North East Combined Authority

A meeting of the: **Cabinet**

will be held on: **Tuesday 28 January 2025**

at: **2.00 pm**

in: **Town Hall, South Shields**

The meeting will be livestreamed and available to view on the Authority's YouTube channel via (www.youtube.com/@NorthEast_CA/streams).

AGENDA

		Page No
1.	**Apologies** To record any apologies for absence and the attendance of any substitute members.	
2.	**Declarations of Interest** Cabinet Members are required to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest, in accordance with the Authority's Code of Conduct for Members.	
3.	**Announcements** To receive any announcements from the Mayor and/or the Chief Executive.	
4.	**Minutes** To confirm as a correct record the minutes of the previous meetings held on 26 November 2024 Extraordinary meeting 10 December 2024.	 **1 - 8** **9 - 10**
5.	**Appointment to Cabinet – Chair of Business and Economy Board** To consider and approve the appointment to Cabinet of a new member (and substitute member) to represent the business interests of the combined authority area.	**To follow**
6.	**Public Service Reform Programme** To consider and approve the Public Service Reform Programme.	**11 - 23**
7.	**The Leamside Investment Corridor** To receive an update on the proposed development of a strategy for a Leamside Investment Corridor.	**24 - 28**
8.	**Housing, land, and place regeneration early priorities** To receive an update on the work of the Housing and Land Portfolio.	**29 - 36**

9.	**2025-26 Budget and Corporate Plan and the Medium-Term Financial Plan** To seek approval of the final draft 2025-26 Budget, Medium Term Financial Plan and Corporate Plan for the North East Combined Authority (North East CA).	**To Follow**
10.	**2024-25 Budget Monitoring Position Update** To consider the revised budget plan for 2024/25.	**37 - 45**
11.	**North of Tyne Combined Authority and the former North East Combined Authority 2023-24 Statements of Accounts** To receive the Draft Statements of Accounts for the period ended 6 May 2024 for both the former North of Tyne Combined Authority (NTCA) and the former North East Combined Authority (NECA).	**46 - 360**
12.	**Exclusion of Press and Public** Under section 100A and Schedule 12A Local Government Act 1972 because of exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.	
13.	**Tyne Pressure Testing Project: North East Investment Fund Loan Variation**	**361 - 379**
14.	**Sale of land by Nexus**	**380 - 382**
15.	**Next Meeting** To note that the next meeting of Cabinet is scheduled to be held on Tuesday 11 March 2025 at 2.00pm in City Hall, Sunderland.	

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North East Combined Authority

Cabinet

26 November 2024
(2.00pm)

Meeting held in: Conference Room, Northumberland County Council, County Hall, Morpeth

Minutes

Present:	Mayor Kim McGuinness (Chair) Martin Brookes Councillor Tracey Dixon Councillor Martin Gannon Councillor Amanda Hopgood Councillor Karen Kilgour Councillor Michael Mordey Dame Norma Redfearn DBE Councillor Glen Sanderson Lucy Winskell OBE

C40/11/24 Apologies for Absence and Substitutes

There were no apologises.

C41/11/24 Declarations of Interest

Lucy Winskill, Business Board member, declared a personal interest on Item 6 - North East Investment Zone – Wave 1 Projects, she holds the position of Commissioner of Port of Blyth a Non-Executive Director position.

C42/11/24 Mayor's Announcements

In her announcements Mayor Kim McGuinness:

- welcomed Councillor Karen Kilgour, Cabinet Member for Public Sector Reform onto the Cabinet
- reported that the first Child Poverty Summit had taken place in Sunderland and had been attended by in excess of 350 people with the shared aim to tackle child poverty. The Mayor stated that at the summit she was able to announce £50millon partnership with the Department of Work & Pensions to aid the removal of barriers to health and getting people into employment.
- reported that the region was a National Trailblazer for Economic Inactivity and would receive a further £10million to help break down barriers.

- welcomed the announcement in the national budget that the North East CA was to receive a single settlement from 2026/27.
- acknowledged and thanked Lucy Winskill OBE who was standing down as the Business Board Member of Cabinet.

C43/11/24 Minutes

Resolved that the minutes of the previous meeting held on 17 September 2024 be confirmed and signed by the Mayor as a correct record.

C44/11/24 North East Environmental Stewardship, Coast, and Rural Growth Investment Plan

The Cabinet was presented with the draft North East Environmental Stewardship, Coast, and Rural Growth Investment Plan.

The Investment Plan set out the approach to enhance the environment, grow coastal and rural economies, develop new markets, and improve opportunity in coastal and rural communities, including opportunities in:

- producing high quality and regionally distinctive food,
- tackling nature recovery on a landscape scale,
- creating new financial markets for carbon and nature,
- working with our landscapes to improve the climate resilience of downstream towns and cities,
- delivering net zero through innovative land management and nature-based solutions.
- enabling rural businesses to thrive, providing employment and generating wealth

In welcoming the plan Cabinet members highlighted the importance of supporting and the growth of rural communities across the region, ensuring support for business and employment opportunities so those who live in rural areas had employment opportunities close to their own local communities. It was also highlighted that the plan would have a great impact on the whole region both rural and urban with benefits through unnecessary travel that would preserve air quality for all and reduce impact on the climate.

Resolved:

1. To approve the draft North East Environmental Stewardship, Coast, and Rural Growth Investment Plan, set out in Appendix 1, ahead of formal launch.

2. To agree an indicative budget allocation of £15.75m from the Investment Fund for the period 2025-29 to facilitate the delivery of the Investment Plan, focussed on the following two priority areas: a. £7.25m for the Environment and Nature investment priority b. £8.5m for the Rural and Coastal Growth investment priority.

3. That subsequent approvals of financial commitments against point 2 above be subject to completion of full business cases, progressed in accordance with the Single Assurance Framework.

4. To agree a £1.25m Environment, Coast & Rural Enabling Fund, to be managed in accordance with the North East Combined Authority's Scheme of Delegation, and limited to officer resource and expert advisory support in pursuance of the following:

   a. £300k for resources to oversee the implementation of the Investment Plan and to provide secretariat support for a Rural & Coastal Taskforce;

b. £300k for a Climate Resilience pilot;
c. £650k to support the development of investible propositions in accordance with the Environmental Stewardship, Coastal and Rural Growth Investment Plan strategic priorities.

5. To note that the North East Combined Authority will work with the UK Government and others to seek further investment to support its ambitions around both Environment and Nature and Rural & Coastal Growth. The ambition will use the indicative funding highlighted in the report to leverage an overall package of at least £25m of activity over the next 5 years

C45/11/24 North East Investment Zone – Wave 1 Projects

The Cabinet was presented information and asked to provide in-principle support for two projects relating to:

- unlocking the whole of NETPark Phase 3a in County Durham for future development, and accelerate the development of the first unit, in response to strong interest from potential inward investors.
- complete the funding package for the Energy Central Institute (ECI), a new Higher Education, research and innovation facility in Blyth town centre.

Members welcomed the projects.

Resolved:

1. To provide in-principle approval of the NETPark Phase 3a and Energy Central Institute projects; and

2. Delegate authority to the Chief Executive, in consultation with the Mayor and Finance and Investment Board, to approve funding of up to £11,255,710 for NETPark Phase 3a, and £5,499,951 for the Energy Central Institute in accordance with the Single Assurance Framework.

C46/11/24 Bus Reform – Procurement of Specialist Support

At its meeting 30 July 2024, Cabinet agreed allocated budgets to be used to fund elements of the Bus Reform project and options for staffing, expert advisory support, legal advice, audit and consultation, as well as for contingencies.

Cabinet received a report that requested delegated authority to the Chief Executive to commence procurement arrangements and approve contract awards for specialist support associated with the region's Bus Franchising Scheme Assessment (FSA).

Resolved to:

1. Authorise commencement of procurement arrangements associated with development of the region's Bus Franchising Scheme Assessment.

2. Delegate authority to the Chief Executive, in consultation with the Portfolio Holder, Director of Finance and Investment and Monitoring Officer, to carry out procurement exercises and award contracts for all specialist support associated with development of the region's Bus Franchising Scheme Assessment.

C47/11/24 Devolved Adult Skills Fund & Skills Bootcamps – update on progress

The Cabinet received a report that updated progress relating to the mobilisation of the Devolved Adult Skills Fund (ASF) and the North East Combined Authority (North East CA) Skills Bootcamp programme. The report also sought approval for a recommended approach to allocating skills funding managed by the North East CA.

The fully devolved ASF of circa £68m which included a ringfenced allocation for the delivery of a Level 3 Adult Skills offer 'Free Courses for Jobs' (FCFJ).

The devolved ASF had been allocated to 45 further education providers across 20 Grant Funding Agreements and 25 procured Contract for Services. Delivery had been underway since 1 August 2024, with over 19,000 starts on programmes to date.

The ASF investment was reaching residents most disadvantaged in terms of poverty and skills with 31% of enrolment opportunities being undertaken by residents living in the North East CA's top 20% deprived areas. 8342 (44%) of enrolments are in the top 10% deprived wards across the region.

Providers had established a wide range of provision to support unemployed residents, with 76% of enrolment opportunities being undertaken by residents who are unemployed, with 50% of these residents unemployed and actively looking for work.

In respect to the delivery of Wave 5 Skills Bootcamps across the region, funding had been deployed to 23 organisations, with support from over 200 employers, providing residents with access to in-demand skills training, guaranteed interviews and more sustainable higher skilled jobs which would result in higher wages over time.

Over 1000 residents had undertaken training in a range of sectors which included areas such of Offshore Wind, Offshore Cables, E.V battery manufacture, energy storage and in the foundational economy in areas such as Early Years, Adult Care and Hospitality.

Members welcomed the report and expressed that the range of courses provided had been co-designed with businesses and aided residents to gain the necessary skills to gain well paid employment.

Resolved to:

1. Note the progress made on the mobilisation of the Devolved Adult Skills Fund (ASF) from 1 August 2024 and the North East CA's Skills Bootcamp programme from 1 June 2024.

2. Delegate authority to the Chief Executive, in consultation with the Chief Finance Officer and Portfolio Holder for Education, Inclusion and Skills to approve any subsequent arrangements including procurement activity and funding allocations related to the delivery of Adult Skills programmes as set out in section 7 of the report.

C48/11/24 Department for Work and Pensions: Connect to Work Programme

Cabinet received a report that sought approval to receive investment from the Department for Work and Pensions (DWP) that was be used to deliver a new supported employment programme, called Connect to Work.

The programme would help people with disabilities, health conditions and additional barriers to seek sustained employment. The programme was a voluntary intervention that would be targeted to the right people, at the right time and based on an individual's circumstances.

The North East Combined Authority (North East CA) would be Accountable Body (AB) for the programme, working in partnership with the constituent local authorities'. As the AB was responsible for developing the Delivery Plan for the programme and delivering the service under the terms of a grant agreement with DWP.

The North East CA would receive an estimated grant of just under £50 million over a 3 to 4 year period to support approximately 13,500 participants into work or to remain in work.

The delivery of the programme reflected the shared ambition of the Mayor and Cabinet for a more devolved system of employment support, providing an opportunity to design a programme to support local needs alongside addressing some of the challenges within the current labour market.

The report was welcomed, and it was stated that it was an opportunity to work with and support businesses to help them understand how to overcome the barriers with diverse employee's and keeping them in employment for the longer term.

Resolved to:

1. Authorise the Director of Finance to accept the grant offer from DWP with respect to Connect to Work on behalf of the Authority, subject to the terms and conditions set out by DWP.

2. Authorise the Chief Executive, in consultation with the Director of Finance and relevant Cabinet Member, to approve the commissioning approach set out in 3.2 of the report, including the Delivery Plan and Grant Cost Register.

3. Authorise the Chief Executive, in consultation with the Finance and Investment Board, to approve project applications and award contracts brought forward through the approved Delivery Plan. Project approvals should be made with reference to fit with the North East CA Connect to Work Delivery Plan, align with North East CA Assurance principles, and demonstrate value for money and deliverability.

C49/11/24 Early Delivery Priorities for Culture, Creative, Tourism and Sport in the North East

Cabinet received a report that set out the first steps for the Combined Authority in its development of a strategic approach to the regional visitor economy, events and place promotion that would be impactful, sustainable, and inclusive. The implementation of the approved priorities supported the wider development of priorities and opportunities for the Culture, Creative, Tourism and Sport sectors in the region.

The manifesto commitment and strategic objective within the Culture, Creative, Tourism and Sport portfolio was to grow the cultural and creative industries, the visitor economy and unlocking economic and social impact from the regions sporting assets. The proposals presented would proactively contribute to regional inclusive economic growth, capitalising on the values and opportunities that were unique and specific to the portfolio.

The report proposed: the development of a 10-year regional events strategy; funding to support immediate priority events; the development of proposals to set out how the region would support the existing Destination Development Partnership pilot; funding to support the delivery of the inaugural match at the Women's Rugby World Cup 2025 in Sunderland as part of a wider commitment to test the Region of Sport concept; and to start to develop a North East Culture, Creative, Tourism, Sport and Heritage (CCTSH) Blueprint.

Members commented on their excitement of the priorities that would help the delivery of internationally recognised events, bringing enormous economic benefits for the region. The holding of major events would inspire especially young people in the region and help to provide opportunities to develop and showcase their talent.

Resolved:

1. To note, that work had commenced on the development of a 10-year regional events strategy commencing from 2026 and that Cabinet will receive a further report setting out longer term recommendations and funding requirements in Spring 2025.

2. To allocate £2m to support early priority regional events in advance of the long-term events strategy and to delegate responsibility to the Chief Executive to make investment decisions in relation to the funding allocated, in line with intent and objectives set out in the report, and in accordance with the North East CA Single Assurance Framework.

3. To request that proposals be developed, in collaboration with regional partners, setting out how the region could build on the existing Destination Development Partnership pilot (Destination North East England). Proposals would set out the regional capacity needed to enable delivery of its ambition for the visitor economy, and how this could support collaboration and add value to existing activity and structures.

4. To note that the Great North Run Company had been commissioned to work collaboratively with regional partners to inform the strategic case for the North East to be designated by Government as the UKs first Region of Sport, with findings and next steps reported to Cabinet in early 2025.

5. To allocate funding to invest in improving community participation in upcoming major regional sporting events, providing a test case for the Region of Sport concept, and to delegate responsibility to the Chief Executive in accordance with the Single Assurance Framework to make investment decisions in relation to the funding allocated:

   a. £0.5m to support delivery of the inaugural match at the Women's Rugby World Cup 2025 in Sunderland, including a comprehensive programme of community engagement and legacy benefit, testing the principles of the Region of Sport.

   b. By way of the previous funding commitment of the North of Tyne Combined Authority (NTCA) to support a 'festival of football' in the lead up to Euros 2028. This would provide the launchpad for a long-lasting legacy and contribute greatly to the core aims of increasing community-level engagement and promoting health and wellbeing, testing the principles of the Region of Sport.

6. To note that the development of the Local Growth Plan and the importance of the Creative Industries within this as a significant economic opportunity

7. To note that plans to begin engagement with Government Departments and cultural and creative arm's length bodies in developing the North East Culture, Creative, Tourism, Sport and Heritage (CCTSH) Blueprint and to receive a future report setting out next steps

C50/11/24 2025-26 Budget and Corporate Plan and Medium-Term Financial Plan

The Cabinet was presented the initial draft 2025-26 Budget, Medium Term Financial Plan and Draft Corporate Plan for the North East Combined Authority (North East CA) for approval. Following the establishing of the North East CA and Mayoral Election May 2024, the Devolution deals agreed during 2022 and 2023 provided the framework for the development of the initial budget for 2024-25. Those draft proposals were approved by the decision-making arrangements that were in place in January 2024.

The Corporate budget and the Investment Programme budget had been reviewed during the period to the end of September 2024 and formed the base financial position on which the draft budget for 2025-26 had been developed.

The report included details of the North East CA's first full draft Corporate Plan, replacing the interim plan created before the election of the first North East Mayor. The Corporate Plan was designed to focus the organisation on impactful delivery on behalf of the region and to build on the work of the seven local authorities, two combined authorities, and partner organisations which together helped unlock the potential of devolution in the North East.

Resolved:

1. To agree the initial draft Corporate Plan as set out in paragraph 1.4 for consultation,

2. To agree the initial draft North East CA Corporate Budget for 2025-26 as set out in section 2 for consultation.

3. To agree the overarching delivery budgets as set out in Section 3 for consultation

4. To agree the draft Transport Levies as set out in Section 6 for consultation

5. To note the reserves position as set out in Section 9 will be kept under review while consideration of additional information becomes available about the financial risks facing the Authority and the proposed arrangements for managing those risks.

C51/11/24 2024/25 Budget Monitoring Position 30 September 2024

The report presented to Cabinet provided a revised budget plan for 2024/25 showing the updated positions for the Corporate Budget and delivery programmes. The report also provided a review of Treasury Management at the mid-year point, with a summary of the North East CA's treasury position, borrowing activity, investment activity, treasury management and prudential indicators as of 30 September 2024 and an overview of activity during the first six months of 2024/25.

The report included a statement of the North East CA's reserves, based on the closing financial statements outlined in the 2023/24 financial outturn statements for both North of Tyne Combined Authority and the former North East Combined Authority.

Resolved to note:

1. The updated budget position for 2024/25.

2. The Treasury Management position on 30 September 2024

3. The current value of reserves, based on the draft 2023/24 final accounts for both North of Tyne Combined Authority and former North East Combined Authority,

C52/11/24 Governance Update on Cabinet Portfolio, Advisory Boards and Appointments

The report presented set out proposed changes to the North East CA's Cabinet portfolios and advisory boards to strengthen the Mayor and Cabinet's commitment to improving public services for the people of the North East.

It also provided proposals for a Business and Economy Board to provide expert advice to the Mayor and Cabinet on the views of business interests in the region and recommended an appointment to the Passenger Transport Executive (Nexus) and the designation of two new statutory officers to reflect staffing changes.

Resolved

1. To agree the creation of a new Cabinet portfolio relating to Public Sector Reform and that Cllr Karen Kilgour is the portfolio holder

2. To agree the creation of a Public Sector Reform Advisory Board with the areas of work set out at Appendix 2, and delegate to the Chief Executive, in consultation with the portfolio holder, the appointment of individual members to that Board.

3. To agree the terms of reference and areas of work for the Business and Economy Board, as set out in Appendix 3, and delegate the appointment of individual members to this Board to the Chief Executive; in consultation with the Mayor and the Chair of the Business and Economy Board (once appointed), be Agreed

4. To approve the appointment of Dale Owens as a Non-Executive Director to the Nexus Executive Board.

5. To agree the designation of the Authority's statutory Chief Finance Officer and Scrutiny Officer as set out in section 4,

Extraordinary Cabinet

10 December 2024

(2.00pm)

Meeting held in: Swan/Parsons Room, Newcastle City Council Civic Centre

Minutes

Present: Mayor Kim McGuinness (Chair)
Martin Brookes
Councillor Jane Carter
Councillor Martin Gannon
Councillor Amanda Hopgood
Councillor Karen Kilgour
Councillor Michael Mordey
Dame Norma Redfearn DBE
Councillor Glen Sanderson

C53/12/24 Apologies for Absence and Substitutes

Apologies for absence were received from:
Councillor Tracey Dixon. Councillor Jane Carter attended the meeting as her substitute.

C54/12/24 Declarations of Interest

There were no declarations of interest.

C55/12/24 Exclusion of Press and Public

Resolved that, by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, press and public be excluded because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.

C56/12/24 North East Bus Service Improvement Plan – Bus Fare Cap

Cabinet received a report that provided the background to the Governments, October 2024 budget, where it announced that the national bus fare cap would increase from £2 to £3 from the 1 January 2025.

The report set out how the impact of a potential 50% increase for some passengers could be limited in the region and implementing a local fare cap of £2.50 on all adult single bus fares would help limit costs and support the wider agenda over key issues such as child poverty.

Funding for the local fare cap would be funded partly from the current BSIP (Bus Service Improvement Plan) budget and partly from the additional BSIP funding that had been announced for FY2025/26. The cap would be in addition to the existing range of BSIP capped fares that had been in place since 2023 and feature in the Capped Fare Scheme as part of the North East Enhanced Bus Partnership.

It was highlighted that not all bus passengers using adult single tickets would experience price increases to £3; however, many would, exposing them to increased personal cost.

