920**			

Proposed Lot 2 Contract for Service Provision – Free Courses for Jobs

Provider	Indicative numbers to be trained (Level 3 regulated)	Delivery Theme	Key Sector Coverage	Summary of Provision
1	45	Provision to support sectors with skills shortages and job vacancies.	Retail and Commercial Enterprise Business, Administration and Law	Courses in the manufacturing sector aligned with employment opportunities to upskill and reskill residents.
2	31	Provision to support sectors with skills shortages and job vacancies.	Health, Public Services and Care Business, Administration and Law	Qualifications for upskilling and retraining in the Health and Public Services sector.
3	100	Provision to support sectors with skills shortages and job vacancies.	Health, Public Services and Care	Three qualifications in the Health and Social Care sector to upskills residents to tackle skills shortage and vacancies reported in the local sector.
4	460	Provision to support sectors with skills shortages and job vacancies. Provision to develop skills in digital innovation and growth.	Health, Public Services and Care Information and Communication Technology	Flexible learning courses in Digital and Health and Social Care to address skills shortages and upskill learners.
5	225	Provision to support sectors with skills shortages and job vacancies.	Health, Public Services and Care	Employer-led provision in the Health and Social Care Sector, reverse engineered from pre-identified employment pathways to support progression into new roles.
6	26	Provision to support sectors with skills shortages and job vacancies. Provision to develop skills in digital innovation and growth.	Information and Communication Technology	Provision for employed/unemployed residents to upskill/reskill, facilitating progression in work or towards higher level jobs within the telecommunications sector.
	887			

Equality Impact Assessment

Name of programme: North East Combined Authority Commissioning of the devolved Adult Education Budget and Free Courses for Jobs

Status of programme: Underway

Contents

1. Scope and purpose

This Equality Impact Assessment (EQIA) considers the processes established by the North East Combined Authority (North East CA) to commission adult skills provision through the devolved Adult Education Budget (AEB) and the Free Courses for Jobs (FCfJ) initiative.

The North East CA was established in May 2024, spanning the seven local authority areas of Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside, and Sunderland.

The commissioning of the Adult Education Budget (AEB) and FCfJ has the potential to impact on all residents aged 19 and over living within the North East CA region.

The principal purpose of the AEB and FCfJ is to fund provision across the North East CA region that equips adults aged 19 and over with the skills needed to enter and sustain work, an apprenticeship or other further learning.

This EQIA seeks to identify any disproportionate positive or negative impacts of North East CA's commissioning process on people with protected characteristics as well as people from low-income households.

The Equality Act 2010 identifies the following as protected characteristics for the purpose of the public-sector equality duty - age, disability, gender reassignment, pregnancy and maternity, race (including ethnicity), religion or belief, sex, and sexual orientation.

The public sector equality duty requires North East CA to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not

This EQIA has been informed by the following documents:

- North East CA Skills Evidence Base
- One Million Women and Girls
- Good Things Foundation
- Open the Door a little Wider
- Commissioning process documents
- Employer Skills Survey (2022)
- A Net Zero Workforce, Climate Change Committee (May 2023)
- AEB Strategic Implementation Plan
- The 2023 Learning Disabilities Mortality Review

2. Summary of Assessment

The impact of the skills commissioning process assessed in this EQIA is expected to be positive for all protected characteristic groups. The EQIA did not identify any likely direct or indirect discrimination on protected characteristic groups as a result of the commissioning process. There is significant evidence that due regard has been shown when designing the commissioning process to address the need to eliminate unlawful discrimination, advance equality of opportunities and foster good relations between people who share a protected characteristic and those who do not.

All potential providers must have the following processes/policies in place:

- Safeguarding Policies and procedures
- Evidence of financial stability,
- Compliance with requirements under Modern Slavery Act 2015,
- Information Governance, Confidentiality and Data Protection
- Health and Safety – policies and procedures compliant with current legislation
- Equality – policies and procedures compliant with current legislation.
- Complaints
- Fees & Charges

Providers commissioned through the procurement process complete and sign a declaration on a 'Standard Selection Questionnaire' (SSQ) as part of the procurement process. This SSQ has a number of pass/fail questions as part of assessment of suitability and should potential providers fail the SSQ the North East CA would not proceed with any procurement activity. The questions within the SSQ cover several areas including:

- safeguarding,
- financial stability,
- requirements under Modern Slavery Act 2015,
- GDPR,
- Health and Safety Legislation,
- Compliance with Equality Legislation.

The commissioning process makes good use of available data and insights to identify areas where skills deprivation is high and to understand the challenges different communities face. This has helped to influence the type of interventions that should be commissioned and emphasise the importance of targeted outreach provision.

Early engagement with stakeholders has ensured a good understanding of post-16 delivery and the role that existing providers play in their specific communities. Working collaboratively with stakeholders, providers, employers, and residents ensures that commissioned provision will positively impact the region's inclusive economic growth.