In the North East CA region, the £2 price cap has existed alongside a series of locally implemented and funded fares introduced through a mechanism known as a Capped Fares Scheme. The Capped Fares Scheme was a statutory arrangement allowing a maximum fare to be implemented and reimbursement agreements entered into with the bus operators. Participation in the scheme was voluntary and reimbursement was on the principle of “no better, no worse”, allowing operators to receive compensation for the “shadow fare” they would have charged if the scheme was not in place.

Cabinet was informed of the range of products within the region’s Capped Fare Scheme with associated funding and informed that operators would offer commercial fares below £2.50 for shorter journeys where appropriate.

Cabinet fully debated the options and implications within the report.

Resolved that:

1. the proposal to cap adult single bus fares in the North East Combined Authority area at £2.50 from 1 January 2025 until 31 December 2025, funded from £6.083m of total available BSIP revenue funding be Agreed.

2. delegated authority be granted to the Chief Executive, in consultation with the Mayor, Monitoring Officer and Chief Finance Officer to enter into associated reimbursement arrangements with bus operators for implementation of this fare cap.

3. delegated authority be granted to the Chief Executive to approve and publish the updated Capped Fare Scheme

North East Combined Authority

Cabinet

28 January 2025

Title:	**Public Service Reform Programme**
Report of:	**Adrian Dougherty, Interim Strategic Lead for Skills, Inclusion and Public Service Reform**
Portfolio:	**Public Service Reform**

Report Summary

The North East Mayor and Cabinet have committed to strengthening public services in our region to help create opportunity for all, with Public Service Reform (PSR) central to realising the missions set out in the Corporate Plan, particularly the ambition to make the North East the 'home of real opportunity'. This report provides an overview of a bold programme of work for the new PSR Portfolio and outlines connections and alignment across portfolios and with strategic partners. It also proposes indicative funding allocations to allow the delivery of impactful new projects to begin quickly, while creating the foundations required for long-term success.

The intention is for work to begin at pace, with a focus on delivery and action, to drive the transformation of public services in the North East, building the cross-sector partnerships required to ensure services are sustainable over the long-term and enable our residents to thrive.

Leaders of public services across the North East have united around a bold vision to work together to enhance their collective offer by testing and scaling preventative approaches. The shared aim is to ease pressure on crisis services, better support residents in greatest need, and reduce child poverty.

Cabinet endorsement is sought for three key elements of the programme: the overall direction of the portfolio, which has been informed by engagement with key partners; the agreement of a joint Statement of Intent to underpin cross-sector working and partnerships; and the allocation of funds to enable the development of business cases and pilot projects to begin.

Recommendations

Cabinet is recommended to:

1. Note and endorse the overall direction of the new Public Service Reform portfolio.
2. Endorse the joint Statement of Intent for Public Service Reform in the North East.
3. Approve an Investment Fund allocation of £350,000 to allow for rapid business case development of a Radical Prevention Programme, including support for pilots and the delivery of this work, with delegated authority to the Chief Executive, in consultation with the Mayor and Portfolio Holder, to procure and award the necessary contracts and determine arrangements, in accordance with the Single Assurance Framework and North East CA policies and procedures.

A. Context

1. Introduction

1.1 Mayor Kim McGuinness has outlined that PSR will be central to the North East Combined Authority (North East CA)'s plans to reduce child poverty and support families. The North East Devolution and Deeper Devolution Deals provide a mandate for the North East CA to take on a convening role in PSR, bringing together local authorities, cross-sector partners and national government, to transform the North East's public services and tackle underlying inequalities. The North East CA Corporate Plan commits to creating opportunity for all, ensuring inclusive growth and good public services are spread across the North East.

1.2 In November 2024 Cabinet approved the creation of a PSR Portfolio for the North East CA, outlining the move to a stronger, more delivery-focused approach to facilitate rapid interventions and long-term reform in our public services, better supporting residents most in need and reducing strain on crisis services. Work in support of PSR, already embedded across existing North East CA portfolios, will be joined-up and strengthened under Portfolio Holder leadership alongside Cabinet Members.

1.3 The proposals outlined in this paper for the PSR Portfolio build on the engagement and development work carried out previously under the CA's cross-cutting theme for PSR. This includes work to identify areas of shared ambition and propose early priorities, articulated in a joint Statement of Intent for PSR in the North East. This Statement (Appendix 1) has been drafted in partnership with North East public service leaders and demonstrates a region-wide, cross-sector commitment to work together to transform public services and move towards prevention.

2. What is Public Service Reform and why is it needed now?

2.1 Public Service Reform is about making system-level changes to improve the effectiveness of public services and ensure they are sustainable in the context of current and forecast needs and pressures, by creating the conditions that will enable better outcomes for residents and enable them to thrive. Although the terms Public Service and Public Sector are often used interchangeably, we use the term Public Service Reform as there are many cross-sector organisations that contribute both to the delivery of public services, and to preventative initiatives that can reduce the need for later interventions, and we want to ensure that all sectors are recognised for their contributions and enabled to play their part.

2.2 There have been many attempts nationally to reform UK public services over the years, with varying degrees of success. The last major change in approach was the introduction of New Public Management, upon which our current public service system is largely based. There is now a growing consensus that this approach has its limitations, that it doesn't motivate people well, encourage innovation or build resilience, and it doesn't deal effectively with complex systems and causation. Meanwhile, public services are struggling to meet the pressures brought by factors such as an ageing population, increasing demand, a global climate emergency, high poverty rates, stretched public finances, and backlogs in the NHS and courts systems.

2.3 There strong examples of pioneering projects in our region, developed locally in response to these challenges, that are demonstrating the benefits of reform and a move towards preventative services that work with residents to prevent them experiencing crisis. However we have so far lacked a joined up vision for public services that breaks down silos to deliver system-wide change. National and local research indicates that we require an innovative new approach that empowers people, shifts services towards prevention, and harnesses the strengths and assets of our region through cross-sector collaboration, if we are to ensure our public services are accessible, inclusive and sustainable.

2.4 This comes at a time of great digital transformation, with a shift from analogue to digital central to national plans for the future of the NHS, and with initiatives such as Sunderland Smart City deploying new technology to better connect and serve residents and unlock economic prosperity. Our new 'Mission-led' UK government has ambitions to transform public services, our new Combined Authority is bringing together partners across the North East, and there is a move nationally towards greater devolution, with the North East Devolution and Deeper Devolution Deals providing the mandate and opportunity to convene regional public service partners to deliver real change. Combined with the specific challenges faced by our region, particularly around poverty and health inequalities, there is now an urgent need and opportunity to reimagine the delivery and culture of public services to address these challenges and achieve better outcomes for our communities, now and in the future.

3. Governance of the new portfolio

3.1 In November 2024, alongside approval of the move to a portfolio, and in line with the governance of other portfolios, the North East CA Cabinet approved plans to establish a PSR Advisory Board. Chaired by the Portfolio Holder Cllr Karen Kilgour, the Board will support the PSR Portfolio and provide advice to the Mayor and Cabinet. Membership of the new Advisory Board will include representatives from the North East constituent authorities, police, housing, education, and VCSE sector, with appointments made by the Chief Executive in consultation with the Portfolio Holder. The North East CA Interim Strategic Lead of Skills, Inclusion and Public Service Reform will take on the role of Link Officer for the Board and will be supported by members of the Public Service Innovation

Team. Newcastle City Council and other constituent authority officers will work closely with this team, the Portfolio Holder, and the Advisory Board, to develop and deliver the programme.

3.2 Explicit reciprocal governance with the health and child poverty agendas, which are closely linked to our PSR ambitions, will be vital, and can be achieved through representatives from the Child Poverty Reduction Unit, the North East and North Cumbria NHS Integrated Care Board's (NENC ICB) Healthier and Fairer Group, and the North East CA's Education, Inclusion and Skills Portfolio Board sitting on the PSR board and vice-versa. It is also envisaged that smaller, delivery-focused working sub-groups will be formed to address specific policy areas and feed up to the Board.

4. Engagement and alignment with regional partners

4.1 Earlier this year, the Chief Executive hosted a roundtable with senior representatives from sectors to be represented on the Advisory Board, where conversations about a shared regional endeavour in PSR began, and which resulted in the creation of a joint Statement of Intent (Appendix 1). This Statement demonstrates a clear commitment to pursue a collaborative approach that: adds value without impeding or impinging on existing structures; engages communities; utilises evidence and evaluation; explores opportunities for data sharing and shared commissioning models; and innovates through new and scale-up opportunities.

4.2 Cabinet is asked to endorse the Statement of Intent, which will inform the work of the Advisory Board, demonstrate that we are working in partnership with cross-sector regional public service leaders, and underpin a collective regional commitment to collaborate to transform public services.

4.3 The partnership approach expressed in the Statement of Intent can be seen in practice through the ongoing relationships with cross-sector partners that have been established by officers in the Public Service Innovation Team, and across the Authority, in support of this agenda. Work to date has included aligning agendas, sharing strategies and committing to join up programmes, working closely with colleagues in the NENC ICB, housing, VCSE, fire and rescue services, police forces, and public health, education and children's services teams in our constituent local authorities. North East CA officers also sit on a variety of regional public service groups and have a voice in regional Association of Directors of Social Services (ADASS), Association of Directors of Children's Services (ADCS), Association of Directors of Public Health (ADPH) and NENC ICB forums.

4.4 There is much goodwill and readiness from partners to work together, and our engagement with them has informed, and will continue to inform, the development of a collaborative regional programme of work that builds on local examples of innovative good practice, connects into rather than duplicates existing structures, and responds to the particular challenges and strengths of our region.

4.5 The amalgamation of the Central and North NHS Integrated Care Partnerships (ICPs) - which sit under the NENC ICB alongside North Cumbria ICP and Tees Valley ICP - has aligned a new ICP footprint with that of the North East CA. This reflects the strengthening identity of the North East CA area, builds on work already underway with the ICB on health and employability, and will help us to align our regional strategic ambitions and delivery for effective public service reform.

5. Working with Government

5.1 Government have endorsed our role in reforming public services through the North East Devolution Deal and subsequent Deeper Devolution deal, which include a commitment to fund a programme of 'Radical Prevention' to enable innovative approaches that shift funding and interventions up-stream to ultimately reduce inequalities and reduce strain on crisis services.

5.2 Senior officers are liaising with the Cabinet Office as it prepares to implement the Plan for Change, which includes: a public service framework; a Places for Growth strategy; and local prevention test, learn and grow pilots. We are actively working with the Cabinet Office team to explore how the North East CA and Cabinet Office can deliver co-funded innovative approaches to prevention in public service as part of this strategy, contributing to the development of a national blueprint.

5.3 The North East CA has also developed good relationships with officers at the Department for Work and Pensions (DWP), particularly with regard to the Connect to Work and subsequent Trailblazer programme, and emerging work as part of the Ministerial Taskforce on Child Poverty. These examples demonstrate how a cross-portfolio approach to PSR is already helping to support ambitions across the Authority and maximise opportunities for the North East, whilst strengthening our relationship with Government and our national profile.

5.4 Our work with health partners will be informed by, and support, the Government's three strategic shifts for care delivery outlined in plans for the national Ten Year Health Plan, which mirror the wider ambitions of our PSR Programme:

- Hospital to the community
- Analogue to digital
- Sickness to prevention

6. Strategic Direction and Delivery

6.1 Building on our engagement with partners and the co-designed Statement of Intent, our proposed ambition for the Authority's PSR programme is:

> 'To drive transformation of public services in the North East, in order to tackle inequalities and barriers to success, reduce strain on crisis services, and build inclusive, preventative, impactful and sustainable public services that enable our residents to thrive.'

6.2 We intend to realise this ambition through a programme of work that will include:

- Funding innovation in radical prevention to inform and drive system change.
- Delivering across existing North East CA portfolios in support of the Authority's missions.
- Convening across public services.
- Collaborating regionally and nationally.
- Building regional knowledge, best practice and capacity in public service reform.

6.3 <u>Radical Prevention Programme</u>

6.3.1 Under leadership of the Portfolio Holder, it is proposed that devolution commitments to fund radical prevention work in the region are realised through the creation of a Radical Prevention Programme (RPP). This will be one of the first initiatives to begin under the PSR portfolio. We are seeking to drive innovation at the root or system level of public services, in order to instigate long-term systemic change.

6.3.2 Drawing on engagement with partners and academic researchers, it is recognised that this scale of reform requires a substantial, long-term commitment, continuity, and partnership to realise its ambitions. A £30m indicative budget, over a period of three years, made up of anticipated contributions from the NHS, Central Government, and North East CA, will allow us to launch a Radical Prevention Programme. Engagement has indicated that we need to support an integrated approach to public services that focuses on policy areas such as:

- **Best start in life for the region's children, particularly by reducing child poverty** (in partnership with the Mayor's Child Poverty Reduction Unit)
    - Reduction in the proportion of children living in poverty.
    - Increased early intervention and support for low income families, and reduced pressure on crisis support services.
    - Improved school readiness and health outcomes among children from low income families.

- **Health inequalities and barriers to work** (in partnership with the Education, Inclusion and Skills portfolio, NENC ICB and DWP)
    - Increased participation in education and skills development, and increased employment, among groups facing barriers, including those with long-term health conditions, with disabilities, and with challenges relating to language.
    - Reduced health inequalities in areas such as mental health and access to primary care.

    - Improved population health metrics for specific cohorts of our residents.
    - Improved careers guidance and skills provision that raise aspirations and enable more people into work.
    - Strengthened foundations for good health such as active travel and improved food environment.

- **Healthy ageing**
    - Reduced pressure on crisis services through a move to preventative, community based care.
    - Increased independence and quality of life of older residents, with a higher number living in their own home.
    - Reduced social isolation and improved community participation among older residents.

- **Residents with multiple and complex needs**
    - Reduction in reliance on crisis services.
    - Improved housing stability and reduced homelessness rates.
    - Greater integration of services, leading to improved outcomes for individuals.

6.3.3 Cabinet is asked to consider and approve an initial allocation from the North East CA Investment Fund of £350,000 for rapid business case development, support for pilots and the delivery of this work, with delegated authority to the Chief Executive, in consultation with the Mayor and Portfolio Holder, to procure and award the necessary contracts and determine arrangements, in accordance with the Single Assurance Framework and North East CA policies and procedures. This funding will ensure business cases are developed at pace, consultation and engagement is undertaken to ensure robust mapping to build on strengths and avoid duplication, and enable the development of a delivery plan for the Radical Prevention Programme. Financial and in-kind support from the NHS and Cabinet Office will be secured through this process, with potential to bring in other funding partners as appropriate.

6.3.4 The delivery plan will balance the goals of making real impact now through delivery of early pilot projects and driving long term change in public services. Clear early priorities and short, medium and long term ambitions will be set out, based on engagement with partners. It is envisaged that the delivery plan will be organised around three phases of delivery:

- Phase 1: Funding delivery of innovative pilot and scale-up projects that have immediate impacts on residents through a shift towards prevention, while building the partnerships and connections that enable this to happen.
- Phase 2: Using the learning from Phase 1 to reform practice, build regional knowledge and capacity around preventative approaches, and embed new ways of working.
- Phase 3: Bringing all North East public services together with an agreed vision and aligned regional approach to deliver preventative, sustainable, accessible public services, where pressure on crisis services is reduced and residents are enabled to thrive.

6.3.5 To deliver reform across public services, it is proposed that the programme should look to fund innovative new projects (or widen the reach of existing pilots) that:

- Are truly ‘radical’ in nature, proposing innovative ways to change public service systems for the benefit of North East residents.
- Focus on prevention, moving services ‘up stream’ to before crisis occurs.
- Deliver action now for demonstrable impact within the short-term.
- Can clearly forecast or project long-term positive outcomes for residents, public services, and/or the region.
- Provide learning to inform long-term change at system level, building regional capacity and understanding of ‘what works’ in moving services towards prevention (whether incrementally or wholesale).
- Contribute to the delivery of the North East CA’s missions and portfolios.

6.4 Delivering across portfolios and in support of our missions

6.4.1 Work in support of this new portfolio is already embedded across the North East CA, with best practice examples and opportunities for scale-up informing and resulting from collaboration across the Authority. The Corporate Plan cites the reform of public services as a key part of our mission to make the North East the 'home of real opportunity', and the proposed work will connect portfolios in support of this mission. Under Portfolio Holder leadership, alongside Cabinet and Advisory Board, our cross-portfolio approach will be reinforced, enabling us to maximise the strengths, knowledge and resources of both the CA and our region.

6.4.2 Examples of existing cross-portfolio working in support of PSR include:

- **Child poverty**
  The Mayor's new Child Poverty Reduction Unit is building on this work, collaborating with partners to lift children out of poverty, directly contributing to the aims of PSR and providing valuable learning on preventative approaches. Currently, governance of deliverable elements of the Mayor's Child Poverty Reduction Unit (for example current programme of work bringing together constituent authorities, schools, employers and public services to achieve better outcomes for children and families) currently, this work within the Education, Inclusion and Skills portfolio, but it is proposed that this work now builds on strong links in that portfolio, but moves to be governed as part of the PSR portfolio.

- **Health**
  The Authority is piloting an Individual Placement and Support (IPS) project in partnership with the Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust, is a delivery partner in the Mayoral and City Regions Health Inequalities Project, and has been awarded DWP funding for a three year programme to help people with disabilities, health conditions and additional barriers to seek employment. These programmes explore new ways of addressing the complex interplay between health, employment and inequalities, to enable residents to thrive. Officers are working closely with Directors of Public Health and teams from the ICB to identify opportunities to reduce health inequalities across the PSR portfolio.

- **Education and Skills**
  The North East CA Education Improvement programme works across schools, local authorities, multi academy trusts and the VCSE sector to demonstrably improve outcomes for school aged residents, particularly those facing long-term disadvantage. Our North East Ambition programme connects tens of thousands of children and young people every year to employers and potential careers. Our adult skills fund ensures that employment and progression opportunities are realised by thousands of residents in the North East CA area. These programmes are providing not only real impact on the ground but also valuable learning about how best to enable residents of all ages to benefit from learning and employment opportunities in our region, now and in the future.

- **Homelessness**
  Officers are working with the North East Housing Partnership's lead for Health, Care and Homeless to explore ways in which the CA can support new approaches to homelessness prevention, governed through the Authority's Housing and Land portfolio. A working group comprising representatives from across the region are convening to share best practice in response to the lack of a centrally funded Housing First programme - a flexible cross-sector approach that seeks to break the cycle of instability for people with complex needs who are experiencing or at risk of homelessness, to prevent the escalation of crises.

- **Transport**
  Officers leading on PSR have contributed to the emerging North East Local Transport Plan and have identified opportunities for this portfolio to impact on a wider PSR programme. Projects being explored include transport interventions to link public service workers and people experiencing poverty to job and training opportunities. The Kids Go Free scheme allows children under 12 to travel for free across regional bus and Metro services during school holidays, and a free travel scheme for care-experienced young people aged 18-25, piloted with the NHS, funded by the North East CA, and managed by Nexus, is delivering a high social value return. These examples demonstrate cross-sector measures that, whilst

impacting residents now, contribute to longer term health and economic wellbeing through an 'up stream' preventative approach.

7 Next steps

7.1 Subject to approval of the proposals at January Cabinet, we will seek to appoint an external consultant to develop a full business case for the Radical Prevention Programme (RPP), and recruit an additional staff member for the Public Service Innovation Team to support the work of the PSR portfolio with a particular focus on partnership building.

7.2 Once developed, the RPP business case will be taken through the Single Assurance Framework, with authority for decision making on specific investments delegated to the Chief Executive in consultation with the Mayor and Portfolio Holder, with approvals sought from Finance and Investment Board as required by the Framework. Continued engagement with local authority teams and partners will ensure plans are grounded in a strong understanding of our communities, collective priorities, evidence and existing innovative practice. We will seek to allocate funding at pace to pilot and scale up projects as part of the development of the Prevention Programme, bringing positive impacts to residents as soon as possible.

7.3 Under Portfolio Holder leadership, we will work closely with partners to develop a programme of work for the PSR Portfolio and appoint public service leaders to the new PSR Advisory Board. We will also strengthen our connections across portfolios to ensure alignment of PSR ambitions across the Authority in support of the missions outlined in the Corporate Plan.

B. Impact on North East Combined Authority Objectives

1. The proposed PSR Programme, and within it the Radical Prevention Programme, will support work across the Authority's portfolios and missions, and enable delivery of commitments set out in the Devolution and Deeper Devolution Deals.