The principal purpose of the commissioning process is to fund provision that equips residents with the skills needed to enter and sustain work, an apprenticeship or other further learning. It is recognised that low or no skills levels are associated with a range of poor outcomes, including unemployment and economic inactivity. The commissioning process also seeks to fund provision that supports residents to develop their confidence as well as their health and wellbeing.

The commissioning process includes a focus on provision that extends the reach of learning opportunities to a broad range of underrepresented groups. This includes encouraging providers to consider flexible approaches to skills provision such as community learning and online learning. The commissioning process has also been designed to enable the targeting of provision in specific geographic areas.

To ensure that commissioned provision is accessible to a broad range of people across different protected characteristics groups, North East CA requires all providers to:

- demonstrate inclusive approaches to recruitment,
- have in place effective safeguarding arrangements,
- have suitably qualified and experienced teaching staff available,
- deliver positive outcomes for key cohorts.

To ensure that a greater focus on the economic and social outcomes is secured through the devolved AEB rather than just the outputs in terms of qualifications delivered, a core set of principles for commissioning will frame the approach.

Future actions

There appears to be a lack of relevant qualitative and quantitative data and insights relating to some protected characteristic groups. This makes it difficult to fully understand and then seek to address the barriers these groups might face to accessing skills provision. It is recommended that North East CA considers working with key stakeholders and communities to enhance the data and insights it can draw on to inform future commissioning rounds.

There is an opportunity to engage commissioned providers in sharing approaches that have been successful in engaging learners across different protected characteristic groups. It is recommended that North East CA works with providers to develop a series of case studies and examples of best practice that can be used to inform future commissioning rounds and build qualitative insights and data. This could include sharing approaches to recruiting and supporting residents who are currently under-represented in commissioned provision.

3. Context

Adult skills provision has an important role to play in driving prosperity across the North East for communities, businesses and individuals. Low or no skills levels are associated with a range of poor outcomes, including unemployment and economic inactivity, poor wellbeing and experiences of poverty.

The North East has lower skills levels than the national average, with a higher proportion of residents with no qualifications and a lower proportion of residents with level 3 (A Level equivalent) or level 4 (equivalent to first year of bachelor's degree) qualifications, partly because of the older age profile of the workforce. Participation in basic skills courses has consistently fallen across the region.

The Employer Skills Survey (2022) highlights 21% of employers in the North East have vacancies, of which a third are as a result of a skills gap.

In the region there are different cohorts of the adult population which have no or low skills, including:

- 16 to 19 and 50 to 64 age groups; with higher skills among 25- to 29-year-olds,
- A higher percentage of males (9.6%) with no qualifications compared to females (7.7%),
- Residents from the "other" ethnic group category (27%) most likely to have no qualifications while white ethnic groups had the highest proportions of residents with low qualifications (24%),
- One in three disabled residents aged 16+ in the North East CA area have no qualifications compared to 16% of the non-disabled population, and the gap is wider than nationally.

4. Commissioning process

About the Adult Education Budget (AEB)

The devolved AEB provides funding for programmes of learning up to Level 2 (GCSE level equivalent) and some Level 3 qualifications (A level equivalent), dependant on eligibility. It also encompasses a range of statutory entitlements for learners which include digital, maths, English and English for Speakers of other Languages (ESOL) and, depending on the resident's age and employment status, an entitlement to a first Level 2 and/or Level 3 qualification.

The key priorities for North East CA's devolved AEB are:

- Clear progression pathways for a low carbon economy,
- Improved attainment in basic English, maths and digital skills,
- Support for those with health, confidence and wellbeing barriers to access good jobs.

About Free Course for Jobs

Free Course for Jobs is targeted at Level 3 provision. It has been developed to support adults without an existing full Level 3 qualification and has recently been extended to include a second Level 3 qualification. It introduces free fully funded Level 3 qualifications for learners aged 24 years and over.

Commissioning Arrangements

Prior to the formation of North East CA, AEB and FCfJ was commissioned by the North of Tyne Combined Authority for provision in Newcastle, Northumberland and North Tyneside. Provision for the four non-devolved authorities was awarded directly by The Education and Skills Funding Agency (ESFA), an executive agency of the Department for Education (DfE). Local Authorities then used their allocation to commission services or directly deliver adult education.

From the academic year 2024-25 funding to commission this provision will be transferred to North East CA. The devolved AEB for North East CA is worth circa £64m per annum. The FCfJ budget is worth circa £4m per annum.

In taking receipt of the devolved AEB, North East CA will become the commissioner of adult learning across the whole of the North East CA region. In addition to ensuring reasonable statutory entitlement provision is available, North East CA's responsibilities as commissioner also include:

- Managing and being accountable for the adult education budget transferred to us,
- Allocating the devolved AEB through both grant allocations and contract for services, ensuring that both are compliant with the appropriate legal regulations,
- Have the freedom to set our own priorities,
- Determining and publishing our own funding and performance management rules including agreeing a delivery plan with each of our providers,
- Setting our own contracting and conditions of funding arrangements,
- Setting and putting in place our own funding rates and payments arrangements.

Principles for commissioning

A core set of principles for commissioning frame North East CA's approach to ensure a strong focus on achieving economic and social outcomes:

- Establishing and maintaining effective, high trust relationships with providers to deliver positive long-term impact for residents and the economy,
- An expectation that providers will develop an innovative, place-based curriculum offer and wrap-around support with a clear focus on learner progression,
- Support the readiness conditions contained in the devolution deal,
- Take into account the various needs of residents in different local communities,
- Ensuring that outcomes for learners are at the heart of the approach to commissioning,
- Invest in the capacity of the provider base, particularly those working with hard-to-reach groups,
- Ensure contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including sub-contracting and consortia building, where appropriate,
- Work towards longer-term contracts and grant allocations as ways of achieving efficiency, effectiveness, and stability,
- Seek feedback from residents, communities, employers, and providers to inform the commissioning process to ensure it continues to meet local needs.

Funding allocation arrangements

North East CA's commissioning approach focuses on:

- Achieving outcomes directly linked to local skills needs,
- Innovative, place-based curriculum offer and wrap-around support with a clear focus on learner progression,
- Continuity of priority provision,
- Securing the changes we need without destabilising the regional adult skills provision.

Funding will be allocated through two routes:

- Grant Funding to 'in-scope' providers
  In scope grant providers includes those who are wholly or mainly funded by the public purse; are currently grant funded; have an established place-based approach which supports NECA priorities; and deliver significant volumes of activity within the NECA region and support existing travel to learn patterns (e.g., FE Colleges and the Local Authorities).

- Procured Contract for Services via an open and competitive procurement process open to all skills providers.

Equality implications were considered in in determining the commissioning approach and applying the 'in scope' criteria. It was considered that combining these two approaches will allow us to make an immediate and positive impact on the provision offered to NECA residents while minimising the risk to continuity of provision in the region. It will also offer all providers the opportunity to apply for funding where their provision and delivery model is targeted at and will benefit NECA residents and employers.

Provider Requirements

Providers are expected to:

- Understand the characteristics of residents and the localities in which the potential provider intends to deliver services including the local labour market and the skills needs of employers,
- Demonstrate effective approaches to recruitment which are appropriate to meet the needs and characteristics of the specific groups of learners you wish to support,
- Demonstrate that you have in place effective safeguarding arrangements including identifying and supporting learners who might be at risk, including online safety,
- Have suitably qualified and experienced teaching staff available to deliver the services being tendered for through this procurement,
- Deliver positive outcomes for key cohorts, such as the need for greater engagement of residents with low skills levels, those aged over 50, reducing the minority ethnic and disability employment gaps and targeting those who are economically inactive or unemployed,
- Provide strong advice and guidance to meet the needs of the individual learner, support progression, and has a clear line of sight to employment opportunities.

5. Assessment by protected characteristic groups.

Age

Context	Response
Attainment/enrolment gaps Residents aged 50 to 64 are more likely to have no or low skills than any other adult age group in the North East. At the same time, the North East has a rapidly ageing workforce, with people aged 50 and over working longer than ever before. In 2021-22, of the overall AEB enrolments undertaken by residents across the North East CA region: • 40% were undertaken by residents aged 31-49, • 20% were undertaken by people aged 50-64, • 12% were undertaken by residents aged 19-23.	The AEB Strategic Implementation Plan identifies residents aged 50+ as a key cohort to engage via commissioned provision, to re-skill and/or recognise their transferable skills and unlock their significant social and economic potential. The specification of Lot One of the devolved AEB includes a focus on commissioning skills programmes which target specific age groups. Within the specification, examples are given of targeting provision at 19-24 year olds and those aged 50+.
Digital inclusion An estimated 14 million UK residents lack basic digital skills and are subsequently locked out of social and economic opportunities presented by being online. Older adults are more likely to lack basic digital skills than younger adults.	The devolved AEB will enable North East CA to work with a cross-sector of partners to reduce the number of residents lacking digital competencies. The AEB Strategic Implementation Plan includes improved digital skills as a key commissioning priority. Commissioned providers will be expected to extend the reach of learning opportunities to a broader range of underrepresented groups, delivering learning up to Level 2 for digital skills in order to improve employability and life chances. Learners will be fully funded for essential digital skills qualifications, up to and including level 1, for individuals aged 19 and over, who have digital skills assessed at below level 1 Included in the requirements for tender responses in both Lot One and Two require potential providers to evidence,