2. By building partnerships with public service partners, and identifying and facilitating opportunities for innovation and learning, the programmes will drive the transformation of public services to tackle inequalities and barriers to success, and building inclusive, preventative and sustainable public services that enable our residents to thrive.

3. In particular the programmes will contribute to the Authority's mission to make the North East the 'home of real opportunity', with PSR described as central to plans to reduce child poverty in the Corporate Plan.

C. Key risks

1. Engagement with public service partners and cross-portfolio colleagues will be essential to the success of these programmes. Strong progress has been made in developing these relationships, with the Statement of Intent a clear articulation of regional commitment to our shared endeavours.

2. The creation of the new PSR Portfolio will raise the profile of the programmes, and our relationships with partners will be further strengthened through the cross-sector membership of the Advisory Board.

3. Any risk posed by a potential lack of buy-in by partners will be mitigated by the continued focus from officers on relationship-building, active participation in regional networks, and co-design of the work.

D. Financial and other resources implications

1. At this time, £350,000 is being sought from the Investment Fund to enable rapid business case development and programme mobilisation.

2. It is anticipated that, subsequent to the business case development process, a c.£30m budget would be required for the first three years of a Radical Prevention Programme, made up of

contributions from partners such as the NHS, Central Government and the North East CA (via the Investment Fund).

E. Legal implications

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

F. Equalities Implications

1. The Authority follows the Public Sector Equality Duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. An Equalities Impact Assessment will be conducted as part of the business case development process.

2. By driving a move towards prevention, and in particular tackling child poverty and health inequalities, the proposed programmes will have positive impacts for residents with protected characteristics under the terms of the Equality Act 2010. It will seek to advance equality of opportunity for all, especially for residents experiencing socio-economic disadvantage and those with multiple complex needs, in both the short term through innovative new projects, and long term through the reform of public services.

G. Consultation and engagement

The proposed programmes are based on engagement with public service leaders and officers, cross-portfolio colleagues, academics and Government departments, as outlined in A.4 and 5 above. The Statement of Intent underlines the commitment to partnership working that we have built through this engagement, and will stand the programmes in good stead for collaborative delivery and reform.

H. Appendices

Appendix 1: Statement of Intent

I. Background papers

None

J. Contact officer(s)

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K. Glossary

ADASS	Association of Directors of Social Services
ADCS	Association of Directors of Children's Services
ADPH	Association of Directors of Public Health
CA	Combined Authority
DWP	Department for Work and Pensions
ICB	Integrated Care Board
ICP	Integrated Care Partnership
IPS	Individual Placement and Support
NENC ICB	North East and North Cumbria Integrated Care Board
North East CA	North East Combined Authority
NHS	National Health Service
PSR	Public Service Reform
VCSE	Voluntary, Community and Social Enterprise

North East Combined Authority

Statement of Intent:

Working Together to Reform Public Services

Convened by the North East Combined Authority and co-written with representatives from the seven constituent local authorities, NHS, fire and rescue, police, education, housing and the voluntary and community sector.

Durham County Council · Gateshead Council · Newcastle City Council · North Tyneside Council · Northumberland County Council · South Tyneside Council · Sunderland City Council

Introduction

The creation of the North East Combined Authority (North East CA) has provided a strong foundation for the seven local authorities of Durham, Gateshead, Newcastle, Northumberland, North Tyneside, Sunderland and South Tyneside to collaborate with a range of partners including police, fire and rescue, housing, education, health, VCSE and business, to innovate and transform the economy of the North East. Mayor Kim McGuinness has outlined that a strong programme of Public Service Reform (PSR) will be central to the North East CA's plans to reduce child poverty and support families.

Mayor and Cabinet have committed to strengthening public services in our region to help create opportunity for all, with a PSR programme central to realising the missions set out in the Corporate Plan, particularly the ambition to make the North East the 'home of real opportunity'.

The North East devolution deal brings an initial £4.2bn to the region over 30 years, plus borrowing powers and more to follow. It allows the region greater scope and power to decide how we address public service pressures in a way that recognises the specific needs of the North East. In particular it provides the opportunity to make a fundamental difference to the region's underlying inequalities and unacceptable levels of poverty. By addressing the root causes of these issues together, and by building new relationships with residents with the most complex needs, we know that we can make a profound and lasting impact on people's lives, public services, and the economy.

We can draw on the region's growing reputation for cross sector innovation in public service. Our collective experience includes the Northumbria Stronger Local Resilience Forum pilot, the South Tyneside Pledge, the County Durham Pound project, Changing Futures Northumbria - an internationally recognised programme that supports residents with the most acute and complex issues - and strong regional work addressing child poverty, highlighted by the Institute for Public Policy Research and APPG Child of the North as national best practice.

In this spirit, we propose a joint approach to public service reform in the North East, underpinned by this Statement of Intent outlining our shared commitment. Convened by the North East Combined Authority, we will build on existing regional collaborations, such as the work of the North East and Cumbria Integrated Care Board and the North East Housing Partnership, as well as partnerships convened by our local authorities, fire and rescue, police forces and transport. Our approach will enable public services and partners to use collective resources in the most effective and efficient way to reform whole systems of activity, without duplicating existing infrastructure. We intend our programme to be a national gold standard for public service reform that improves the lives of residents across the North East.

Vision

Our vision is of a future where public services are preventative, efficient, and impactful, enabling all our residents and communities to thrive.

This collective vision for change extends beyond short-term initiatives to long-term sustainability, with systems redesigned for lasting impact. Through collaboration and innovation, and by leveraging devolved powers and funding, we intend to address regional challenges, empower communities, and deliver reform and equity across our public services. Our vision and proposed approach are underpinned by the North East Devolution Deal and the North East CA's mandate to convene stakeholders across the region.

Programme approach

To achieve this vision we will work together to identify shared priorities, co-design and deliver action, drive change in the system towards prevention, and focus on the regional opportunities most likely to lead to improved outcomes for residents.

Partners will collaborate to mobilise delivery as efficiently as possible. We will build on what works by adding value to the current system, while fostering a culture of coordination and shared endeavour. This means scaling-up existing initiatives and discovering new, innovative approaches. We will harness lessons learned during COVID-19 and build on existing successful partnership mechanisms in our region exemplified by the NHS and our local authorities through the Integrated Care Board (ICB), our police and fire and rescue services, the North East Housing Partnership and our thriving VCSE and business communities.

Cross-sector collaboration at all levels is vital. The North East CA's Public Service Reform Portfolio Advisory Board of public service leaders will provide strategic oversight, with focused sub-groups contributing to the development and implementation of shared initiatives. Empowering our teams, embracing diversity of thought, and challenging norms will enable us to drive change, manage vital resources effectively, and develop shared approaches to persistent regional challenges.

Through community engagement, equitable relationships, and evidence-based policy-making, we will design and deliver strategic interventions that span sectors, organisations and local authority areas. We will align processes, data and resources to develop a financially sustainable approach.

We collectively commit to:

1. **Work in partnership**, exploring shared and matched funding models, designing a shared programme model, dedicating in-kind time, and ensuring equitable relationships, acknowledging that not all partners will contribute to every project.

2. **Co-design with communities**, creating new mechanisms and working with existing infrastructure to listen to residents, service users, and beneficiaries to develop provision.

3. **Convene public service leaders** through the Public Service Reform Portfolio Advisory Board, to agree priorities, develop strategy and advise the North East CA Cabinet.

4. **Convene delivery representatives** from partner organisations to share expertise, develop delivery plans, and overcome challenges together, leading to efficient mobilisation and long-standing working relationships across location and sector.

5. **Make evidence-informed decisions**, drawing on the region's strong evidence base.

6. **Evaluate our work** to assess impact and provide learning to build regional capacity of public service reform.

7. **Explore shared commissioning models** across locations and sectors to optimise expenditure.

8. **Explore data sharing methods** encompassing policies, agreements, and digital infrastructure.

9. **Innovate** by sharing ideas, identifying scale-up opportunities, discerning where things aren't working, being agile to adapt, and boldly testing new approaches.

10. **Collective ownership** of this shared endeavour, supporting implementation, advocating for our shared approach, and enhancing our services without impeding or impinging on existing sovereignty.

Potential early priorities and mechanisms to mobilise

Specific policy areas for the programme will be agreed by the Public Service Reform Portfolio Advisory Board and Portfolio Holder, reporting to the North East Mayor and Cabinet. Initial priorities proposed by partners while developing this statement include: tackling homelessness and child poverty; supporting residents facing multiple and complex needs; addressing challenges related to criminal justice; and supporting looked after children. Together and through the Advisory Board, we will explore the following mechanisms to enable successful delivery of our shared vision:

- **A Radical Prevention Programme**, administered by the North East CA and co-ordinated with partners and existing infrastructure, to facilitate maximisation of collective resources, enable scale-up of existing work and piloting grassroots initiatives, to address the causes of regional challenges before they escalate, and drive a strategic shift towards prevention.

- Connections between the Public Service Reform Portfolio and the seven other **North East CA portfolios** under which **devolved powers and funding** are organised. Key related initiatives for the North East CA include: Child Poverty Prevention and Education Improvement programmes, Work and Health Strategy, Homelessness prevention, the North East Local Transport Plan, and the Mayor's Child Poverty Reduction Unit.

- **Co-funded projects**, including partnerships between the North East CA, North East & North Cumbria Integrated Care Board, Fire and Rescue services, Police forces, and the North East Housing Partnership, and seeking to establish further projects with other partners as the programme develops.

- Utilising a range of approaches to **fiscal innovation** to catalyse transformative change in public service delivery, including integrated commissioning budgets.

- Identification of opportunities to maximise collective **data and insight resources**, including sharing knowledge of existing provision and best practice.

- Development of robust **evaluation methods**, building on best practice and local examples, to assess impact, provide learning, ensure continued alignment with the vision, and ultimately to ensure success in building regional capacity to transform public services.

Cabinet

28 January 2025

Title: **The Leamside Investment Corridor**
Report of: **Mags Scott, Director of Finance and Investment**
Portfolio: **All**

Report Summary:

The purpose of this report is to update Cabinet on the proposed development of a strategy for a Leamside Investment Corridor.

Cabinet is already well-briefed on the proposed re-opening of the Leamside railway line, which runs from Gateshead to Ferryhill in south County Durham, where it connects with the East Coast Main Line. This paper sets out plans for a much broader, ambitious, vision and strategy; one that is about place-based growth, regeneration, better access to skills and employment, the potential for a new town and/or other significant new housing, and the opportunity to realise significant government and private sector investment. This is our chance to transform a hitherto transport-centric opportunity into a hugely ambitious one that delivers across all five of the Mayor and Cabinet's missions and can enable transformative change for the whole region. This is a programme that will deliver in and for the long-term – the benefits of the transformation that this programme envisages will be felt by future generations.

Harnessing public and private sector knowledge, capabilities and financing, we will develop a broad, wide-reaching case for investment; a long term inclusive proposition whose benefits will be felt by future generations :

- Leveraging the impact of infrastructure investment by bringing forward new development sites, particularly focused on **housing** delivery, and examining the potential for a new town through our Strategic Place Partnership with Homes England.
- Capitalising on the **green economy** shift by accelerating growth in clean energy.
- Improving **employment, skills and training opportunities** in the North East's priority industries, and in the railway sector itself, maximising the local benefits of line engineering works and wider growth to residents and communities.
- Designing locally focused interventions that tackle **economic inactivity and child poverty**, including through better housing, connectivity, and targeted adult skills development.
- Enhancing the **profile and perception of the local area**, stimulating the visitor economy and engagement with heritage, culture, and leisure assets.
- Delivering **impact at a national level** by increasing the capacity of the East Coast Main Line for both passenger and freight services.

The Leamside Investment Corridor is expected to unlock significant levels of new private sector investment and financial innovation, delivering outcomes and contributing to the business case for the rail line itself reopening. It is our opportunity to manage the growth opportunities that the rail line unlocks – to ensure they align with what's important for the region. So in addition to enabling new housing development, the corridor will provide better access to existing employment sites like Nissan and IAMP; and support regeneration through connectivity in a number of more deprived communities, particularly around Washington North, Penshaw, West Rainton, Ferryhill and Fencehouses.

The approach proposed in this paper provides an outline framework, a proposed future governance model and early actions to accelerate the Leamside Investment Corridor.

Recommendations

Cabinet is recommended to:

1. Note the contents of this report;

2. Endorse the Leamside Investment Corridor approach;

3. Agree an allocation of up to **£500k** from the North East Combined Authority Investment Fund to fund the development of the strategy and associated artefacts, including research; initial masterplan (including preliminary growth and housing strategies); cultural and creative strategy; and new area and spatial maps to illustrate the vision; and

4. Authorise the Chief Executive, in consultation with Director of Finance and Investment, to procure and enter into contracts with third party support for the above, within the stated allocated funds and in accordance with North East CA Financial Regulations, the Single Assurance Framework and policies and procedures.

A Context

1. The scale of the Leamside Investment Corridor opportunity

1.1 The business base local to the corridor is already home to a range of specialisms across energy, advanced manufacturing, life sciences and knowledge-based services. The Leamside Investment Corridor provides scope to expand supply chains, build agglomeration and enable industrial growth that is future-proofed and aligned to the region’s emerging Local Growth Plan. Communities in deprived areas will be better connected to good jobs and services. New stations along the rail line that sits at the corridor’s core will provide a stimulus for inward investment.

1.2 The Leamside Investment Corridor will also catalyse the housing market, provide viable sites for new housing, potentially including new town development, and drive renewal of poorer and/or older housing stock. New stations at Washington, Ferryhill, and elsewhere would provide loci for new developments. We will develop this aspect of the case by leveraging our Strategic Place Partnership with Homes England and the work of the Housing and Land Advisory Board. In the first instance, this will be addressed via a match funded commission under the Investment Corridor Strategy focused on capturing the evidence for significant housing growth along the corridor.

1.3 Central to the strategy will be the quality of places, neighbourhoods, quality of life, heritage and cultural assets. This will underpin the region’s offer to investors and visitors, with access to the rich blend of arts, culture, natural assets and attractions of the area. A dedicated culture, leisure and visitor study will be commissioned under the Investment Corridor Strategy.

1.4 The potential is significant, and will help achieve a number of mutually reinforcing objectives that underpin the North East Combined Authority’s Five Core Missons:

- **The home of real opportunity** – addressing long term poverty and deprivation issues by improving employment and training opportunities in all growth sectors for local residents; delivering specific skills training interventions to maximise uptake in rail construction, delivery, running and maintenance; links housing conurbations to places of employment; brings forward new affordable and accessible housing in sites aligned with the line; and helps tackle deprivation, child poverty and raise the quality of life.
- **A North East we are proud to call home** – delivering on pledges around transforming experience and reach of Metro services; reduces dependency on the car as a mode of transport, maximises and leverages the impact of infrastructure investment, such as helping bring forth housing sites; enables a dedicated workstream using the line as a new means of access to heritage, cultural, leisure and visitor economy assets;

- **Home to a growing and vibrant economy for all** – linking employment sites such as Port of Sunderland and Sunderland Investment Zone, NETPark Investment Zone and Newcastle Airport; providing opportunities for the green economy and other priority sectors.
- **Home of the Green Energy Revolution** – delivering on pledges around transforming experience and reach of Metro services; reducing dependency on the car as a mode of transport; linking together sites such as Port of Sunderland and Sunderland Investment Zone; Nissan; IAMP and Durham Investment Zone;
- **A welcoming home to global trade** – enhancing the profile and perception of the local area; helping employers access a skilled workforce; employment and growth sites will be linked by the line, better connection between Durham and Newcastle Airport; improving passenger and freight capacity of the East Coast Main Line – hence providing significant benefit at a national level.

1.5 Early finding from studies indicate that the Leamside Metro extension to Washington alone will:

- Generate over £90 million per year in economic benefits to the region
- Create nearly 8 million additional passenger journeys a year
- Reducing reliance on the most polluting forms of transport, elimination 87,000 tonnes of CO_2 per year

This Economic Corridor work will enable the identification of further significant outputs and outcomes by investment into the whole area around, and connected by, the line.

2. Background to the Leamside rail line

2.1 The reintroduction of passenger services between Pelaw and Ferryhill on the Leamside Line has gathered pace following the allocation by Cabinet of £8m for Nexus to fully develop the Business Case for bringing the Metro to Washington.

2.2 The proposed new passenger services will provide a direct connection between Pelaw and Ferryhill (via Washington) and create a new rail link to communities in Gateshead, Sunderland and County Durham, as previously supported by the North East CA Cabinet.

2.3 Whilst there is evidence that the rail infrastructure alone can be a catalyst for long-term resilient growth, new rail connectivity does not generate inclusive economic growth on its own. Infrastructure is necessary, but not sufficient, with wraparound funding a proven model to maximise and accelerate the impacts of infrastructure investment and provide greater certainty for private sector investment.

2.4 Previously, Nexus have commissioned ERail to investigate the route of the line, associated adjoining land and to ascertain land values. Commissioned in 2021, it is currently being updated, and contributes to scoping of the financial innovation in the public and private sector required to realise the Leamside Investment Corridor opportunity. £8m has been committed by North East CA Cabinet for the full Business Case for Phase1 of the line, the Metro extension to Washington. The delivery of the line was a key pledge within the Mayor's Manifesto and is outlined with the North East CA Corporate Plan – it will be catalytic to the wider re-opening of the full extent of the line. All work to date has identified and underlined the economic potential of the corridor and now we seek to fully define how the potential of the opportunities can be maximised.

3. Mobilising Strategy

3.1 There will be a need to bring forward the capacity across the area, working in partnership with LAs, stakeholders and wider partners, to develop the overarching strategy and narrative and the investable propositions underpinning it.

3.2 To drive forward strategy development and engagement at pace it is proposed that funding be allocated to support the development of the strategy and associated artefacts, including research, initial masterplan (including preliminary growth and housing strategies, to be aligned to the wider emerging role for the CA in developing Spatial Development Strategies), a cultural and creative strategy, and new area and spatial maps to illustrate the vision.

3.3 Cabinet is therefore asked to allocate £500k of the North East CA investment fund to deliver the above and to delegate authority to the Chief Executive, in consultation with the Mayor and the Director of Finance and Investment, to procure and enter into contracts with third party support where appropriate within that funding, in accordance with North East CA Financial Regulations, the Single Assurance Framework, policies and procedures.

4. Partnership and Governance

4.1 The work undertaken to date on the rail element of this programme has involved the seven constituent Councils and Central Government Departments, working closely together at a number of different levels. (When in existence, predecessor combined authorities, and Transport North East, were also involved.)

4.2 Building on the excellent transport-focused partnership work undertaken so fa it is proposed to extend the remit of the Investment Corridor work to include collaboration with Local Authorities, relevant Government departments, and agencies such as the Office for Investment and Homes England. The Investment Corridor strategy will be led by the North East CA Director of Finance and Investment, and all financial decisions will be subject to usual assurance framework considerations and delegations.

B. Potential Impact on North East Combined Authority Objectives

1. The Leamside Investment Corridor aligns with and advances the priorities set out in the North East CA's Corporate Plan and Local Growth Plan. The potential for economic growth, regeneration and new housing along the corridor is significant and is mapped in this report to the Mayor's and Cabinet's five missions for the Combined Authority, whilst reintroduction of passenger rail services on the Leamside Line is a key economic priority for the region, identified in the North East CA Devolution Deal and the Mayor's manifesto

C. Key Risks

1. There are no significant risks associated with the investment in developing a strategy for the Leamside Investment Corridor. The strategy work will develop a clear picture of the risks associated with the strategy itself and with further investment in the programme.

D. Financial and Other Resources Implications

1. A total allocation of £500,000 is requested from the Investment Fund. A delivery plan for this will be realised through a business case application from the NECA team. A financial profile will be agreed as part of the delivery arrangements which will subsequently be considered by Finance and Investment Board and final decision delegated to the Chief Executive / Director of Finance and Investment. Like other funding which has been approved by the Combined Authority, project spend will be validated and reported to Cabinet as part of the regular quarterly monitoring report.

E. Legal Implications

1 The Monitoring Officer has been consulted and has no comments to add.

F. Equalities Implications

1 The strategy development will include full consideration of equalities implications. None are noted at this stage.

G. Consultation and Engagement

1 Widespread consultation on the Combined Authority's new Transport Plan (incorporating bringing the Metro to Washington and the Leamside Line reopening) is underway. The type, timing and duration of consultation on the Leamside Investment Corridor itself will be defined as part of the strategy development.