	- recruitment and onboarding processes for learners, - the place based relationships that will support learner outcomes, - the wraparound support they have in place for learners and the planned delivery model. These above elements for any proposed provision should fully explain how potential providers will engage residents where digital access could be limited and how this would be resolved to ensure proposed provision is inclusive and meets needs of learners.
Health and wellbeing The North East has seen a big increase in the number of people who are unable to work due to poor mental and physical health. The scale of this issue is much more severe in the region compared to England, with the economic inactivity rate for people aged 16-64 in the North East higher than the national average, by 4.7%. The key reason for economic inactivity is long-term sickness.	The AEB Strategic Implementation Plan identifies, as one of three key priorities, the need to commission support for people with health, confidence and wellbeing barriers to access good jobs. The intended outcome of this commissioning priority includes increasing support for adult residents, including those in work, to develop their confidence and skills to progress into sustainable employment, increase their earnings, and promote personal health and wellbeing. It also seeks to invest in community learning activity that has the primary aim of engaging residents, providing outreach into disadvantaged communities, support to engage our residents, build confidence and improve life chances. AEB Lot 1 Delivery Theme 2 includes a commitment to commission provision that supports the mental health and wellbeing of residents including individuals who may require more intensive support to reengage with learning.
Just Transition Our commitment to moving towards lower-carbon workplaces and ‘green’ sectors, risks leaving behind residents who are more likely to work in ‘high-carbon’ sectors such as construction, transport, agriculture, manufacturing,	The AEB Strategic Implementation Plan identifies, as one of three key priorities, the need to commission activity that supports residents to gain the core and technical skills needed for a changing economy including low carbon economy

energy, industry and utilities. These employment shifts are more likely to impact on older workers who may require more support than other age groups to retrain and reskill to transition to alternative low-carbon sectors.	skills. This includes commissioning programmes with the primary aim of supporting those in work who have low qualifications, low earnings, or work in vulnerable occupations to help them progress into better paid and more secure employment.

Disability

Context	Response
Attainment / enrolment gaps The North East has a higher percentage of disabled residents than the rest of England (excluding London). Residents with disabilities are more likely than those without disabilities to be unemployed or economically inactive. 33% disabled residents aged 16+ in the North East CA region have no qualifications. This is compared to 16% of the non-disabled population. This gap is wider than nationally. In 2021-22, 25% of AEB learners in the region self-identified as having a learning disability, learning difficulty and/or a health problem.	Providers commissioned under AEB Lot 1 are expected to deliver positive outcomes for key cohorts, including people who are disabled, ensuring they have access to the skills they need to progress in life and into work. AEB Lot 1 Delivery Theme 2 seeks to commission highly responsive provision that is targeted and specific to the needs of residents with health, confidence, and wellbeing barriers to access to good jobs. It provides an opportunity for organisations to seek funding for ideas for projects, collaborations, and proposals for skills interventions that will support residents who experience learning difficulties/disabilities.

	Key target groups for AEB Lot 1 Delivery Theme 2 are the long-term unemployed and the economically inactive with significant barriers to education and/or work, such as physical disabilities, learning disabilities and/or mental health conditions. We are interested in proposals that tackle barriers to training that many residents with learning difficulties/disabilities face such as accessing technology. Bidders must also demonstrate a proven track record of improving the skills and opportunities of learners with learning difficulties or disabilities. Learner support is provided to provide financial support for learners with a specific financial hardship preventing them from taking part / continuing in learning. Hardship funding is available to provide financial support for vulnerable and financially disadvantaged learners to support participation. Childcare funding is available for those at risk of not starting or continuing learning because of childcare costs. Financial support and access to ICT devices and connectivity is available to support disadvantaged learners who cannot undertake online delivery. Included in the requirements for all commissioning require potential providers are required to evidence the proposed delivery locations. This element for any proposed provision should fully explain how potential providers will ensure delivery locations are compliant with Disability Discrimination Act (DDA) and fully accessible for learners.
Digital inclusion An estimated 10 million UK residents lack basic digital skills and are locked out of social and economic opportunities presented by being online. Of these, an estimated 37% are disabled.	The devolved AEB will enable us to work with a cross-sector of partners, to reduce the number of our residents lacking digital competencies.

	The AEB Strategic Implementation Plan includes improved digital skills as a key commission priority. Commissioned providers will be expected to extend the reach of learning opportunities to a broader range of underrepresented groups delivering learning up to Level 2 for digital skills in order to improve employability and life chances. Learners will be fully funded for essential digital skills qualifications, up to and including level 1, for individuals aged 19 and over, who have digital skills assessed at below level 1.
Health and wellbeing The 2023 Learning Disabilities Mortality Review (LeDeR) finds that people with a learning disability have worse health than people without a learning disability and are more likely to experience a number of health conditions.	North East CA recognises the value and positive impact that community learning can have on our residents' health and well-being. We will continue to invest in community learning activity that has the primary aim of engaging residents, providing outreach into disadvantaged communities, and support to engage our residents, build confidence and improve life chances. The AEB Strategic Implementation Plan identifies, as one of three key priorities, the need to commission support for people with health, confidence and wellbeing barriers to access good jobs. The intended outcome of this commissioning priority includes increasing support for adult residents, including those in work, to develop their confidence and skills to progress into sustainable employment, increase their earnings, and promote personal health and wellbeing. It also seeks to invest in community learning activity that has the primary aim of engaging residents, providing outreach into disadvantaged communities, support to engage our residents, build confidence and improve life chances. AEB Lot 1 Delivery Theme 2 includes a commitment to commission provision that supports the mental health and wellbeing of residents including

	individuals who may require more intensive support to reengage with learning.
Access Disabled residents are more likely to face barriers to accessing adult skills provision resulting from things such as: • poor transport connectivity • inaccessible buildings • unsuitable facilities • inflexible provision • lack of specialist teachers	North East CA recognises the value of online learning for some residents, in that it offers increased flexibility and accessibility to learning. Online learning has a key role to play in the delivery of adult skills and training that can lead to career advancements, development, and attainment. North East CA will work with providers to build on the online learning opportunities available, making these even more accessible post Covid-19, particularly in our rural areas. Included in the requirements for all commissioning require potential providers are required to evidence the proposed delivery locations. This element for any proposed provision should fully explain how potential providers will ensure delivery locations are compliant with Disability Discrimination Act (DDA) and fully accessible for learners. Learner financial support is available for ICT devices and connectivity for those who cannot undertake online delivery.

Gender reassignment and identity

Context	Response
Attainment / enrolment gaps There is limited research or data available on this topic. One piece of research draws these conclusions about trans people's experiences in UK HE settings: "Two positive themes emerged, which included HEIs as safe and supportive spaces, and the allocation of space and funding for TNB inclusion. Five negative themes emerged that included navigating ‘spaces of anxiety’ (especially regarding bathroom provision), consequences of expressing	There is an opportunity to gather more data and insights from existing students about gender reassignment and gender identity and experiences of those who identify as trans or non-binary within AEB/FCfJ training providers. There was not the opportunity to amend enrolment forms for this programme, but learning has been applied to other programmes, such as the UKSPF Skills (Green/Low Carbon programme).

identity, a lack of education in peers regarding TNB issues, exposure to transphobic abuse, and deadnaming and erasure in the classroom and on university systems. " Transgender and non-binary students' experiences at UK universities: A rapid evidence assessment - Jodie Smith, Sarita Robinson, Roxanne Khan, 2022 (sagepub.com)	
Wellbeing Transgender people in England are much more likely to have a long-term mental health condition than cisgender people.	North East CA recognises the value and positive impact that community learning can have on our residents' health and well-being. We will continue to invest in community learning activity that has the primary aim of engaging residents, providing outreach into disadvantaged communities, and support to engage our residents, build confidence and improve life chances. The AEB Strategic Implementation Plan identifies, as one of three key priorities, the need to commission support for people with health, confidence and wellbeing barriers to access good jobs. AEB Lot 1 Delivery Theme 2 includes a commitment to commission provision that supports the mental health and wellbeing of residents including individuals who may require more intensive support to reengage with learning.

Sex

Context	Response
Attainment / enrolment gaps During the period 2021-22, 52% of AEB learners across the North East CA region were female. The North East CA region has a higher percentage of males (9.6%) with no qualifications compared to females (7.7%). Employment rates in the North East are much lower for women that for men.	AEB provision is commissioned to support females who are out of work and/or returning to work with a range of provision both informal to build confidence and maximise transferable skills and formal learning opportunities leading to qualifications and skills most valued by NTCA employers.

Females are much more likely to work part-time. In the North of Tyne area, women are more likely to work in low-paid sectors and have insecure employment. This is, in part, a result of barriers faced to accessing skills provision due to caring responsibilities. These factors mean women are more likely to live in poverty.	The devolved AEB has enabled the Combined Authority to offer a low wage flexibility for residents who earn less than the earnings threshold. This provides full funding for employed residents who are on a low wage and may not have engaged in learning due to course fees being unaffordable. 59% of these opportunities are undertaken by females in low paid employment.
Caring responsibilities Women carry out more unpaid work (including caring for children and older people) than men, which helps society but means they are less able to take up adult learning.	North East CA recognises the value of online learning for some residents, in that it offers flexibility and accessibility to learning around work and home life. Flexibilities are also important in terms of the pace of study and as such, online learning has a key role to play in the delivery of adult skills and training that can lead to career advancements, development, and attainment. Included in the requirements for tender responses in both Lot One and Two require potential providers to evidence, • recruitment and onboarding processes for learners, • the place based relationships that will support learner outcomes, • the wraparound support they have in place for learners and the planned delivery model. These above elements for any proposed provision should fully explain how potential providers will engage residents to ensure the proposed provision is inclusive and meets needs of learners. Learner support is available to provide financial support for learners with a specific financial hardship preventing them from taking part / continuing in learning. 20+ childcare funding is available for learners age 20 or older who are at risk of not starting or continuing learning because of childcare costs.
Sectoral support	