H. Appendices

N/A

I. Background Papers

None

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K. Glossary

None

Cabinet Report

28 January 2025

Title: Housing, Land and Place Regeneration Early Priorities
Report of: Interim Strategic Lead, Economic Growth Directorate
Portfolio: Housing and Land

Report Summary

This report provides an update on the work of the Housing and Land Portfolio, building on initial priorities approved by the North East CA Cabinet in July 2024 and the Mayoral manifesto commitment to deliver good quality and green homes. In total, over £120m of Combined Authority Investment has been made in housing and other capital projects, which is expected to unlock over 3,000 homes alongside employment and regeneration benefits. With current Brownfield Housing Fund resources fully allocated, work is also being undertaken on pipeline development, including seeking opportunities to build more social and affordable homes.

There are opportunities to accelerate this work by taking advantage of proposals recently set out by Government in their English Devolution White Paper. This includes identifying priorities for investment and deepening our partnership with Homes England and to maximise alignment and opportunities for future funding, building on the existing North East Strategic Place Partnership (SPP) agreement.

The report also sets out a proposed scope and next steps to establish a North East High Streets Commission, as an important step towards building a long-term and multi-agency approach that will support the vibrancy of our high streets and town centres. Through cross-portfolio collaboration, led by the Mayor and working with external partners from the public and private sectors, the Commission will learn from the experiences and outcomes of our constituent Local Authorities as well as other stakeholders from the region and further afield. The Commission will then consider how best to support the longer-term regeneration and development of our high streets, including establishing funding models that can leverage in further investment from the private sector. As part of the Trailblazer Devolution Deal, £850,000 funding is earmarked to help plan for delivering lasting transformational change on the high street. Cabinet is asked to agree in principle to the of use this allocation for the establishment of the Commission and the development of its initial priorities for intervention.

Proposals set out in this report are fundamental to unlocking place-based economic growth, maximising infrastructure investment, and delivering more affordable and social housing.

Recommendations

Cabinet is recommended to:

1. Note the progress made to date in respect of delivering Cabinet priorities through the Housing and Land Portfolio, and to endorse the work programme and priorities for 2025 set out in sections 3-5 of the report;

2. Agree to allocate £1m of technical assistance funding to strengthen the business cases and investment readiness of schemes on the North East Strategic Place Partnership housing pipeline and to delegate approval of the final principles, eligibility, scope, delivery and procurement arrangements of the fund to the Chief Executive, in consultation with Finance and Investment Board.

3. Agree to the launch of The North East High Streets Commission in Spring 2025, and:

    a. Delegate approval to the Chief Executive, in consultation with the Mayor and Cabinet, to appoint a Chair and members of the North East High Streets Commission and to agree its terms of reference.
    b. Agree that £700,000 of Trailblazer revenue resources are allocated to build the initial local priorities and inform the development of a programme of intervention for our highstreets, with delegated authority to the Chief Executive to award this funding to the Local Authorities as

delivery partners, in accordance with the North East CA financial regulations and assurance procedures.

c. Agree that £150,000 of Trailblazer revenue funding is allocated to support the establishment, secretariat, evidence base and work of the North East High Streets Commission, with delegated authority to the Chief Executive to take all necessary steps to implement these proposals.

A. Context

1. Background and Policy Context

1.1 The North East CA's Housing and Land Portfolio is responsible for developing approaches for housing, regeneration and strategic regional infrastructure that support regional growth. This approach includes the Mayoral priorities which include unlocking more homes, including more affordable and social housing; taking steps to improve the vitality of our high streets; supporting housing retrofit; and improving local spaces. As set out in more detail in the corporate plan, our approach recognises that unlocking growth in the right locations is fundamental to maximising social and economic impact, investment, and delivering real opportunity for our communities, businesses, and partners.

1.2 Recent Government policy has signalled that Combined Authorities are expected to play an increasing role in addressing housing and strategic planning challenges within their regions and will play a strategic coordination role to enable housing delivery and inclusive economic development. The English Devolution White Paper emphasises the importance of devolution in addressing regional inequalities, supporting sustainable growth, and meeting housing needs. This will require alignment of local priorities with national strategies and policy changes – including the introduction of ambitious new housing targets and wider reforms to the National Planning Policy Framework.

1.3 Government has set out a clear role for combined authorities in enabling housing delivery and making progress toward the Government's 1.5 million new homes target. Key to enabling a coordinated cross boundary approach will be the creation of a spatial framework that promotes balanced growth and aligns with our collective environmental goals and net-zero priorities.

1.4 The Combined Authority, working with the local authorities, will promote alignment across strategic infrastructure investment and ensure that the region leverages significant government funding for investment in regeneration, brownfield development, and urban renewal initiatives as a result of closer strategic collaboration between stakeholders and clarity of vision.

1.5 This paper provides an update on wider progress made to date on the Housing and Land priorities, including the investment of significant brownfield and capital funding that will unlock 3,000 new homes. Finally, the paper provides an updated work programme for the coming year in response to a changing devolution context, including next steps to establish a high streets commission.

2. Delivering Portfolio priorities - progress to date

2.1 The North East Strategic Place Partnership (SPP) between the North East CA and Homes England was launched in October 2024. This agreement outlines our strategic housing priorities and commits to locally-led plans to create new homes, build more social and affordable homes and to support further mixed-use development and regeneration in thriving places across the region. A pipeline of potential sites to support housing development and growth has been developed in partnership with constituent local authorities and the North East Housing Partnership; proposals are set out in this report to invest in strengthening the investment readiness of this pipeline in anticipation of future government funding.

2.2 Building on this existing relationship, and in response to the Devolution White Paper, we will now seek to strengthen the partnership with Homes England as they move towards a more regionalised model. This will include putting in place arrangements to increase their accountability to the Mayor, and the Combined Authority's emerging Local Growth Plan and future Strategic Development Strategy.

2.3 Early impact has also included over £120m of North East CA investment in housing and other capital projects, including through the Brownfield Housing and Capital Regeneration Funds. Investment to date through our Brownfield Housing Fund will unlock over 3,000 homes, with remediation, enabling infrastructure delivery and housing construction underway on several sites resources are now fully committed. This resource has helped to tackle viability issues and unlock stuck or uneconomic brownfield sites, turning them from eyesores into locations for the homes and communities people need. This investment has been crucial to take forward local place making and infrastructure investment that meets local and regional growth priorities, and dialogue has commenced with Government on a potential further phase of funding through the forthcoming Comprehensive Spending Review.

2.4 Collaboration with Homes England throughout 2024 has seen strategic investment asks developed for our largest brownfield sites, including Forth Yards (a funding request of over £100m for remediation and infrastructure costs to enable development is currently under consideration by Government) and Sunderland Riverside, which secured £30m from Homes England to fund the new Wear Footbridge and public realm improvement as a part of wider regeneration of the area.

2.5 Work is ongoing with the North East Housing Partnership (a partnership of social housing providers across the region) to build more social and affordable homes, and through the SPP we are taking forward work to consider new delivery mechanisms and ways to collaborate on pipeline development and joint investment, including looking at neighbourhood renewal areas and large scale clearances. This is within a context of continuing challenges in housing and regeneration delivery in the region, compounded by low land values.

2.6 We have been working with constituent local authorities to understand local growth priorities, constraints and housing needs and to deliver on agreed priorities including developing plans for homelessness prevention, housing retrofit and driving up housing quality. This collaboration with constituent authorities includes early work to develop a collaborative approach to increasing the pace of cladding remediation on high rise buildings, in response to a request from Government for all combined authorities to help coordinate a regional approach in their area, working with Fire Authorities and constituent Local Authorities. Cabinet members will be updated on these areas throughout 2025.

3. Housing and Land Early Priorities and Work Programme for the Coming Year

3.1 The following will be key areas of focus for the Housing and Land Portfolio in 2025:

i. Delivering and strengthening the Strategic Place Partnership (SPP) agreed with Homes England, and to develop a regional housing and regeneration pipeline;

ii. Establishing the North East High Streets Commission.

Sections 4 and 5 set out the context and next steps in relation to the above priority areas.

4. Strengthening our partnership with Homes England and developing the regional housing and regeneration pipeline

4.1 The English Devolution White Paper confirms that Government supports strengthened and deepened partnerships between combined authorities and Homes England. We will seek to build on our existing Strategic Place Partnership and move towards a regional place-based operating model. This model will set the direction for future affordable housing and housing infrastructure funding programmes deployed in the region, including ensuring these funds deliver the tenure mix required and bring forward those priority sites identified within the SPP pipeline. Key to this will be greater accountability of Homes England to the Mayor, to maximise our collective resources and to deliver more innovative delivery models. Our ambition is to adopt a 'commissioning approach' where Homes England have a clear responsibility to deploy available funds on regionally agreed priorities.

4.2 To be in the strongest position possible to direct future national and devolved housing, regeneration and infrastructure funding, work is needed urgently to strengthen the pipeline for housing growth and wider enabling infrastructure needs. To deliver at scale and unlock more brownfield land and unviable sites, we need to fully understand the remediation, constraints, market failures, viability, investment requirements and market and investor appetite for the long term phased approaches required.

4.3 It is proposed that a technical capacity fund is established to provide the technical assistance, appraisal and business case development resources required to take our ambition forward. This fund will match Homes England Revenue funding where available. It will fund activity including site and market assessment, with the objective of de-risking pipeline schemes and developing propositions for future devolved funds that support the principles of the Local Growth Plan, CA Corporate Plan, and the SPP.

4.4 Cabinet is asked to allocate up to £1m to support this work and to delegate approval of the principles, eligibility and scope of the fund to the Chief Executive in consultation with Finance and Investment Board.

Next Steps

4.5 Working with Homes England and stakeholders, the housing pipeline will be reviewed, with priorities identified to take forward next steps on site-by-site basis. This will include technical due diligence to assess viability, site needs and what is required to address market failures and constraints in a wider place-based approach, considering phasing and timescales. This will help us to better understand the scale of the opportunity and investment required to unlock growth and remediate land.

4.6 Following this initial assessment, the Strategic Place Partnership will then consider more detailed milestones to direct and shape the delivery of the housing pipeline. This will lead to the development of a robust and ongoing pipeline that can unlock development of new infrastructure and new homes. Working towards establishing a rolling programme that will help mitigate future delivery risks once further government funds are announced. We want to build on our brownfield housing fund delivery track record and unlock more unused brownfield sites to support core growth priorities across the region.

5. Establishing the North East High Streets Commission

5.1 We know that towns and high streets across the country have changed significantly in recent years and have struggled to keep pace with significant changes in consumer behaviour, largely due to increases in online shopping habits. However, while many are struggling, high streets remain a focal point of local communities and the day-to-day lives of many residents - they continue to be the core of the foundational economy and provide local access to services, jobs, transport hubs, community infrastructure and spaces in which to socialise.

5.2 The establishment of a High Streets Commission is a mayoral manifesto commitment and a priority in the Corporate Plan. It will be critical in building understanding of the ongoing challenges facing our high streets and wider place regeneration, from disinvestment to high vacancy rates and anti-social behaviour. The following context captures the scale of the challenge today:

- Year on year, footfall on UK high streets declined for over a decade before the pandemic.
- Nationally, c.40% of retail floorspace is currently surplus to requirements.
  This translates into about one in seven shops on the high street sitting empty.
- Four in every five retailers expect to make more store closures in future.
- No area is immune, but the impact tends to be greater in areas with higher levels of deprivation.
- Between 2015 and 2020, £137m of business rates were lost as a result of unused premises[1].

5.3 In recent years, Government has provided funding to councils via initiatives such as ‘The Future High Streets Fund’, ‘Town Deal’ and the ‘Long Term Plan for Towns.’ At a local level, North of Tyne CA (NTCA) also provided support via initiatives such as the Place Innovation Programme. These interventions have enabled test and learn approaches to high street repurposing, enabling the acquisition of land and property, and provision of support for small businesses and community

[1] www.chroniclelive.co.uk

organisations. However, the relatively small scale of these projects and predominant focus on public sector funding have not provided for the scale of innovation needed to reimagine our high streets and develop more sustainable models.

5.4 As part of the NE Trailblazer Devolution Deal, £850,000 of funding was earmarked to plan for delivering lasting transformational change on the High Street. It is proposed that this funding be used to establish the Commission; to develop initial priorities and to co-develop with investors new funding models that could unlock the resources needed for a first phase of targeted intervention. It is proposed that £700,000 of this funding is allocated to Local Authorities to build the initial local priorities and inform the development of a programme of interventions, with £150,000 being used to establish the High Streets Commission and to take forward the next steps. The £150,000 will used to support the work of the commission, alongside specialist external support to develop appropriate regional evidence and funding models, in line with the priorities determined by the Commission.

5.5 The Commission will be advisory and bring together key partners, investors and sector specialists to develop a long-term plan for our towns and high streets. It will work with communities, stakeholders and placemaking experts to consider what incentives, initiatives and housing can be built around high streets and how a reliable public transport network can help them to thrive. By bringing together partners from the public and private sector, it is envisaged that the commission will consider opportunities to leverage in further investment from the private sector. To continue the work of establishing The Commission at pace, final agreement of the terms of reference and its membership is recommended to be delegated to the Chief Executive, in consultation with the Mayor and Cabinet. The Mayor and Cabinet will receive regular updates on the progress of the establishment and work of The Commission.

5.6 The Commission will reflect on the impact of interventions across the region and further afield to date and will also:

- **Provide a focal point for multi-agency collaboration**, led by the Mayor and a high-profile expert co-chair.
- **Articulate the scale of the challenge and co-ordinate evidence of need and opportunity** – including where strategic regeneration is already underway in places such as North and South Shields, Horden, Blyth and Gateshead.
- **Set regional ambition,** determine the North East CA long term investment priorities and an initial programme of strategic interventions.
- **Act as a conduit** for independent advice for the Mayor and Cabinet.
- **Drive cross sector innovation** including in financial vehicles**,** policy levers/new powers, and the investment and delivery mechanisms required to deliver a strategic approach to the issue.
- **Engage / influence Government** on the back of clear priorities and actionable investment proposals. Developed in parallel with the Local Growth Plan and with input from our Local Authorities and communities, an ambitious and integrated place-based regeneration approach would be realised.

Developing an Early Evidence Base and Priorities

5.7 The challenges facing high streets are well-researched, and the Commission will not focus on replicating this work where it does not advance our understanding of potential solutions. Instead, the Commission will provide cross-regional collaboration and scale to address common challenges while recognising that local circumstances also matter, and that a significant divergence in outcomes and opportunities in places must be recognised in designing effective interventions.

5.8 The Commission's approach will be centred around medium to longer term place regeneration and the role of alternative use and mixed development, including housing, in securing the sustainability of high streets and places. As a result, it will consider wider geographical areas, beyond the immediate footprint of a single high street, and will consider the wider regeneration of places, including different catalysts for regeneration, such as the re-location of public estate, and the wider interventions needed beyond capital investment; for example, in business support and skills.

5.9 Early engagement is being undertaken with Local Authority and other partners to start the process of identifying potential locations for intervention and/or complementary investments; for example, the proposed South Tyneside College relocation to South Shields which would drive transformational change for the town centre. Building on best practice, the following broad principles will be taken into consideration during this work:

- Ensuring that strong community engagement is embedded in plans, recognising the strengths of our places.
- Prioritising community-led solutions and purpose-driven businesses.
- Coordinating residential opportunities within strategic plans for towns and high streets.
- Focussing on the foundational economy as a key driver for success.
- Recognising the importance that heritage / culture can play in rejuvenating a place.
- Supporting redevelopment and reuse projects that bring empty properties back into use, consolidating/reconfiguring retail units and encouraging/supporting new uses.
- Improving active travel options that encourage people to walk/ cycle/ wheel.
- Integrating coherent public transport services that enable more people to arrive by public transport.
- Considering the environmental impacts of schemes, looking to 'build-in' features to help mitigate increased rainfall/heatwaves.
- Considering biodiversity and including planting and green capital as standard when developing public realm improvements.
- The requirement for Equality Impact Assessments early in the process of designing plans of work.

5.10 Lessons learned from each authority, including feedback from their local engagement to date and the rationale behind their planned interventions and subsequent outcomes, will be presented to the Commission, to assist in the shaping of their early priorities and ambitious economic model for our high streets.

5.11 In addition to this work with our local authorities, a programme of roundtables across the region is to be convened by Voluntary Organisations Network North East (VONNE). Delivered via additional funding via a Strategic Partnership between the North East CA and Power to Change, these will be held in established community spaces and will gather further views of community businesses and socially trading organisations as to how they could play a key role in high street invigoration. A report capturing the findings will then be produced and presented to the Commission.

Timescales and Next Steps

5.12 The Chief Executive, in consultation with the Mayor and Cabinet will be responsible for approving the final scope and terms of reference for The Commission and the appointment of the Chair and members..

5.13 Following the establishment of the Commission in February, its first step will be to work with Local Authorities to agree priority locations – which will typically extend beyond a single high street and will focus upon the development of locally-led priorities, working with residents and business in those areas. £700,000 in total will be allocated to Local Authorities to support this proposition development. This work will lead to a short list of proposals that could bring purposeful and impactful action to these locations, and form a holistic plan for intervention which has some 'in principle' interest from the investor community (to be secured through the Commission's engagement with target investors).

5.14 Cabinet will be informed of detailed milestones for the first year of operation of the Commission, once the chair and members have been appointed and have developed the objectives and proposed approach.

B. Impact on North East Combined Authority Objectives

All funded activity will contribute to progressing the Mayor's and Cabinet's priorities to support integrated place-based growth which have been set out in the Mayoral Manifesto and the North East CA Corporate Plan and devolution deals.

C. Key risks

Principal risks associated with the activity have been set out in the report. A full risk assessment will be completed as part of the North East CA Single Assurance Process as detailed funding proposals are developed.

D. Financial and other resources implications

The table below sets out the funding implications of this report – the below tables relate to the priorities set out in sections 4 and 5 of the report.

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Strategic Place Partnership Pipeline Development and Technical Assistance Fund		400,000	200,000	200,000	200,000	**1,000,000**
Highstreet Commission – Trailblazer revenue funding	100,000	750,000				**850,000**
Total	**100,000**	**1,150,000**	**200,000**	**200,000**	**200,000**	**1,850,000**

Trailblazer revenue funding (£850,000) proposed to support the high street commission was secured from Government in 2024 following the Trailblazer devolution deal process. The remaining £1m detailed above will be funded through the North East CA Investment Fund, unless other funding is received from Government, in which case the latter will take precedence.

E. Legal implications

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

F. Equalities Implications

The North East CA complies with the Public Sector Equality duty and is conscious of the need to achieve the objectives set out under s149 of the Equality Act 2010. In June 2024 the North East CA adopted equality objectives to reflect the different roles of the Combined Authority as an employer, a commissioner and deliverer of services, and a civic leader.

Equality implications will be considered as part of the Assurance Process, with impact assessments undertaken as part of specific policy and project areas or as individual business cases come forward.

G. Consultation and engagement

Ongoing engagement and consultation has taken place with all constituent Local Authorities throughout the development of the early interventions of the High Streets Commission.

H. Appendices

None

I. Background papers

Background note / reading on Towns and High Streets attached.
English Devolution White Paper - GOV.UK
National Planning Policy Framework - Guidance - GOV.UK
Remediation Acceleration Plan - GOV.UK

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K. Glossary

'The Commission': The North East High Streets Commission

Cabinet

28 January 2025

Title:	**2024-25 Budget Monitoring Position Update**
Report of:	**Mags Scott, Director of Finance and Investment**
Portfolio:	**All Portfolios**

Report Summary

The purpose of this report is to present the Mayor and Cabinet a revised budget position for 2024/25, showing the updated forecast spend for the North East Combined Authority's Corporate Budget and delivery programmes.

The report will also identify any further updates expected to impact on either the corporate or service delivery planned budgets in 2024/25. These will require budget realignments to be processed once approved.

Recommendations

Cabinet is recommended to:

1. Note the updated corporate budget position for 2024/25;
2. Note the planned funding and commitment levels for the delivery programme; and
3. Approve the planned budget updates.

1. Introduction

1.1 Following the laying of the statutory order (the order) to create the North East Combined Authority (North East CA), the Authority came into existence on 7 May 2024. The order provided for the creation of the North East CA, with the necessary arrangements that the North of Tyne Combined Authority and the former North East Combined Authority approving the first budget and corporate plan prior to its creation on 7 May.