In its current Strategic Economic Plan, the North East LEP describes four areas of strategic importance: digital, advanced manufacturing, health and life sciences, and energy. With the exception of health, women are far less likely to be employed in these areas. It also describes four service sectors ‘that support the wider economy and offer significant opportunity for more and better jobs in the North East’: construction; education; financial, professional and business services; transport and logistics. Again, with the exception of education, women are far less likely to work in these areas.	AEB Lot 1 Delivery Theme 1 seeks to commission skills interventions that support a broad range of sectors. These sectors include those social care, early years and childcare, where women are disproportionately represented. The full range of sectors covered by delivery theme 1 is as follows: Construction Digital Manufacturing & Engineering Pharmaceutical Transport & Logistics Early Years and Childcare Health & Social Care Hospitality & Tourism Culture and Creative Teaching & Learning Business, Finance and Legal Services Customer Service Included in the requirements for tender responses in both Lot One and Two require potential providers to evidence, • recruitment and onboarding processes for learners, • the place based relationships that will support learner outcomes, • the wraparound support they have in place for learners and the planned delivery model. These above elements for any proposed provision should fully explain how potential providers will engage residents to ensure the proposed provision is inclusive and meets needs of learners. Provision should be made accessible to all residents and a case study example from a provider funded by the North East CA provides detail of a female learner undertaking AEB courses in Counterbalance Forklift, HGV C+E License both of which could be traditionally classified as a male dominated sector. Case study has been anonymised for data protection purposes and the learner name changed.

	Please see Annex 1 to see the case study.
Risk of AI and just transition Jobs currently held by women are at significant risk of elimination as a result of digital technologies, more so than for jobs typically held by men. Our commitment to moving towards lower-carbon workplaces and 'green' sectors, risks leaving behind residents who are more likely to work in 'high-carbon' sectors such as construction, transport, agriculture, manufacturing, energy, industry and utilities. These employment shifts are more likely to impact on male workers who will require support to retrain and reskill to transition to alternative low-carbon sectors.	The AEB Strategic Implementation Plan identifies, as one of three key priorities, the need to commission activity that supports residents to gain the core and technical skills needed for a changing economy including low carbon economy skills. This includes commissioning programmes with the primary aim of supporting those in work who have low qualifications, low earnings, or work in vulnerable occupations to help them progress into better paid and more secure employment.

Marriage and civil partnership

Context	Response
No data/insights were uncovered to suggest that those who were married or in a civil partnership were likely to experience discrimination while accessing AEB provision. Nor were there any opportunities uncovered to foster good relations or advance equality of opportunity in this respect.	Non required.

Pregnancy and maternity

Context	Response
No data/insights were available to provide a clear picture of how many learners in the region may have been pregnant or may have recently had a baby, while accessing AEB provision or the impact this may have had on them.	There is an opportunity to gather more data and insights here.
Caring responsibilities The North of Tyne Equalities Assembly report finds that the lack of available, flexible and affordable childcare	North East CA recognises the value of online learning for some residents, in that it offers flexibility and accessibility

presents a significant barrier to parents engaging in opportunities. Where suitable childcare is available, settling in/induction days with nurseries and schools were also noted as problematic as these can be for just an hour a day over several weeks which requires flexibility.	to learning around work and home life. Flexibilities are also important in terms of the pace of study and as such, online learning has a key role to play in the delivery of adult skills and training that can lead to career advancements, development, and attainment. As part of the flexibilities offered to access learning around work and home life childcare funding is offered as part of the learning flexibilities. This allows those who are at risk of not able to start or continue learning because of childcare costs. Flexibilities also allow breaks in learning which does not impact on the learning programme or funds, for those that have caring responsibilities whilst taking up learning, some providers do offer caring facilities such as creche in provider training centres.

Race and ethnicity

Context	**Response**
Attainment / enrolment gaps In 2021-22 30% of AEB enrolment opportunities across the North East CA region were undertaken by residents from black and minoritised ethnic communities.	AEB Lot 1 seeks to commission positive outcomes for key cohorts including those from minority ethnic communities. Any Ofqual regulated provision will meet Ofqual's rigorous EDI provision in terms of culturally competent and inclusive course design and delivery.
Language barriers Language can be a significant barrier to learning and employment. The provision of English for Speakers of Other Languages (ESOL) can help to unlock multiple opportunities to integrate into the community, reduce isolation and improve wellbeing.	AEB encompasses a range of statutory entitlements for learners which includes English for Speakers of other Languages (ESOL). Unemployed learners can access this provision at no cost.

Religion and belief

Context	**Response**

No data/insights were available to provide a clear picture of religion and belief amount those accessing AEB or whether this may have presented a barrier.	There is an opportunity to gather more data and insights here. Any Ofqual regulated provision will meet Ofqual's rigorous EDI provision in terms of culturally competent and inclusive course design and delivery. As a Combined Authority, the data that is received nationally does not include data around Religion and belief. The North East CA are looking at options on ways of working and gathering information to capture this moving forward.

Sexual Orientation

Context	Response
No data/insights were available to provide a clear picture of sexual orientation amount those accessing AEB or whether this may have presented a barrier.	There is an opportunity to gather more data and insights here.

Social-economic background

Context	Response
Attainment / enrolment gaps North East CA scores worse than England in the Indices of Multiple Deprivation domain of education, skills and training, and sub-domain of adult skills and attainment where 30% and 31% of Lower Super Output Areas are in the top two deciles, respectively demonstrating inter and intra-regional challenges. In 2021-22 38% of AEB enrolments across the North East CA region were undertaken by residents with a home postcode in the region's top 10% deprived wards. 50% of enrolments were undertaken by residents in the top 20% deprived wards. 71% of enrolment opportunities were undertaken by unemployed residents and 53% by residents who were unemployed and actively looking for work.	AEB Lot 1 seeks to commission provision that delivers positive outcomes for key cohorts including those who are economically inactive or unemployed.

Cost The prohibitive cost of training or re-training can be a key barrier to residents being able to access good work.	Skills provision commissioned by North East CA enables providers to access full funding for: • Learners aged 24+ who are unemployed if one or more of the following apply: Employment and Support Allowance; Universal Credit; Jobseekers Allowance including those receiving National Insurance Credits Only. • English for speakers of other languages (ESOL) if unemployed, co-funded if employed. • Learning aims up to and including Level 2 if the resident is unemployed and has already achieved a First Full Level 2 or above. • Low wage eligibility providing full funding for adults who earn less than the 'real' living wage. The aim is to help increase adult education participation and lift social mobility barriers to learning for those who would not otherwise engage due to course fees being unaffordable. It will also support those who are in low paid employment and are wanting to further progress in work and their chosen career. Level 3 FCfJ offer introduces free fully funded Level 3 qualifications for learners aged 24 years and over. Devolution of AEB provides an opportunity to make commissioning decisions on an area focused and forward-looking basis. It enables the North East CA to offer funding flexibilities to meet the needs of residents and businesses and allow a quick response to changes in the labour market whilst supporting residents who

	may need additional support to access learning or employment. The following funding flexibilities are applied: • Fully fund English and maths qualifications for unemployed residents who are assessed as functioning at Level 1 or below, regardless, or prior attainment in these subjects. • Fully fund a non-accredited digital learning aim providers can utilise to deliver ‘essential digital skills’ for residents. • Fully fund accredited English ESOL qualifications for eligible asylum seekers. • Fully fund a non-accredited learning aim for activity at the beginning of a learner’s programme to support with wellbeing e.g., confidence building, motivation and resilience, to help retain learners on their programme.
Digital An estimated 10 million UK residents lack basic digital skills and are locked out of social and economic opportunities presented by being online. Residents with low incomes are particularly at risk of digital exclusion.	North East CA recognises the value of online learning for some residents, in that it offers flexibility and accessibility to learning around work and home life. Flexibilities are also important in terms of the pace of study and as such, online learning has a key role to play in the delivery of adult skills and training that can lead to career advancements, development, and attainment. The North East CA recognises the importance of Digital Skills and the need for these skills in the region. As part of the Combined Authorities Funding Rules, the North East CA are committed to fully-fund individuals, including individuals who are employed, aged 19 or older, assessed at below level 1, as part of their legal entitlement on the day they start the following qualifications: Essential Digital Skills qualification (EDSQ) and Digital functional skills qualifications (DFSQ) up to and including level 1.

	The North East CA also committed to fully-fund non-regulated learning for learners, including those assessed at pre-entry level with significant learning difficulties and/or disabilities as part of a personalised learning programme. Devolution of AEB provides an opportunity to make commissioning decisions on an area focused and forward-looking basis. It enables the North East CA to offer funding flexibilities to meet the needs of residents and businesses and allow a quick response to changes in the labour market whilst supporting residents who may need additional support to access learning or employment. Further to the above Digital Skills funding commitments, the North East CA fully funds non-accredited digital learning aims providers can utilise to deliver ‘essential digital skills’ for residents.
Health and Wellbeing Residents with low incomes are particularly at risk of experiencing poor health and wellbeing.	North East CA recognises the value and positive impact that community learning can have on our residents’ health and well-being. We will continue to invest in community learning activity that has the primary aim of engaging residents, providing outreach into disadvantaged communities, and support to engage our residents, build confidence and improve life chances. The AEB Strategic Implementation Plan identifies, as one of three key priorities, the need to commission support for people with health, confidence and wellbeing barriers to access good jobs. The intended outcome of this commissioning priority includes increasing support for adult residents, including those in work, to develop their confidence and skills to progress into sustainable employment, increase their earnings, and promote personal health and wellbeing. It also seeks to invest in community learning activity that has the