2. Revised Corporate Budget Plan 2024/25

2.1 The 2024/25 budget is an 11-month plan that spans the period from 7 May 2024 to 31 March 2025. The initial budget plan was reviewed by North East CA management, with a revised Corporate Budget presented to Cabinet in November 2024 for approval.

2.2 Table 1 shows the initial and revised budgets as reported to Cabinet in November 2024.

Table 1	Initial Budget 2024/25 £m	Revised Budget 2024/25 £m	Approved Realignment £m
Employees	13.110	14.250	**1.141**
Premises	0.632	0.433	**(0.198)**
Transport	0.008	0.008	**0.000**
Supplies and Services	89.919	92.409	**2.490**
Third Party Payments	0.399	0.399	**0.000**
Central Support and Other Recharges	13.896	13.896	**0.000**
Total Expenditure	**117.963**	**121.396**	**3.433**
Contributions Summary	(101.023)	(103.301)	**(2.278)**
Grant	(4.813)	(5.150)	**(0.337)**
Interest Summary	(1.730)	(1.730)	**0.000**
Other Income Summary	(0.016)	(0.834)	**(0.818)**
Recharges	(0.509)	(0.509)	**0.000**
Total Funding	**(108.091)**	**(111.524)**	**(3.433)**
Funding towards costs from Tyne Tunnel	(9.872)	(9.872)	**0.000**
Net Budget	**0.000**	**0.000**	**0.000**

3. Forecast Position for the Corporate Budget

3.1 Forecast spend vs budget has been reviewed and updated via budget meetings with heads of service over November and December.

3.2 Staffing costs budgets were set before the impact of the pay awards was known. The contingent value already included in the budget (£0.468m) broadly equal to the additional costs arising from the pay award. Further detail is given in section 4.1.

3.3 The forecast spend against the corporate budget suggests an overall underspend of £0.755m. The reasons for the budget variances can be summarised as follows:

a) Staff vacancies resulting in an underspend of £0.973m due to higher-than-expected staff turnover or posts held vacant in whilst funding clarified.
b) Staffing also includes £0.100m of contingent spend for set up costs of the Connect to Work programme. This is offset by £0.100m grant funding.
c) Higher recruitment costs, with a forecast overspend of £0.100m.
d) Additional transition costs in relation to consolidating offices at the Lumen of £0.050m.
e) Communications and marketing for media management overspend of £0.038m.
f) Procurement support from partner authorities is expected to cost £0.030m more than planned.

3.4 The forecast position against budget is set out in Table 2, including the savings and pressures detailed in 3.3. Detail of these variances by Directorate can be found in appendix A.

Table 2	Revised Budget 2024/25 £m	Forecast 2024/25 £m	Variance £m
Employees	14.250	13.377	**(0.873)**
Premises	0.433	0.483	**0.050**
Transport	0.008	0.008	**0.000**
Supplies and Services	92.409	92.547	**0.138**
Third Party Payments	0.399	0.429	**0.030**
Central Support and Other Recharges	13.896	13.896	**0.000**
Total Expenditure	**121.396**	**120.741**	**(0.655)**
Contributions Summary	(103.301)	(103.301)	**0.000**
Grant	(5.150)	(5.250)	**(0.100)**
Interest Summary	(1.730)	(1.730)	**0.000**
Other Income Summary	(0.834)	(0.834)	**0.000**
Recharges	(0.509)	(0.509)	**0.000**
Total Funding	**(111.524)**	**(111.624)**	**(0.100)**
Net Budget	**4.049**	**1.474**	**9.872**
Funding towards costs from Tyne Tunnel	(9.872)	(9.872)	**0.000**
Net Budget	**0.000**	**(0.755)**	**(0.755)**

3.5 Work with the directorate management teams to mitigate these variances is ongoing.

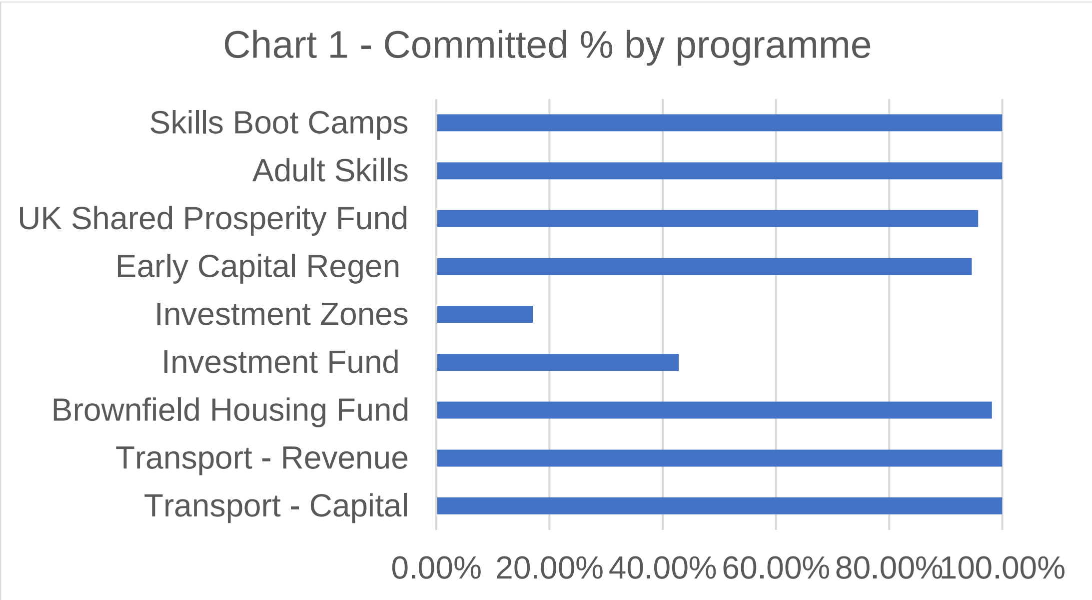
4. Programme Delivery

4.1 The five-year planned programme delivery was reported to Cabinet on 26 November 2024 with a total forecast spend of £1,421.846m (£1.4bn). This value was split between revenue spend of £681.781m and capital spend of £740.085m. The next programme delivery update to Finance and Investment Board is due in February 2025, after this report is prepared. Table 3 shows the summary 5-year planned spend for the overall programme.

Table 3	5-Year Plan £m
Revenue:	
Investment Fund	51.152
Legacy Investment Fund	65.680
Investment Zones	8.890
Enterprise Zones	71.957
Transport- Revenue	93.640
Adult Skills Funding	307.422
Skills Bootcamps	44.385
Free Courses for Jobs	8.347
UKSPF and Multiply	30.288
Total Revenue	**681.761**
Capital:	
Investment Fund	81.200
Brownfield Housing Fund	41.574

Early Capital	69.605
Investment Zones	18.303
Transport (inc Metro Flow)	517.932
UKSPF and Multiply	11.471
Total Capital	**740.085**
TOTAL PLANNED SPEND	**1,421.846**

4.2 Over the 5-year programme plan, committed spend is an 81.59% average across all programmed works, as shown in chart 1 below.



4.3 Forecast expenditure on the delivery programme for 2024/25 is £407.747m, of which £138.768m has been paid out. The overall programme delivery for 2024/25 is still reported as on track, though some projects have been flagged as being at risk of slippage. Plans are being made by service teams to mitigate this by maximising delivery in the last quarter of the financial year.

4.4 The next Finance and Investment Board will consider proposals put forward by the Technical Officer Group (TOG). This group is made up of relevant officers of the Authority and the seven constituent authorities. TOG functions as an advisory panel to the North East CA Cabinet, Finance and Investment Board, or the designated officer in line with agreed delegations, in respect to investment decisions on funding programmes operated by the North East CA, including (but not exclusive to), the North East CA Investment Fund.

4.5 TOG previously agreed (28 November 2024) that the following investment decisions be taken to Finance & Investment Board in January 2025, then to Cabinet for confirmation:

- Bus Service Improvement Plan (BSIP) Safe and Accessible Bus Stop
- Bus Service Improvement Plan (BSIP) Customer Experience

4.6 TOG also agreed (19 December 2024) that the following be considered by Finance & Investment Board before being reported to Cabinet:

- Made Smarter one-Year Extension 2025/26
- North East Fund Ltd UKSPF Supplementary Funding
- Bus Service Improvement Plan (BSIP) Bus Priority Infrastructure
- Plans for UKSPF Transition Year 2025/26
- UK Shared Prosperity Fund: Regional transition year arrangements for 2025/26
- Investment Zones Wave 1 – NETPark Phase 3a

4.7 Several investment decisions were approved via delegated decision in November and December 2024. These include:

- North East Energy Accelerator Grant Funding Agreements
- UKSPF Localised Business Provision
- Transforming Cities Fund: East Gateshead Local Cycling and Walking Infrastructure Plan (LCWIP) Phase 1
- Common Room for the Great North - £130k Grant support from Investment Funds

4.8 Go Ultra Low North East (GUL) - replacement contract of the GUL legacy project will go to the Finance and Investment Board in January 2025 for a delegated decision prior to tender, with the aim of selecting a provider from the NEPO framework for a 7 year contract, with the aim of a successful handover between current and new providers in May 2025.

5. Budget Updates

5.1 As discussed in section 3.2, the Authority's staff have now received pay awards with final back-dated payments (for April to November) made in December 2024. The initial budget plan set aside £0.468m for pay awards, which was held as a contingent budget to be allocated based on forecast need. Preliminary forecasts show an expected requirement of £0.512m, just under £0.044m more than budgeted. These forecasts will be confirmed between finance and the directorate management teams, then the relevant budget will be realigned, with any increased requirement taken from the general contingency established to meet unforeseen pressures.

5.2 The Department of Work and Pensions has offered the Authority £10m per year for a Trailblazer programme to run alongside the £49m Connect to Work Programme. As part of the Trailblazer offer, £0.100m funding can be drawn forward to implement the new programme. The proposed plan is to bring in resource to help design the DWP Trailblazer programme, as detailed below.

5.3 As set out in the Autumn Budget (October 2024) and Get Britain Working White Paper (November 2024) building a thriving and inclusive labour market and increasing the number of people in work is central to growing the economy. Economic Inactivity Trailblazers are one of a suite of measures intended to provide opportunities for residents to participate and progress in work. DWP has committed £125m to mobilise eight trailblazer areas in England and Wales that will bring together and streamline health, employment and skill services to improve the support available for people who are economically inactive.

5.4 As part of the eight inactivity trailblazers, the North East is one of three areas that has been selected to deliver joint activity with the NHS. The North East and North Cumbria Integrated Care System (NENC ICS) has been selected as an NHS England Health and Growth Accelerator and will develop evidence of the impact of targeted action on the top health conditions driving economic inactivity. North East CA will work in partnership with the NENC ICS to maximise and integrate the existing and emerging work, health and skills offer to tackle economic inactivity.

5.5 The North East CA will receive up to £10m for delivery over the 2025/26 financial year. The exact funding envelope will be agreed with DWP once a delivery plan has been agreed, and accordingly an update will be provided to Cabinet in March 2025. The £0.100m funding in 2024/25 will be used to construct a delivery plan to bring in the full £10m.

B. Impact on North East Combined Authority Objectives

The Initial Corporate Plan – informed by the Devolution deals together with the Mayor's Manifesto – set out the developing strategic objectives of the authority. Budget monitoring is part of the process that ensures the North East CA has properly discharged its functions and thereby assists in delivering the Authority's vision, policies, and priorities.

C. Key risks

There are no specific risks relating to this report other than those highlighted in the above report.

D. Financial and other resources implications

This is a financial report with associated implications set out in the detail of the report.

E. Legal implications

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

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

F. Equalities Implications

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

G. Consultation and engagement

The creation of the Authority has been subject to significant and regional consultation. The 2024/25 budget was subject to wide consultation across the North East. The overall devolution proposals were developed from close collaborative working across the local authorities and specifically the LA7 Chief Executives, Finance Directors and Economic Development Directors and a wide range of stakeholders and the public. Further joint working has been undertaking since the Mayor was elected on the development of the Local Growth plan. Engagement continues among key stakeholders across the region.

H. Appendices

Appendix 1 – Updated 2024-25 Budget Forecast by Directorate

I. Background papers

Cabinet report on finance at 26 November 2024

23 January Report to the former North East Combined Authority :North East Mayoral Combined Authority 2025-2029 Draft Corporate Plan, Draft Budget and Medium-Term Financial Plan Proposals

J. Contact officer(s)

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K. Glossary

Not required.

Appendix A – Corporate Budget Forecasts by Directorate

Revised Corporate Forecast for 2024/25

Category	B91001-Operations £m	B91002-Finance & Investment £m	B91004-Economic Growth & Regeneration £m	B91003-Skills, Inclusion & Public Reform £m	B91005-Transport £m	B91000-Chief Executive £m	**Grand Total £m**
Employees	3.021	2.248	1.914	2.570	2.578	1.047	**13.377**
Premises	0.483						**0.483**
Transport					0.008		**0.008**
Supplies and Services	0.913	1.593	1.463	0.057	88.488	0.033	**92.547**
Third Party Payments		0.042			0.387		**0.429**
Central Support and Other Recharges	0.401	11.685			1.780	0.030	**13.896**
Total Expenditure	**4.818**	**15.567**	**3.377**	**2.627**	**93.241**	**1.110**	**120.741**
Contributions Summary	(0.288)	(10.865)			(92.029)	(0.120)	**(103.301)**
Grant		(1.860)	(2.407)	(0.100)	(0.883)		**(5.250)**
Interest Summary		(1.730)					**(1.730)**
Other Income Summary	(0.149)			(0.090)	(0.595)		**(0.834)**
Recharges					(0.509)		**(0.509)**
Total Funding	**(0.437)**	**(14.455)**	**(2.407)**	**(0.190)**	**(94.015)**	**(0.120)**	**(111.624)**
Net Forecast	**4.049**	**1.474**	**1.303**	**2.791**	**(0.758)**	**1.013**	**9.872**
Net Forecast		(9.872)					**(9.872)**
	4.049	**(8.399)**	**1.303**	**2.791**	**(0.758)**	**1.013**	

Appendix A – Corporate Budget Forecasts by Directorate

Revised Corporate Budget for 2024/25

Category	B91001-Operations £m	B91002-Finance & Investment £m	B91004-Economic Growth & Regeneration £m	B91003-Skills, Inclusion & Public Reform £m	B91005-Transport £m	B91000-Chief Executive £m	**Grand Total £m**
Employees	3.258	2.258	2.247	2.824	2.594	1.070	**14.250**
Premises	0.433	0.000	0.000	0.000	0.000	0.000	**0.433**
Transport	0.000	0.000	0.000	0.000	0.008	0.000	**0.008**
Supplies and Services	0.775	1.593	1.463	0.057	88.488	0.033	**92.409**
Third Party Payments	0.000	0.012	0.000	0.000	0.387	0.000	**0.399**
Central Support and Other Recharges	0.401	11.685	0.000	0.000	1.780	0.030	**13.896**
Total Expenditure	**4.867**	**15.547**	**3.710**	**2.881**	**93.257**	**1.133**	**121.396**
Contributions Summary	(0.433)	(10.999)	(0.075)	0.000	(92.029)	(0.120)	**(103.655)**
Grant	0.000	(1.860)	(2.407)	(0.200)	(0.883)	0.000	**(5.350)**
Interest Summary	0.000	(1.730)	0.000	0.000	0.000	0.000	**(1.730)**
Other Income Summary	(1.067)	0.000	0.000	(0.090)	(0.595)	0.000	**(1.752)**
Recharges	0.000	0.000	0.000	0.000	(0.509)	0.000	**(0.509)**
Total Funding	**(1.500)**	**(14.589)**	**(2.482)**	**(0.290)**	**(94.015)**	**(0.120)**	**(112.996)**
Funding towards costs from Tyne Tunnel		(9.872)					**(9.872)**
Net Budget	**4.049**	**(8.399)**	**1.303**	**2.791**	**(0.758)**	**1.013**	**0.000**

Appendix A – Corporate Budget Forecasts by Directorate

Variance to Corporate Budget for 2024/25

Variance	B91001- Operations £m	B91002- Finance & Investment £m	B91004- Economic Growth & Regeneration £m	B91003- Skills, Inclusion & Public Reform £m	B91005- Transport £m	B91000- Chief Executive £m	**Grand Total £m**
Employees	(0.237)	(0.010)	(0.333)	(0.254)	(0.016)	(0.023)	**(0.873)**
Premises	0.050						**0.050**
Transport							**0.000**
Supplies and Services	0.138						**0.138**
Third Party Payments		0.030					**0.030**
Central Support and Other Recharges							**0.000**
Total Expenditure	**(0.049)**	**0.020**	**(0.333)**	**(0.254)**	**(0.016)**	**(0.023)**	**(0.655)**
Contributions Summary							**0.000**
Grant				(0.100)			**(0.100)**
Interest Summary							**0.000**
Other Income Summary							**0.000**
Recharges							**0.000**
Total Funding	**0.000**	**0.000**	**0.000**	**(0.100)**	**0.000**	**0.000**	**(0.100)**
Net Budget	**(0.049)**	**0.020**	**(0.333)**	**(0.354)**	**(0.016)**	**(0.023)**	**(0.755)**
0		0.000					**0.000**
Net Budget	**(0.049)**	**0.020**	**(0.333)**	**(0.354)**	**(0.016)**	**(0.023)**	**(0.755)**

Cabinet
28 January 2025

Title:	**North of Tyne Combined Authority and the former North East Combined Authority 2023-24 Statements of Accounts**
Report of:	**Mags Scott, Director of Finance and Investment**
Portfolio:	**All Portfolios**

Report Summary

The purpose of this report is to present Cabinet with the Draft Statements of Accounts for the period ended 6 May 2024 for both the former North of Tyne Combined Authority (NTCA) and the former North East Combined Authority (NECA). The report covers the regulations under which the Statements of Accounts are prepared and details the items included within them.

At the time of writing this report, the audits of the NTCA and NECA accounts are not complete. The auditors will report to the 18 February 2025 Audit and Standards Committee with the expectation that the audits will be complete by end of February 2025.

Recommendations

1. To note the two sets of Statements of Accounts for the period ended 6 May 2024, including the Narrative Reports and Annual Governance Statements in line with Audit and Accounting Regulations 2015 as presented.

2. Authorise the Director of Finance and Investment, in consultation with the Mayor, Chief Executive and chair of the Audit and Standards Committee, to agree to any final amendments or changes to the two sets of Statements of Accounts for the period ended 6 May 2024, including the Narrative Reports and Annual Governance Statements and thereafter to approve the same.

A. Context

A. Statements of Accounts and Audit

1.1 The Statements of Accounts sets out the financial performance of the previous Combined Authorities for the period 1 April 2023 to 6 May 2024, and their financial positions as at 6 May 2024. 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 of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the code).

1.2 The Statement of Accounts for each of the former Combined Authorities includes:

- Annual Governance Statement
- Narrative Report
- The Statement of Accounts

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

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

1.5 The North East Mayoral Combined Authority (Establishment and Functions) Order 2024 which created the new combined authority (North East CA) determined that in relation to the financial year beginning with 1 April 2023, the statements of accounts for the former combined authorities should be prepared as though that financial year had ended on 6 May 2024. The Statements of Accounts presented therefore cover the period from 1 April 2023 to 6 May 2024, a period of 12 months and 26 days. In preparing the Statements of Accounts at 6 May 2024, the following critical judgements were adopted by management:

- Pension entries in relation to International Accounting Standard 19 (IAS 19) for the period to 6 May 2024 were based upon reports obtained from the pension actuaries as at 6 May 2024.
- Loans and investments balances were obtained as at 6 May 2024.
- Cash and cash equivalents were accounted for on the basis of the actual position as at 6 May 2024.
- Usable and unusable reserves were accounted for on the basis of the actual position as at 6 May.
- Non-current asset values at 31 March 2024 were updated to reflect any additions in the period 1 April to 6 May and depreciation provided for the period 1 April to 6 May on an estimated straight line basis.
- April and May 2024 transactions were examined and estimates of income and expenditure for the period 1 April 2024 to 6 May 2024 were included in the Comprehensive Income and Expenditure Statement.