	primary aim of engaging residents, providing outreach into disadvantaged communities, support to engage our residents, build confidence and improve life chances. AEB Lot 1 Delivery Theme 2 includes a commitment to commission provision that supports the mental health and wellbeing of residents including individuals who may require more intensive support to reengage with learning. As part of the new Adult Skills Fund (ASF), the term tailored learning brings together what was AEB community learning, formula-funded AEB non-regulated learning (previously delivered through adult skills) and any new employer-facing innovative provision that is not qualification based. The primary purpose of tailored learning is to support learners into employment and to progress to further learning, in line with the overall purpose of the ASF. It will, however, also support wider outcomes including using it to improve health and wellbeing, equip parents/carers to support their child's learning and develop stronger communities. Tailored learning courses are delivered and reported under the following purpose types: • Engaging and/or building confidence, • Preparation for further learning • Preparation for employment, • Improving essential skills (English, ESOL, maths, digital), • Equipping parents/carers to support children's learning, • Health and well-being, • Developing stronger communities.
Location Residents with low incomes are more likely to live in the region's more deprived wards.	The commissioning process has been designed to enable the targeting of provision in specific geographic areas.

Annex 1

Skills Provision - Case Study Template

Provider Name:	Health & Safety Training Limited
Author:	Tracey Edmondston – Quality & Operations Manager
NTCA Funding Accessed:	AEB
Date:	23/3/23

Course Details: (Please include details of the course - title, duration, key learning outcomes).	Rachel: NCFE level 2 Certificate in the Principles of Warehousing and Storage (2022) which covers: • Understand how to receive and store goods. • Understand how to process orders and prepare them for dispatch. • Understand how to check stock and update records. • Customer service in warehousing and storage. RTITB Counterbalance forklift (2022) Learning outcomes cover: the skills to operate the lift truck safely and efficiently, carry out a pre-use inspection, and recall and explain the causes of lift truck and load instability. HGV C+E License (2023) – the training builds the knowledge and skills needed for driving and delivering goods across all sectors and distances for a range of customers. Safe and efficient driving is just one more of the key learning outcomes for this license.
Learner Enrolment Information: (Please include details of the how and why the person enrolled on the course).	Rachel was the manager of care homes for adults with disabilities, managing a team of 40-50 staff. She pretty much hit rock bottom after covid and left her job due to the stress. She started as a delivery driver for Argos as she always had an interest in driving but wasn't allowed to pursue this when younger. Hence, she gained a degree and masters and entered into the care sector. She got a taste for this and for having a job with far less stress.

	She eventually managed to be funded through NTCA to be able to follow her new career path with us at HST. Rachel started with us last summer and quickly gained her warehouse and FLT qualifications. She then had a longer journey achieving her C+E licence due to DVSA strikes and some training issues. She did not pass the test on her first go, so she went off and saved up money over some time and returned to us in 2023. Since then, she has secured employment with HFF Civil Engineering Ltd as a tipper driver (HGV Class 2 driver).
Learner Outcomes: (Please include details on the individuals' achievements during the course and afterwards (if known), a quote and photograph if available).	As per course details and outcomes for what Rachel has achieved and the employment she progressed into immediately after passing her CAT C+E license.
Provider Feedback: (Please include feedback from the tutor/ facilitator/ employer that was involved with the individual learner – any quotes or significant achievements).	No employer was involved at the time of her learning. Regarding her HGV Instructor, Chris James, she has stated "I can't sing Chris's praises enough for his training. He taught me the best way that suited me and worked well for me"
Any other Information: (Please include anything else what would enhance the case study).	
Permissions: Please confirm that the learner has agreed to information being shared in this case study and read the relevant Privacy Statement.	Rachel is happy to give permission for the use of her as a case study but refuses permission for anything within the press or social media.

Submitted by (Officer)		**Date**	
Signed off by (Senior Manager)		**Date**	
I agree that this policy or initiative leads to the elimination of discrimination, the advancing of equality of opportunity and the fostering of good relations			
Signed off by (Head of Service)		**Date**	

Review
Outline your plans for keeping this document up to date over the duration of the project including a review date (for example at interim review stage)
The impact on our residents and communities of the approach to commissioning the devolved AEB funding, will be monitored closely. Delivery data received from the provider base will be analysed to assess the reach of AEB provision and demographics of participants. A learner survey will be launched during the first quarter of AY 2024-25 to gain residents feedback on accessibility of the offer. AEB officers will continue to work with providers across the North East CA region to understand and improve the impact and outcomes of the devolved funding. This continuation of our collaborative and evidence-based approach will inform future commissioning criteria and help to secure the best possible impact and positive outcomes for our residents. The EqIA will be reviewed annually starting in February 2025 to inform future commissioning criteria.

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Agenda Item 13

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