1.6 The Combined Authorities had a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:

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

1.7 Cabinet are aware that capacity in the Local Audit market has been such that, as at 31 December 2023, the backlog of audit opinions, across the country, stood at 771. Consultation to consider a solution to that backlog was undertaken, with an approach proposed by the new Government in July 2024. The proposals included what are now referred to as “backstop dates” being put into law, being the dates by which the audit opinions must be issued. Those dates are:

- Financial years up to and including 2022/23: 13 December 2024 (previously 30 September 2024)
- Financial year 2023/24: 28 February 2025 (previously 31 May 2025)
- Financial year 2024/25: 27 February 2026 (previously 31 March 2026)
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

1.8 To meet the backstop dates, auditors will issue an opinion based on the work they have been able to complete. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed. The definitions are set out below:

- Unqualified Opinion: The auditor obtains sufficient evidence to support a view that the financial statements are materially accurate and a fair representation of the financial position.
- Qualified Opinion: Specific issues exist, but overall statements are accurate.
- Adverse Opinion: Significant misstatements; financials are not reliable.
- Disclaimer of Opinion: Insufficient evidence to form an opinion.

The Local Audit market anticipate the proposed backstop date is likely to result in significant numbers of modifications or disclaimers of the audit opinion for financial years up to and including 2023/24.

1.9 Where authorities are impacted by the backstop, the implications are likely to be significant, as it will take time to rebuild the assurance if an audit has not been completed for one or more years – where there is a qualified or disclaimed opinion in one year, some future form of qualification or disclaimer is likely to occur in the following years. National Audit Office (NAO) has now published a suite of guidance for auditors – LARRIGs (Local Audit Reset and Recovery Implementation Guidance).

1.10 There are implications for the final 2023/24 Statement of Accounts of the former Combined Authorities with risks then flowing through to the new Combined Authority and the potential impact on its audit opinion in future years if we are unable to achieve unqualified audit opinions for 2023/24 for the predecessor organisations.

1.11 A number of steps have been taken to mitigate that risk. These include:

- Early engagement with the external auditors on the approach taken for the period 1 April 2023 to 6 May 2024 in respect of the preparation of group accounts.
- Weekly meetings with external auditors during the period of the audit.
- Additional resources made available to ensure timely responses to information requests.

1.12 This report requests a delegation to the Director of Finance and Investment, in consultation with the Mayor, Chief Executive and the Chair of Audit and Standards Committee, to agree to any final amendments or changes to the two sets of 2023/24 Statements of Accounts, Narrative Statements and Annual Governance Statements as a result of finalisation of the external audit, and thereafter to approve the same.

B. Impact on North East Combined Authority Objectives

1. There are no impacts of the objectives of the North East Combined Authority

C. Key Risks

1. The key risks are set out in the details of the report. There are no risks noted in the granting of the delegation; rather there is risk to future sets of financial statements should clean audit opinions not be achieved.

D. Financial and other resources implications

1. The Statement of Accounts were prepared by new North East Combined Authority with the support of SLA provision from both North Tyneside Council and Durham County Council.

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. Due to the amended year end of 6 May the former NECA accounts were published in November 2024 and the former NTCA accounts were published in December 2024.

F. Equalities implications

1. There are no equality implications arising from this report.

G. Consultation and engagement

1. The draft Statement of Accounts were published on the NECA website for public inspection from 29 November 2024 to 10 January 2025 for the former NECA Accounts, and from 5 December 2024 to 16 January 2025 for the NTCA Accounts.

2. The Mayor and Chief Executive have been consulted on the draft Statement of Accounts and a presentation on the 2023-24 Annual Governance Statement and Key Statements from the 2023-24 draft Statement of Accounts given to Audit and Standards Committee Members at a briefing in November 2024.

H. Appendices

- NECA Annual Governance Statement (Appendix A)
- NECA Narrative Report (Appendix B)
- NECA Statement of Accounts (Appendix C)
- NTCA Annual Governance Statement (Appendix D)
- NTCA Narrative Report (Appendix E)
- NTCA Statement of Accounts (Appendix F)

I. Background papers

The Accounts and Audit (Amendment) Regulations 2024

J. Contact officer(s)

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K. Glossary

Not required.

ANNUAL GOVERNANCE STATEMENT 2023/24

In partnership with

Durham County Council | Gateshead Council | South Tyneside Council | Sunderland City Council | North East LEP | NEXUS

Annual Governance Statement 2023/24

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 have continued to work together on a number of areas to support the region, including transport. To oversee strategic transport functions a North East Joint Transport Committee was established with members from both Combined Authorities. All seven Local Authorities remained members of the North East Local Enterprise Partnership to deliver the objectives of the regions Strategic Economic Plan.

NECA has responsibility for ensuring that its business is conducted in accordance with the law and proper standards, 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 maintaining 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 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.

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 2024.

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 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 2023/24.

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 has been 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 have reviewed and updated 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 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 as was evidenced by 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 2023/24 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 to support this AGS for 2023/24.

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 and Police.

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 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 2023/24 is that the authority '*continues to have an adequate system of control in place*'. The internal Audit service complies with the CIPFA Statement on the Role of the Head of Internal Audit and the Public Sector Internal Audit Standards. The service receives a regular independent review against these standards, the last being in April 2024 which concluded:

'..the Service is compliant with the requirements of the Public Sector Internal Audit Standards.'

(b) 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.

(c) The activities and operations of the themes (economic development and regeneration, employability & inclusion, and transport & digital connectivity) and significant partnerships through written assurance statements.

(d) The views of the Authority's Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements for 2023/24.

(e) 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.

(f) The Risk Management process.

(g) Performance information which is reported to Leadership Board and other meetings on a regular basis.

(h) 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.

(i) The opinion of the Nexus Chief Internal Auditor for 2023/24 is "*The draft opinion of the Chief Internal Auditor, based on the internal audit work undertaken in year, is that there is an adequate and effective framework of governance, risk management and control.*"

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 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 has constituted the four Local Authority areas south of the River Tyne. The North of Tyne Mayoral Combined Authority constituted the three Local Authority's north of the River Tyne, Newcastle, North Tyneside and Northumberland.

Regional transport is operated and be governed at the seven Local Authority geography through a 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 also hosts 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. No significant weaknesses in governance or internal control were highlighted during 2023/24.

Section 8: Conclusion

We consider the governance and internal control environment operating during 2023/24 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives has been identified and actions taken to avoid or mitigate their impact. The system of internal control have been in place for 2023/24 and are operating as planned.

Head of Paid Service	**Chair of the North East Combined Authority**
Full Name:	**Full Name:**
Signature:	**Signature:**
Date:	**Date:**

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Narrative Report for the Period ended 6 May 2024

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 2023/24 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 period ended 6 May 2024 and its financial position at that date.
- A look ahead to 2024/25 and beyond.

The Statement of Accounts sets out the financial performance of the Authority for the period ended 6 May 2024 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 2024/25, available on the new North East Mayoral CA website (www.northeast-ca.gov.uk) sets out how we will do this in future. The Statement of Accounts accompanying this report looks back at our performance over the period from 1 April 2023 to 6 May 2024. 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 covered 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 continued 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 continued 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 worked 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 required the creation of a new mayoral combined authority for the region. This was 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 would 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 abolished 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 that reason, the financial statements cover the period from 1 April 2023 to 6 May 2024, the date on which NECA was abolished.

Revenue Financial Summary 2023/24

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 £168.557m was lower than the revenue budget of £237.678m due to the reprofiling of some Transport North East project based in particular in relation to the Bus Service Improvement Plan where the 2023-24 funding was awarded late in the year. Income received was £177.551m, which resulted in a net transfer to reserves of £8.994m. This has been carried forward to fund expenditure in 2024/25, particularly on the Transport devolution workstreams.

Table 1: Summary of Revenue Expenditure

	2023/24 Revised Budget	2023/24 Actual	Variance
	£000	£000	£000
Expenditure			
Joint Transport Committee			
- Retained Levy Budget	2.297	2.119	0.178
- Grant to Durham	18.310	18.310	-
- Grant to Nexus	71.383	71.383	-
- Grant to Northumberland	6.994	6.994	-
Tyne Tunnels			
- Contract Payments	31.014	32.047	-1.033
- JTC costs	1.197	1.104	0.093
- Financing Costs	7.230	8.461	-1.231
Other Transport Activity			
- Transport North East Core Budget	0.918	1.008	-0.090
- Transport North East Grants/Revenue Projects	97.212	24.296	72.916
Corporate/Central Budget	1.123	2.835	-1.712
Total Expenditure	**237.678**	**168.557**	**69.121**
Income			
Revenue Grants	-95.664	-24.108	-71.556
Transport Levies	-98.984	-98.984	0.000
Tolls Income	-39.234	-40.989	1.755
Interest/Investment Income	-0.344	-12.210	11.866
Contributions from Constituent Authorities	-0.813	-0.813	0.000
Other Income	-0.260	-0.447	0.187
Total Income	**-235.299**	**-177.551**	**-57.748**
Net Revenue Expenditure to fund from Reserves	**2.379**	**-8.994**	**11.373**

This statement provides a comparison of the outturn position with the NECA (including JTC) revised revenue budget for 2023/24, 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 period has impacted on the Authority's reserves. There has been a decrease in reserves from £217.837m at 31 March 2023 to £190.139m at 31 March 2024, mainly due to a decrease in the capital grants unapplied reserve and earmarked reserves holding revenue grants, following the application of arising from a significant amount of grants being received during 2022-23 being 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 £131,857m (£108.318m in 2022/23). This includes a significant amount of 'Revenue Expenditure Funded by Capital Under Statute' – representing investment in capital assets owned by third parties, not by the Authority itself.

After deducting specific grants and income from fees and charges, the net cost of services was a £80.870m deficit (£15.554m surplus in 2022/23). 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 £126.260m on 6 May 2024, which included £51.903m earmarked reserves (including earmarked revenue grants) and £63.025m capital grants unapplied, representing funds committed to meet expenditure requirements in future years.

3. Treasury Management

The Balance Sheet on page 7 of the accounts shows total external borrowing of £82.730m at the end of the year, which is split between short term borrowing (£1.0760m) and long-term borrowing (£81.654m), after the allocation of part of the transport borrowing to NTCA accounts. This is a decrease compared to the total external borrowing of £94.069m 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 4.25%, which is comparable with the previous year.

The Balance Sheet also shows short-term external investments of £161.478m in the NECA Group accounts at the end of the year compared to £152.694m at the end of the previous year. The total of investments included £51.628m of investments held on behalf of Nexus. A further £18.674m cash equivalents were held on behalf of Nexus. The increase compared to the previous year is due to NECA receiving 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 debtor's balance on 31 March 2023 of £27.161m (£3.277m on 31 March 2023). 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 on 6 May 2024 were £109.304m (£66.212m on 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 (£137.188m total creditor of which £75.349m 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 £2.880m on 6 May 2024, compared with £12.460m on 31 March 2023. The reduction in the net surplus is primarily due to an adjustment to the recognition of the surplus where an asset ceiling has been applied to the value of the surplus in accordance with IAS 19.

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 2023/24. At the end of the year there was an unfunded liability of £0.520m (£0.570m on 31 March 2023).

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 decreased from £217.837m on 31 March 2023 to £190,130m on 6 May 2024. The decrease is due to mainly to an increase in short term creditors arising for grnt payment due.

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 allocated between the two Combined

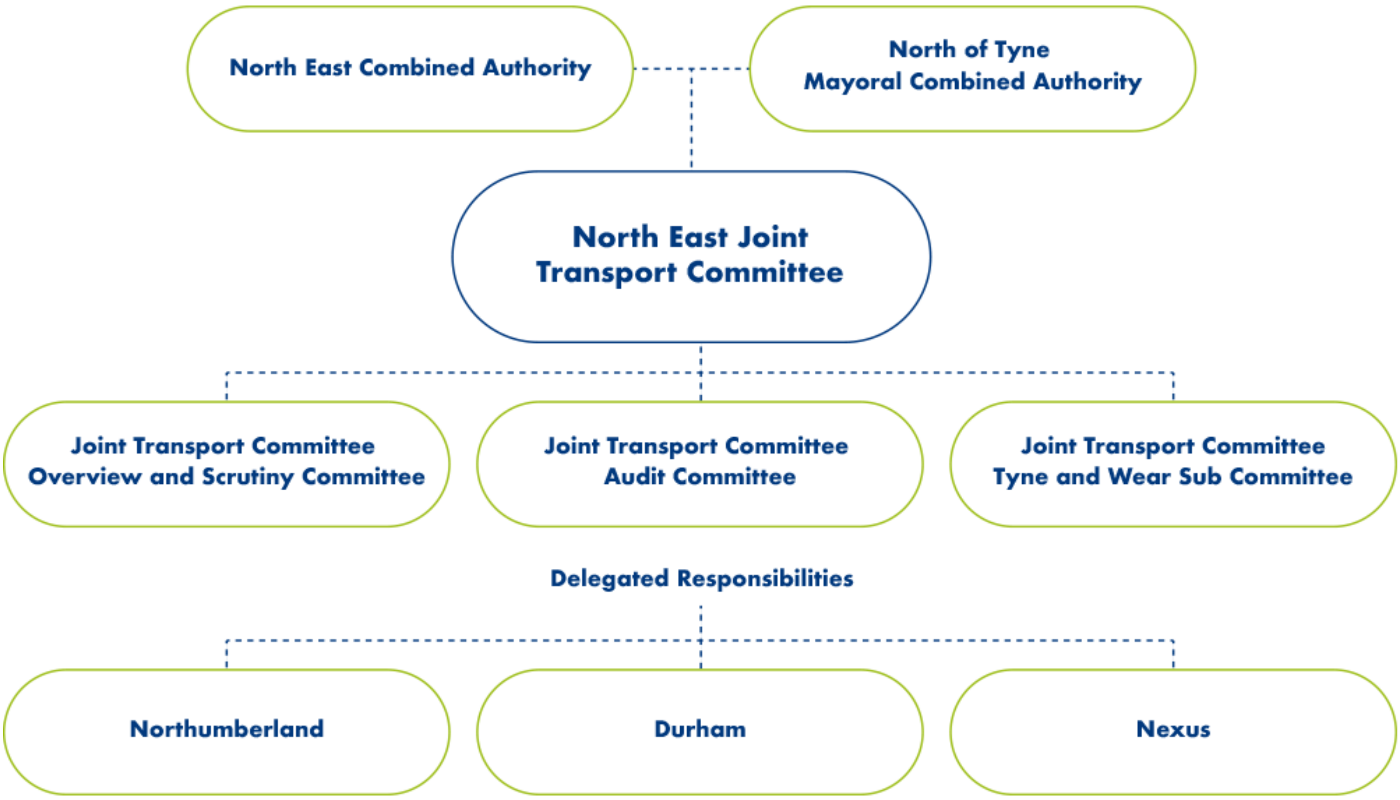
Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 2. The full accounts for the Nexus Group and more information about their activity and performance can be obtained from the Nexus website at https://www.nexus.org.uk.

8. 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 revenue 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 2023/24 accounts the mid-year estimated population published by the Office of National Statistics as of June 2021 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 on 6 May 2024 is shown in Table 2 below.

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

	Mid-Year 2021 Population	Proportion
	People	Proportion
NECA		
- Gateshead	196,154	
- South Tyneside	147,915	
- Sunderland	274,211	
	618,280	0.54924
NTCA		
- Newcastle	298,264	
- North Tyneside	209,151	
	507,415	0.45076
Tyne and Wear Total	**1,125,695**	

9. 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 the end of each accounting period. 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 related 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.

10. 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.

11. 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.

Transport

Since the formation of the North East Joint Transport Committee, the LA7 Authorities have been working together on shared transport priorities. During 2023/24 progress has been made in delivering the key priorities detailed in the North East Transport Plan, including:

- **Bus Service Improvement Plan (BSIP)** – Since 2023 the North East has been awarded £198.4m of capital and revenue funding to implement a variety of measures to improve bus services by making them cheaper, faster, and more reliable. Revenue funding has been used to stabilise the bus network by maintaining services that are no longer commercially viable, as well as delivering service enhancements through new provision and increased frequencies. Funding has also been used to implement a variety of fares initiatives including a £1 single for those under 22, as well as capped adult day tickets in Durham, Northumberland, Tyne and Wear in addition to a regionwide scheme. To date, over 25 million journeys have been undertaken on subsidised products with clear evidence of new users being attracted to bus services through reduced fares. BSIP capital funding is being used to deliver interventions to make journeys quicker and more attractive for bus users, including bus priority infrastructure which will unlock pinch points and increase bus reliability and punctuality, in addition to a series of safety and accessibility upgrades to regional bus stations and bus stops.

- **Active Travel Fund** – the majority of the £9.049m Active Travel Fund Round 2 programme is now delivered, with just one scheme left to complete. An additional £17.9m was secured through the Active Travel Fund Round 3 and a further £17.4m through Active Travel Fund Round 4, with delivery of schemes within these funding rounds now underway. In February 2024, the region was awarded a further £5.1m through Active Travel Fund Round 4E. This takes the total funding secured by the region through successive rounds of the Active Travel Fund to £49.5m since March 2020.

- **Capability Fund (Active Travel)** - In total the region has been awarded £5.68m through the Active Travel Capability Fund which has been used to deliver activities such as behaviour change initiatives, provision of training to officers and members, and support for the development and design of active travel schemes. Of the £5.68m secured to date, £0.71m was awarded to the region in September 2023, and a further £1.41m in March 2024.

- **Transforming Cities Fund (TCF) –** At the end of Quarter 2 2024/25 £171.3m of the region's £198.4m Transforming Cities Fund programme had been spent, with a number of projects having completed or nearing the end of their programmes of delivery. This includes the Metro Flow project, which completed in December 2022, in addition to a further seven schemes including Durham Bus Station, the North Shields Transport Hub and the Sunderland Central Station entrance. In July 2024, the North East CA Cabinet re-allocated £4.58m of Transforming Cities Funding underspend from the Meto Flow project, to progress the North Shields Ferry Landing scheme.

- **Levelling Up Fund –** In January 2023, the region secured an award of £19.5m from the Levelling Up Fund, to deliver up to 92 new Electric Vehicle (EV) chargers at Park and Ride locations and other key destinations, in addition, to 52 new high-quality zero emission buses and supporting infrastructure, which will operate on eight of the highest frequency bus routes across the North East. The delivery of the region's Levelling up Fund programme is progressing well and is on target for completion by March 2026. The first buses are expected to be operational in Sunderland and South Tyneside by the end of 2024 and the first electric vehicle chargers are now operational in Northumberland.

- **Zero Emission Buses Regional Areas (ZEBRA) 2 Fund:** In April 2023, the region received £7.4m from the Zero Emission Buses Regional Areas Round 2 fund to further support the delivery of high-quality zero emission buses and associated charging infrastructure. The funding will enable the delivery of a further 43 zero emission buses operating across eight different routes, including three routes which are classified as rural. Delivery of the programme is progressing well and is on target for completion by March 2026. Vehicle orders are anticipated to be placed by the end of January 2025.

- **Leamside Line**: The North East CA continues to champion the full reopening of the Leamside Line, a critical infrastructure project for national rail capacity and the North East's economic future. In January 2023, the Strategic Outline Business Case (SOBC) for bringing the Metro to Washington was submitted to the Department for Transport. In June 2024, the North East CA Cabinet allocated £8.6m to further advance both the bringing the Metro to Washington project and the Leamside South project. The Metro to Washington project, led by North East CA and commissioned to Nexus, is currently at the Outline Business Case stage, whilst a Technical and Operational Feasibility Study has recently gone out to tender for The Leamside South project, fully led by North East CA.

- **Tyne Tunnels** –. Record traffic levels were observed at the Tyne Tunnels in 2023-24, continuing the upward trend in vehicular flows since the implementation of the 'Tyne Pass' scheme for barrierless open road tolling in November 2021. There were approximately 1 million additional journeys recorded in 2023/24 compared with 2022/23. Although a small proportion of the growth amongst certain customer profiles could be due to the displacement of traffic as a result of the implementation of Newcastle's Clean Air Zone in January 2023, this is expected to be marginal. The tunnel operators, TT2 Limited, have implemented several initiatives and improvements to encourage use of this route, such as the introduction of Google Pay and Apple Pay to the customer payment systems.

- **Table 3 – Tyne Tunnel Traffic Flow data**

	Class 1	Class 2	Class 3	Exempt	Total
2023/24	80,180	17,567,673	1,080,024	630,356	19,358,233
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

During 2023-24 the North East Joint Transport Committee continued to set 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 2023/24.

- The number of passenger journeys across all modes within Tyne and Wear in 2023/24 was 124.1 million, a 0.57% increase when compared to 123.4 million in the previous year:
- Bus patronage was 90.6 million in 2023/24, a 1.6% decrease when compared to 92.1 million in the previous year.
- Metro patronage was 31.1 million in 2023/24; a 6.1% increase when compared to 29.3 million in the previous year.
- Ferry patronage was 0.380 million passengers in 2023/24; an 0.75% decrease when compared to 0.383 million journeys in the previous year.
- Rail patronage was 2.025 million journeys in 2023/24; a 19.5% increase when compared to 1.695 million journeys in the previous year.

Metro Performance 2023/24

- Metro reliability (operated mileage) was 91.8% during 2023/24, a decrease of 2.8 percentage points versus the figure of 94.6% achieved in the previous year.
- Metro reliability (Charter punctuality) was 75.9% during 2023/24, a decrease of 5.8 percentage points on the 81.7% achieved in the previous year.

NECA Staffing

- During 2023-24 NECA continued 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 NECA employees work on behalf of Transport North East with numbers growing in 2023/24 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
2023/24	43	0
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

12. 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.

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.

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

- **Bus Reform**: In July 2024, the Mayor and Cabinet approved a project to undertake a Franchising Scheme Assessment (FSA). The Bus Reform project has been established to consider possible options for bus reform in the North East and will be delivered collaboratively with partners. A budget of £8.5m has been approved for this phase of the project. Following completion of the FSA, audit, and consultation a preferred operational model for the North East bus industry is expected to be confirmed in early 2027. The FSA process will also identify further investment requirements for transitioning to and implementing the preferred model.

- **North East Local Transport Plan (LTP):** Over the course of 2023/24 development of the Local Transport Plan took place. The Local Transport Plan sets out the North East CA’s transport priorities up until 2040, setting out proposals to create a fully integrated green transport network that works for all. In September 2024, the Mayor and Cabinet endorsed a consultation draft of the Local Transport Plan. Public consultation launched in early November 2024 and will run until 26 January 2025. Consultation feedback will be analysed, and the Local Transport Plan and its accompanying Delivery Plan will be updated as required. In line with the North East Devolution Deal, once consultation is complete and feedback has been incorporated, the Mayor will finalise the Local Transport Plan and accompanying documents in consultation with the Portfolio Holder for Transport, presenting them to Cabinet for review and final sign off in March 2025.

- **Enhanced Partnership**: During 2023/24, the Enhanced Partnership signed with regional bus operators to begin delivering fares initiatives and capital infrastructure with the aim of making bus travel cheaper, faster, and more reliable. This continues into 2024-25 with further work in progress following the recent announcements of the change of the Adult Bus fare cap rising to £3 from 1 January 2025.

- **Transforming Cities Fund:** During the course of 2023/24 the Transforming Cities Fund Programme was integrated into the City Region Sustainable Transport Settlement, allowing underspend to be re-allocated to the North Shields Ferry Landing scheme. It is anticipated that Transforming Cities Fund expenditure will therefore carry into 2025/26, however, upon completion the programme will have delivered over £252m of investment in sustainable transport when local and private contributions are taken into account.

- **Active Travel Fund**: In 2024/25 NECA will continue to deliver improvements to the region's walking and cycling network with the continuation of Active Travel Fund Round 3 (£17.9m), Round 4 (£17.4m) and the commencement of the delivery of Round 4E (£5.1m).

- **Local Electric Vehicle Infrastructure**: The Local Electric Vehicle Infrastructure fund (LEVI) aims to deliver public electric vehicle Charge Points, primarily aimed at benefiting residents who do not have off street parking. In 2024/25 the region secured an additional £50k of capability funding in addition to submitting an application requesting our full indicative allocation of £15.8m from the capital fund.

- ***City Region Sustainable Transport* Settlement:** A Business Case detailing the region's £563m City Region Sustainable Transport Settlement (CRSTS) programme was submitted to the Department for Transport and HM Treasury for approval in October 2024, following Cabinet approval in July 2024. It is anticipated that funding will be released to the region in the final quarter of 2024/2025 and capital delivery will commence thereafter.

Economic Development and Digital

The economic picture across the North East CA region continues to be challenging, as businesses continue to recover from the impact of the pandemic and are now being buffeted by skills shortages, inflation, and increased employment costs.

Invest North East England has a healthy project and visit pipeline in which it hopes to secure investment into 2025/26. 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 Portfolio Working Group. Early Plans include the delivery of the region-wide Adult Education budget and a further programme of Boot Camps across the region.

Activity continues to progress across all aspects of the Finance, Skills and Employment needs and opportunities across NECA. The UK Shared Prosperity Fund (UKSPF) provided £2.6bn of funding for local investment by March 2025. Every place in the UK was allocated a share of the UKSPF. In order to access UKSPF funding, lead local authorities were asked to complete an investment plan, setting out how they intended to use and deliver the funding, in conjunction with local stakeholders. In October 2024, Government announced a one year transition period for UK SPF for 2025/26, with total UK-wide funding of £900m. In addition, delivery of Trailblazer Funded deals in respect of Capital Investment and the early delivery in the Investment Zones is well underway.

13. Further Information Available

Access to this report, the accounts and the Annual Governance Statement will be made available to the 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

North East Combined Authority

Statement of Accounts 2023/24 to 6 May 2024

Draft - subject to audit

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

1.0 Statement of Responsibilities for the Statement of Accounts

1.1 The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer's Responsibilities:

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

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

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

The Chief Finance Officer has also:

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

Certification of the Accounts

I hereby certify that the Statement of Accounts for the year ended 6 May 2024, 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 6 May 2024 and its income and expenditure for the year ended 6 May 2024

Signed:

Date:

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 2022		**(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 carried forward		**(8,175)**	**(59,671)**	**(77,628)**	**(145,472)**	**(72,365)**	**(217,837)**
Total Comprehensive Income and Expenditure		17,288	-	-	**17,288**	10,410	**27,698**
Adjustments between accounting basis & funding basis under regulations	3	(12,679)	-	14,602	**1,923**	(1,923)	**-**
Net (Increase)/Decrease before transfers to Earmarked Reserves		4,610	-	14,602	19,212	8,487	27,698
Transfers (To)/From Earmarked Reserves	21	(8,576)	8,576	-	-	-	-
(Increase)/Decrease in 2023/24		**(3,966)**	**8,576**	**14,602**	**19,212**	**8,487**	**27,698**
Balance at 6 May 2024		**(12,141)**	**(51,095)**	**(63,026)**	**(126,260)**	**(63,878)**	**(190,139)**

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.

2022/23					2023/24 to 6 May 2024		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
1,749	(1,043)	705	Corporate		7,060	(1,654)	5,406
377	(24)	353	Transport - Retained Levy Budget		434	-	434
15,609	-	15,609	Transport - Durham		18,310	-	18,310
34,734	-	34,734	Transport - Tyne and Wear		39,207	-	39,207
39,540	(102,478)	(62,938)	Transport - Other		45,773	(23,406)	22,367
16,309	(20,317)	(4,008)	Transport - Tyne Tunnels		21,070	(25,923)	(4,854)
					-	-	
108,318	**(123,862)**	**(15,544)**	**Cost of Services**		**131,854**	**(50,984)**	**80,870**
3,804	(2,405)	1,398	Financing and Investment Income and Expenditure	4	3,565	(8,269)	(4,704)
-	(51,522)	(51,522)	Taxation and Non-Specific Grant Income	5	-	(58,878)	(58,878)
		(65,668)	**(Surplus) on Provision of Services**				**17,288**
		(6,750)	Re-measurement of the defined benefit liability	19			10,410
		(6,750)	**Other Comprehensive Income and Expenditure**				**10,410**
		(72,418)	**Total Comprehensive Income and Expenditure**				**27,698**

2.3 Balance Sheet

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

31 March 2023 £000		Note	06 May 2024 £000
185,047	Property, Plant and Equipment	11, 11a	182,387
17,049	Long Term Debtors	15	16,300
11,890	Net Pension Asset	19	1,740
213,986	**Long Term Assets**		**200,427**
152,694	Short Term Investments	12	161,478
3,277	Short Term Debtors	14	27,161
51,321	Cash and Cash Equivalents	16	32,144
207,292	**Current Assets**		**220,783**
(1,260)	Short Term Borrowing	12	(1,076)
(66,212)	Short Term Creditors	17	(109,304)
(1,130)	Grants Receipts in Advance	6	(157)
(2,802)	New Tyne Crossing Deferred Income	18	(2,797)
(71,404)	**Current Liabilities**		**(113,334)**
(39,228)	New Tyne Crossing Deferred Income	18	(36,084)
(92,809)	Long Term Borrowing	12	(81,654)
-	Pension Liability	19	-
(132,037)	**Long Term Liabilities**		**(117,738)**
217,837	**Net Assets**		**190,138**
(145,472)	Usable Reserves	20	(126,260)
(72,365)	Unusable Reserves	22	(63,878)
(217,837)	**Total Reserves**		**(190,138)**

Chief Finance Officer Certificate

I certify that the accounts set out on pages 4 to 80 give a true and fair view of the financial position of the North East Combined Authority as at the 6 May 2024

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.

2022/23 £000		Note	2023/24 to 6 May 2024 £000
65,668	Net Surplus on the provision of services		(17,288)
9,039	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	19,788
(46,763)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(28,260)
27,944	**Net cash flows from Operating Activities**		**(25,760)**
(15,682)	Investing Activities	25	17,814
(953)	Financing Activities	26	(11,232)
11,309	**Net (Decrease)/Increase in cash and cash equivalents**		**(19,178)**
40,012	Cash and cash equivalents at the beginning of the reporting period	16	51,321
51,321	**Cash and cash equivalents at the end of the reporting period**		**32,143**

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 2023/24 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 provided 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 were previously 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 01b: Extended Financial Year End

The North East Mayoral Combined Authority (Establishment and Functions) Order 2024 also determined that in relation to the financial year beginning with 1 April 2023, the statement of accounts should be prepared as though that financial year were to end with 6 May 2024.

The Statement of Accounts covers the period from 1 April 2023 to 6 May 2024, a period of 12 months and 36 days. In preparing the Balance Sheet as at 6th May 2024, the following critical judgements were adopted by management:

- IAS19 pension entries for the period to 6 May 2024 were based upon reports obtained from the pension actuarties at the balance sheet date.
- Loans and investments balances were obtained as at 6 May 2024.
- Cash and cash equivalents were accounted for on the basis of the actual position as at 6 May 2024.
- Unusable reserves were accounted for on the basis of the actual position as at 6 May

- Non-current asset values at 31 March 2024 were updated to reflect any additions in the period 1 April to 6 May, and depreciation provided for the period 1 April to 6 May on an estimated straight line basis.

April and May 2024 transactions were examined and estimates of income and expenditure for the period 1 April 2024-6 May 2024 were included in the CIES.

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.

	2023/24 to 6 May 2024				
	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	5,056	-	350	-	5,406
Transport - Retained Levy Budget	753	(319)	-	-	434
Transport - Durham	18,310	-	-	-	18,310
Transport - Tyne and Wear	39,207	-	-	-	39,207
Transport - Other	7,634	14,733	-	-	22,367
Transport - Tyne Tunnels	(3,180)	(1,624)	(50)	-	(4,854)
Cost of services	**67,781**	**12,789**	**300**	**-**	**80,870**
Other Income and Expenditure	**(63,171)**	-	(560)	149	**(63,582)**
(Surplus)/Deficit on Provision of Services	**4,609**	**12,789**	**(260)**	**149**	**17,288**
Opening General Fund Balances	(67,847)				
Closing General Fund Balances	**(63,238)**				

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.

	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)	(61,252)	-	-	(62,938)
Transport - Tyne Tunnels	(2,517)	(1,451)	(40)	-	(4,008)
Cost of services	**1,859**	**(62,994)**	**590**	**-**	**(15,545)**
Other Income and Expenditure	**(49,829)**	-	(160)	(134)	**(50,123)**
(Surplus)/Deficit on Provision of Services	**(47,970)**	**(62,994)**	**430**	**(134)**	**(65,668)**
Opening General Fund Balances	(19,876)				
Closing General Fund Balances	**(67,847)**				

Note 02a: Income and Expenditure Analysed by Nature

	2022/23 £000	2023/24 to 6 May 2024 £000
Expenditure		
Employee benefit expenses	730	1,178
Other service expenses	74,799	95,816
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	32,789	35,420
Interest payments	3,804	3,005
Total expenditure	**112,122**	**135,419**
Fees, charges and other service income (Tyne Tunnels tolls)*	(17,375)	(22,605)
Interest and investment income	(2,405)	(7,709)
Income from transport levy	(51,509)	(58,760)
Government grants and contributions	(102,036)	(23,022)
Other income	(4,464)	(6,035)
Total income	**(177,789)**	**(118,131)**
Surplus/Deficit on the provision of services	**(65,668)**	**17,288**

* 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.

2022/23					2023/24 to 6 May 2024			
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				
(2,372)	-	-	2,372	Charges for depreciation and impairment of non current assets	(2,617)	-	-	2,617
2,802	-	-	(2,802)	Other income that cannot be credited to the General Fund	3,073	-	-	(3,073)
7,660	-	-	(7,660)	Capital grants and contributions applied	8,159	-	-	(8,159)
(30,417)	-	-	30,417	Revenue expenditure funded from capital under statute	(32,804)	-	-	32,804
				Insertion of items not debited or credited to the CIES				
1,018	-	-	(1,018)	Statutory provision for the financing of capital investment	1,146	-	-	(1,146)
200	-	-	(200)	Capital expenditure charged against the General Fund	203	-	-	(203)
				Adjustments primarily involving the Capital Grants Unapplied Account				
39,103	-	(39,103)	-	Grants and contributions unapplied credited to the CIES	10,050	-	(10,050)	-
-	-	22,462	(22,462)	Application of grants to capital financing transferred to the CAA	-	-	24,652	(24,652)
				Adjustments involving the Capital Receipts Reserve				
-	(775)	-	775	Loan principal repayments	-	(745)	-	745
-	775	-	(775)	Application of Capital Receipts to repayment of debt	-	745	-	(745)
				Adjustments involving the Financial Instruments Adjustment Account				
134	-	-	(134)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(149)	-	-	149
				Adjustments involving the Pensions Reserve				
(470)	-	-	470	Reversal of items relating to retirement benefits debited or credited to the CIES	210	-	-	(210)
40	-	-	(40)	Employer's pension contributions and direct payments to pensioners payable in the year	50	-	-	(50)
17,699	**-**	**(16,641)**	**(1,058)**	**Total Adjustments**	**(12,679)**	**-**	**14,602**	**(1,923)**

Note 04: Financing and Investment Income and Expenditure

	Note	2022/23	2023/24 to 6 May 2024
		£000	£000
Interest Payable and Similar Charges		3,964	3,565
Interest Payable on defined benefit liability	19	(160)	(560)
Interest Receivable and similar income		(2,405)	(7,709)
Total		**1,399**	**(4,704)**

Note 05: Taxation and Non Specific Grant Income

		2022/23	2023/24 to 6 May 2024
		£000	£000
Transport Levy		(51,509)	(58,760)
Non-Specific Capital Grants		(13)	(118)
Total		**(51,522)**	**(58,878)**

Note 06: Grant Income

		2022/23	2023/24 to 6 May 2024
		£000	£000
Local Authority Contributions to NECA		(201)	(190)
Active Travel Fund		(10,336)	(2,799)
Active Travel Capability Fund		(778)	(1,161)
Bus Recovery Grants		(236)	-
Bus Service Improvement Plan		(64,860)	(24)
City Regional Sustainable Transport Settlement		(3,127)	(1,560)
Levelling Up Fund			(2,301)
Local Electric Vehicle Infrastructure (LEVI)			(340)
Local Growth Fund		(12)	(90)
Local Transport Fund		(6,905)	(747)
Local Transport Plan		(7,735)	(9,651)
Office for Low Emission Vehicles		(1)	(28)
Other Grants		(506)	(649)
Transforming Cities Fund		(7,340)	-
Traffic Signal Obsolescence Grant (TSOG)			(297)
Zero Emission Bus Regional Areas (ZEBRA)			(3,186)
Total		**(102,036)**	**(23,022)**

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 2023 £000	06 May 2024 £000
Office for Low Emission Vehicles	(28)	-
Other Grants	(1,102)	(157)
Total	**(1,130)**	**(157)**

Shown as Short-Term Liability on the Balance Sheet	(1,130)	(157)
Short as Long-Term Liability on the Balance Sheet	-	-
Total	**(1,130)**	**(157)**

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.

	2022/23 £000	2023/24 £000
Allowances	11	11
Total	**11**	**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	2023/24 to 6 May 2024	153	-	153
	2022/23	135	-	135

All three of the Authority's statutory officers in 2023/24 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:

	2022/23 £000	2023/24 to 6 May 2024 £000
£50,000-£54,999	0	4
£55,000-£59,999	2	2
£60,000-£64,999	1	2
£65,000-£69,999	0	0
£70,000-£74,999	1	1
£75,000-£79,999	0	1
£80,000-£84,999	0	0
£85,000-£89,999	0	1
£90,000-£94,999	0	0
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	1	0
£110,000-£114,999	0	0
£115,000-£119,999	0	0
£120,000-£124,999	0	1
£125,000-£129,999	0	0
£130,000-£134,999	1	0
£135,000-£139,999	0	0
£140,000-£144,999	0	0
Total	**6**	**12**

The change between years is a combination of incremental progression, pay award and the extended year end to 6 May 2024. Had the year-end been 31 March 2024, the number of officers receiving remuneration greater than £50,000 would be 8.

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.

	2022/23 £000	2023/24 to 6 May 2024 £000
Scale fee for the audit of the Statement of Accounts	19	35
		-
Total	**19**	**35**

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 2023/24 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.

	2022/23				2023/24 to 6 May 2024			
	Receivables	Income	Expenditure	Payables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000	£000	£000	£000
NECA Constituent Authorities								
Durham	-	(15,851)	19,466	597	774	(24,258)	36,799	3,581
Gateshead	-	(11,695)	1,889	449	557	(12,039)	3,894	1,793
South Tyneside	-	(8,804)	1,375	275	419	(9,124)	1,100	791
Sunderland	-	(15,999)	8,714	1,996	782	(16,732)	4,311	3,370
Remaining JTC Constituent Authorities								
Newcastle	-	(299)	4,941	1,883	298	(941)	7,128	4,116
North Tyneside	-	(10)	6,532	1,403	-	(10)	8,486	4,492
Northumberland	-	(18)	1,456	86	-	(10)	2,566	927
Other Public Bodies								
North of Tyne Combined Authority	-	-	-	-	1,460	-	2,145	1,176
Nexus	(1,036)	(107)	37,046	4,473	772	(212)	42,166	23,993

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)

	2023/24 to 6 May 2024			
	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 2023	2,891	843	**3,734**	-
Additions	92	172	**264**	-
Reclassification from Assets Under Construction	136	(136)	**-**	-
Impairment recognised in the Surplus on the Provision of Services	-	-	**-**	-
Other Adjustments	(25)	27	**2**	27
At 31 March 2024	**3,094**	**906**	**4,000**	**27**
Accumulated Depreciation and Impairment				
At 1 April 2023	(1,244)	-	**(1,244)**	-
Depreciation charge for the Year	(194)	-	**(194)**	-
At 31 March 2024	**(1,438)**	**-**	**(1,438)**	**-**
Net Book Value				
At 1 April 2023	**1,714**	**843**	**2,557**	**-**
At 31 March 2024	**1,723**	**906**	**2,629**	**-**

	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**	**-**

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.

	2022/23	2023/24 to 6 May 2024
	£000	£000
Net book value (modified historical cost)		
At 1 April	**185,476**	**182,491**
Additions	13	-
Derecognition	-	-
Depreciation	(2,209)	(2,423)
Impairment	-	-
Other movements in cost	(789)	(339)
At 31 March	**182,491**	**179,729**

Reconciliation to Balance Sheet

	2022/23	2023/24 to 6 May 2024
	£000	£000
Infrastructure assets	**182,491**	179,760
Other PPE assets	**2,557**	2,629
Total PPE assets	**185,048**	**182,389**

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 6 May 2024 for its structures at £179.730m. 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	59 years
Southbound vehicle tunnel	107 years
Pedestrian and cyclist tunnels	59 years

Depreciation for the tunnels (and total annual depreciation for 2023/24 on structures) is £2.423m.

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 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	-	-	17,049	16,300	152,694	161,478	1,270	15,010
Total financial assets	**-**	**-**	**17,049**	**16,300**	**152,694**	**161,478**	**1,270**	**15,010**
Non-financial assets	-	-	-		-		2,007	12,151
Total	**-**	**-**	**17,049**	**16,300**	**152,694**	**161,478**	**3,277**	**27,161**

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 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(92,809)	(81,654)	-		(1,260)	(1,076)	(7,136)	(47,101)
Total financial liabilities	**(92,809)**	**(81,654)**	**-**	**-**	**(1,260)**	**(1,076)**	**(7,136)**	**(47,101)**
liabilities	-		-		-		(59,077)	(62,203)
Total	**(92,809)**	**(81,654)**	**-**	**-**	**(1,260)**	**(1,076)**	**(66,213)**	**(109,304)**

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:

2022/23				2023/24 to 6 May 2024		
£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**
4,144	-	**4,144**	Interest expense	3,005		**3,005**
4,144	**-**	**4,144**	**Total expense in Surplus on Provision of Services**	**3,005**	-	**3,005**
-	(2,406)	**(2,406)**	Investment income		(7,709)	**(7,709)**
-	**(2,406)**	**(2,406)**	**Total income in Surplus on Provision of Services**	**-**	**(7,709)**	**(7,709)**
4,144	**(2,406)**	**1,738**	**Net (gain)/loss for the year**	**3,005**	**(7,709)**	**(4,704)**

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 6 May 2024 using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 6 May.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2023/24 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 2023		06 May 2024	
	Level	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities held at amortised cost	2	(94,069)	(90,515)	(82,730)	(64,174)
Total		**(94,069)**	**(90,515)**	**(82,730)**	**(64,174)**
Financial Assets at amortised cost					
Held to maturity investments		152,694	152,694	161,478	161,478
Nexus loan debtor	2	17,049	16,562	16,300	13,741
Total		**169,743**	**169,256**	**177,778**	**175,219**

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	**2022/23 £000**	**2023/24 to 6 May 2024 £000**
n/a - investments with UK local authorities	34,391	27,462
n/a - investments with Government		26,913
n/a - investments with banks	99,045	98,864
n/a - investments with unrated building societies	19,259	8,239
Total Short-Term Investments	**152,695**	**161,478**
AAA	17,058	18,674
A-	-	-
Total Cash Equivalents	**17,058**	**18,674**

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 6 May 2024 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 2023 £000	06 May 2024 £000
Between 1-2 years	(367)	(366)
Between 2-5 years	(550)	(183)
Between 5-10 years	-	-
More than 10 years	(91,892)	(80,739)
	(92,809)	**(81,288)**
Less than 1 year	(1,266)	(699)
Total borrowing	**(94,075)**	**(81,987)**

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 2023 £000	06 May 2024 £000
Increase in interest payable on variable rate borrowing	-	-
Increase in interest receivable on variable rate investments	(1,093)	(681)
Impact on the (Surplus)/Deficit on Provision of Services	**(1,093)**	**(681)**

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 2023 £000	06 May 2024 £000
Central Government bodies	2,007	12,151
Other local authorities	214	5,732
Other entities and individuals	1,056	9,278
Total	**3,277**	**27,161**

Note 15: Long Term Debtors

	31 March 2023 £000	06 May 2024 £000
Nexus borrowing	17,049	16,300
Total	**17,049**	**16,300**

Note 16: Cash and Cash Equivalents

	31 March 2023 £000	06 May 2024 £000
Cash held in Authority's bank account	34,264	(5,273)
Cash equivalents	17,058	37,417
Total	**51,322**	**32,144**

Note 17: Short Term Creditors

	31 March 2023 £000	06 May 2024 £000
Central government bodies	(2)	(49)
Other local authorities	(6,965)	(20,262)
Other entities and individuals	-	-
- Nexus	(51,448)	(75,349)
- TT2	(998)	(2,681)
- Other	(6,799)	(10,964)
Total	**(66,212)**	**(109,304)**

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 2023/24 the total payment under the contract was £32.047m (2022/23 £24.555m) of which £17.601m is shown in the accounts of NECA and £14.445m 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 06 May 2024 value of £70.789m (31 March 2023 £76.384m), of which £38.881m is shown on the NECA balance sheet and £31.909m shown on the NTCA balance sheet.

	Deferred Income Release	
	2022/23 £000	**2023/24 to 6 May 2024 £000**
Payable within 1 year	(2,802)	(2,797)
Payable within 2 to 5 years	(11,208)	(11,188)
Payable within 6 to 10 years	(14,010)	(13,984)
Payable within 11 to 15 years	(14,010)	(11,188)
Payable within 16 to 20 years	-	-
Total	**(42,030)**	**(39,157)**

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	
	2022/23	2023/24 to 6 May 2024	2022/23	2023/24 to 6 May 2024
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	630	350	-	-
Settlement cost	-	-	-	-
Financing and Investment Income and Expenditure				
Interest on net defined benefit liability (asset)	(180)	(620)	20	60
Pension expense recognised in profit and loss	**450**	**(270)**	**20**	**60**
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	2,000	(1,090)	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(13,010)	(1,870)	(140)	(20)
Actuarial (gains)/losses due to changes in demographic assumptions	-	(750)	-	(20)
Actuarial (gains)/losses due to changes in liability assumptions	4,340	540	60	-
Adjustment loss/(gain) due to surplus restriction	-	13,620	-	-
Total amount recognised in Other Comprehensive Income	**(6,670)**	**10,450**	**(80)**	**(40)**
Total amount recognised	**(6,220)**	**10,180**	**(60)**	**20**

Assets and Liabilities in Relation to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23	2023/24 to 6 May 2024	2022/23	2023/24 to 6 May 2024
	£000	£000	£000	£000
Opening balance at 1 April	(48,910)	(41,860)	(670)	(570)
Current service cost	(630)	(350)	-	-
Interest cost	(1,360)	(2,160)	(20)	(60)
Contributions by participants	(100)	(150)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	13,010	1,870	140	20
Actuarial gains/(losses) on liabilities - demographic assumptions	-	750	-	20
Actuarial gains/(losses) on liabilities - experience	(4,340)	(540)	(60)	-
Net benefits paid out	470	710	40	50
Past service costs	-	-	-	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31 March	**(41,860)**	**(41,730)**	**(570)**	**(540)**

Reconciliation of the fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23	2023/24 to 6 May 2024	2022/23	2023/24 to 6 May 2024
	£000	£000	£000	£000
Opening balance at 1 April	55,150	54,320	-	-
Interest income on assets	1,540	2,800	-	-
Remeasurement gains/(losses) on assets	(2,000)	1,090	-	-
Employer contributions	-	-	40	50
Contributions by scheme participants	100	150	-	-
Net benefits paid out	(470)	(710)	(40)	(50)
Settlements	-	-	-	-
Closing balance at 31 March	**54,320**	**57,650**	**-**	**-**

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	2019/20	2020/21	2021/22	2022/23	2023/24 to 6 May 2024
	£000	£000	£000	£000	£000
Fair value of LGPS assets	**45,570**	**55,930**	**59,310**	**54,320**	**57,650**
Present value of liabilities:					
- LGPS liabilities	(42,750)	(46,900)	(48,910)	(41,860)	(41,730)
- Impact of unrecognised asset	(2,820)	(9,030)	-	-	(13,640)
Surplus / (Deficit) on funded defined benefit scheme	**-**	**-**	**6,240**	**12,460**	**2,280**
Discretionary benefits	(840)	(870)	(670)	(570)	(520)
Total net pension asset / (liability)	**(840)**	**(870)**	**5,570**	**11,890**	**1,760**

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 £42.270m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a pension asset of £1.760m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

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

- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2025 is nil. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2025 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 14.1 years.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		**Discretionary Benefits**	
	2022/23	**2023/24 to 6 May 2024**	**2022/23**	**2023/24 to 6 May 2024**
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	21.6	21.0	21.6	21.0
- Women	24.6	24.2	24.6	24.2
Longevity at 45 for future pensioners:				
- Men	22.9	22.3	n/a	n/a
- Women	26.1	25.6	n/a	n/a
Principal financial assumptions (% per annum)				
Rate for discounting scheme liabilities	4.7%	5.1%	4.7%	5.1%
Rate of inflation - Consumer Price Index	2.7%	2.7%	2.7%	2.7%
Rate of increase in pensions	2.7%	2.7%	2.7%	2.7%
Pension accounts revaluation rate	2.7%	2.7%	n/a	n/a
Rate of increase in salaries	4.2%	4.2%	n/a	n/a

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

	31-Mar-23	**06-May-24**		
	% Total	**% Quoted**	**% Unquoted**	**% Total**
Equity investments	51.2%	40.1%	11.1%	51.2%
Property	10.5%	0.0%	9.9%	9.9%
Government bonds	1.3%	1.2%	0.0%	1.2%
Corporate bonds	19.5%	18.9%	0.0%	18.9%
Multi Asset Credit	4.5%	4.5%	0.0%	4.5%
Cash	1.8%	0.8%	0.0%	0.8%
Other*	11.2%	0.0%	13.5%	13.5%
Total	**100.0%**	**65.5%**	**34.5%**	**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	
	2022/23	2023/24 to 6 May 2024
	£000	£000
Interest Income on Assets	1,540	2,800
Remeasurement gain/(loss) on assets	(2,000)	1,090
Actual Return on Assets	**(460)**	**3,890**

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)	41.15	41.73	42.31
% change in present value of total obligation	-1.4%		1.4%
Projected service cost (£M)	0.28	0.30	0.32
Approximate % change in projected service cost	-5.4%		5.6%

Rate of general increase in salaries	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to salary increase rate			
Present value of total obligation (£M)	41.73	41.73	41.73
% change in present value of total obligation	0.0%		0.0%
Projected service cost (£M)	0.30	0.30	0.30
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	42.31	41.73	41.19
% change in present value of total obligation	1.4%		-1.3%
Projected service cost (£M)	0.32	0.30	0.28
Approximate % change in projected service cost	5.6%		-5.4%

Post retirement mortality assumption	**- 1 year**	**Base Figure**	**+ 1 year**
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	42.77	41.73	40.69
% change in present value of total obligation	2.5%		-2.5%
Projected service cost (£M)	0.31	0.30	0.29
Approximate % change in projected service cost	3.8%		-3.8%

* 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

All public sector pension schemes were reviewed in 2011 and subsequently reformed to reduce the cost to the taxpayer. Transitional protections were provided to members who were closest to retirement. The transitional protections applied to all active members of public service schemes who were within 10 years of their normal pension age on 1 April 2012. In relation to the LGPS, all members were moved into the new 2014 Scheme, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits would be at least as valuable in terms of amount and when they could be drawn than if they had remained in the 2008 Scheme.

In December 2018 the Court of Appeal ruled against the Government in the "McCloud/Sargeant" judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory.

Note 20: Usable Reserves

	Note	31 March 2023 £000	6 May 2024 £000
General Fund Balance		(8,176)	(12,142)
Earmarked Reserves	21	(59,669)	(51,093)
Capital Receipts Reserve		-	-
Capital Grants Unapplied Reserve		(77,627)	(63,025)
Total		**(145,472)**	**(126,260)**

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 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023	Transfers Out 2023/24 to 6 May 2024	Transfers In 2023/24 to 6 May 2024	Balance at 6 May 2024
	£000	£000	£000	£000	£000	£000	£000
Metro Reinvigoration Reserve	(4,273)	-	(87)	**(4,360)**	96	(323)	(4,587)
Metro Fleet Replacement Reserve	(5,672)	-	(109)	**(5,781)**	120	(404)	(6,065)
Metro and Rail Studies	(1,101)	119	-	**(982)**	308	(11)	(684)
Nexus contribution to Bus Partnership Project	(258)	18	-	**(240)**	-	-	(240)
Revenue Grants Unapplied	-	-	(46,890)	**(46,890)**	13,058	(4,483)	(38,315)
Transport Devolution	-	-	(1,416)	**(1,416)**	214	-	(1,202)
Total	**(11,304)**	**137**	**(48,502)**	**(59,669)**	**13,796**	**(5,221)**	**(51,093)**

Note 22: Unusable Reserves

Summary

	31 March 2023 £000	06 May 2024 £000
Capital Adjustment Account	(56,268)	(58,022)
Financial Instruments Adjustment Account	35	159
Revaluation Reserve	(4,242)	(4,178)
Pension Reserve	(11,890)	-
Total	**(72,365)**	**(62,040)**

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.

	2022/23	2023/24 to 6 May 2024
	£000	£000
Opening Balance 1 April	**(54,816)**	**(56,268)**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	2,372	2,147
Other income that cannot be credited to the General Fund	(2,802)	(2,522)
Revenue expenditure funded from capital under statute	30,416	26,720
Write down of long term debtors	775	611
Adjusting amounts written out of the Revaluation Reserve	**(98)**	**(64)**
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(30,122)	(26,928)
Statutory provision for the financing of capital investment	(1,018)	(941)
Capital expenditure charged against the General Fund	(200)	(166)
Debt redeemed using capital receipts	(775)	(611)
Balance at 31 March	**(56,268)**	**(58,022)**

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.

	2022/23	2023/24 to 6 May 2024
	£000	£000
Opening Balance 1 April	**170**	**36**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(135)	123
Balance at 31 March	**36**	**159**

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.

	2022/23	2023/24 to 6 May 2024
	£000	£000
Opening Balance 1 April	**(4,340)**	**(4,242)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	98	64
Balance at 31 March	**(4,242)**	**(4,178)**

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.

	2022/23	2023/24 to 6 May 2024
	£000	£000
Opening Balance 1 April	**(5,570)**	**(11,890)**
Remeasurements of the net defined benefit liability (asset)	(6,750)	10,410
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	470	(210)
Employer's pension contributions and direct payments to pensioners payable in the year	(40)	(50)
Balance at 31 March	**(11,890)**	**(1,740)**

Note 23: Capital Expenditure and Capital Financing

	2022/23 £000	2023/24 to 6 May 2024 £000
Opening Capital Financing Requirement 1 April	**101,142**	**99,639**
Capital Investment		
Property, Plant and Equipment	195	264
Revenue Expenditure Funded from Capital Under Statute	30,417	32,804
Sources of Finance		
Capital receipts - repayment of principal from long term debtors	(775)	(745)
Government Grants and other contributions	(30,122)	(32,811)
Sums set aside from revenue		
Direct revenue contributions	(200)	(203)
Minimum Revenue Provision	(1,018)	(1,146)
Additional Voluntary Provision	-	-
Closing Capital Financing Requirement 31 March	**99,639**	**97,802**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(1,503)**	**(1,837)**

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

	2022/23 £000	2023/24 to 6 May 2024 £000
Surplus/(Deficit) on the provision of services	65,668	(17,288)
Adjustments to Surplus on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	2,372	2,617
Increase/(Decrease) in Creditors	9,558	42,908
(Increase)/Decrease in Debtors	(519)	(22,404)
Movement in Pension Liability	430	(260)
Other non-cash items charged to the net surplus on the provision of services	(2,802)	(3,073)
	9,039	**19,788**
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	(46,763)	(28,260)
Net cash flow from operating activities	**27,944**	**(25,760)**

The cash flows for operating activities include the following items:

	2022/23 £000	2023/24 to 6 May 2024 £000
Interest received	664	6,228
Interest paid	(3,163)	(3,216)

Note 25: Cash Flow Statement - Investing Activities

	2022/23 £000	2023/24 to 6 May 2024 £000
Purchase of property, plant and equipment, investment property and intangible assets	594	44
Purchase of short-term and long-term investments	(226,428)	(581,648)
Proceeds from short-term and long-term investments	163,525	572,865
Other receipts from investing activities	46,626	26,554
Net cash flows from investing activities	**(15,683)**	**17,815**

Note 26: Cash Flow Statement - Financing Activities

	2022/23 £000	2023/24 to 6 May 2024 £000
Repayments of short and long-term borrowing	(953)	(11,232)
Net cash flows from financing activities	**(953)**	**(11,232)**

Note 26a: Reconciliation of liabilities arising from Financing Activities

	1 April 2023	Financing Cash Flows	Changes which are not financing cash flows		6 May 2024
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(92,808)	11,155	-	(1)	(81,654)
Short term borrowings	(1,261)	184	-	1	(1,076)
Total Liabilities from financing activities	**(94,069)**	**11,339**	**-**	**-**	**(82,730)**

	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)**

Note 27: Accounting Standards Issued, Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by new standard that has been issued but not yet adopted.

The following change to accounting standards will affect the Statement of Accounts from 2024/25 Statement of Accounts:

- IFRS 16 Leases: this new standard replaces IAS 17 from 1 April 2024 (delayed from 2020/21) and establishes a new model for lessees. There is not expected to be any impact on the NECA single entity accounts, however there is an expected impact on the Group Accounts. The standard will affect the Group accounts as it changes the treament of the lease of a building with a remaining term of 1.75 years at 31 March 2024. The expected impact is the recognition of a non-current asset and lease liability of c.£1.0m on the Group Balance Sheet.

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.

Transfer of Functions - North East Mayoral Combined Authority

The functions of the North East Combined Authority (NECA) were transferred by Parliamentary Order ('The North East Mayoral Combined Authority (Establishment and Functions) Order 2024') to the North East Mayoral Combined Authority (North East CA) with effect from 7 May 2024. Under Part 3 of the Order, "the Combined Authority is to be substituted for the Durham, Gateshead, South Tyneside and Sunderland Combined Authority and for the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority in any instruments, contracts or legal proceedings which

Under the Order, all functions and decisions relating to such properties, rights and liabilities are to be exercised and made by the North East CA. As the functions of the former combined authority will continue, the accounts have been prepared on a going concern basis.

The Statement of Accounts covers the period from 1 April 2023 to 6 May 2024, a period of 13 months and six days. In preparing the Balance Sheet as at 6 May 2024, the following critical judgements were adopted by management:

- IAS19 pension entries for the period to 6 May 2024 were based upon reports obtained from the Tyne and Wear Pension Fund actuaries as at the balance sheet date.

- Loans and investments balances were obtained as at 6 May 2024.

- Unusable reserves were accounted for on the basis of the actual position as at 6 May 2024.

- Cash and cash equivalents were accounted for on the basis of the actual position as at 6 May 2024.

April and May 2024 transactions were examined and estimates of income and expenditure for the period 1 April 2024-6 May 2024 were included in the CIES.

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 6 May 2024 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 6 May 2024 and the projected service cost for the year ending 31 March 2025 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 £41.15m, a variance of £0.58m, whereas a decrease of (0.1%) p.a. results in an increase to £42.31m, a variance of £0.58m. The percentage change in the present value of the total obligation would be (1.4%) and 1.4% 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 £0.58m to £42.31m, whereas a decrease of (0.1%) p.a. results in a decrease to £41.19m, a variance of £0.58m. The percentage change in the present value of the total obligation would be 1.3% and (1.3%) 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 £42.77m, an increase of £1.04m, whereas an adjustment of +1 year results in a reduction to £40.69m, a reduction of £1.04m. The percentage change in the present value of the total obligation would be 2.5% and (2.5%) 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 around £40m as at 6 May 2024 and a change in methodology resulting in a 1% movement would only change the Balance Sheet by £0.4m

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 extended year-end of . 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 2023/24 to 6 May 2024

Draft - Subject to Audit

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 2022 carried forward		**(80,863)**	**(64,556)**	**(145,419)**	**(326,345)**	**(471,764)**
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)**	**(682,771)**
Total Comprehensive Income and Expenditure		17,288	10,410	**27,698**	(8,484)	**19,214**
Adjustments between accounting basis & funding basis under regulations	G14	1,923	(1,923)	**-**	-	**-**
(Increase)/Decrease in 2023/24 to 6 May 2024		**19,211**	**8,487**	**27,698**	**(8,484)**	**19,214**
Balance at 6 May 2024 carried forward		**(126,262)**	**(63,877)**	**(190,139)**	**(473,418)**	**(663,557)**

3.2 Group Comprehensive Income and Expenditure Statement

2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure		Note	2023/24 to 6 May 2024 Gross Expenditure	2023/24 to 6 May 2024 Gross Income	2023/24 to 6 May 2024 Net Expenditure
£000	£000	£000			£000	£000	£000
1,749	(1,043)	706	Corporate		7,060	(1,654)	5,406
377	(24)	353	Transport - Retained Levy Budget		434	-	434
15,609	-	15,609	Transport - Durham		18,310	-	18,310
112,489	(51,463)	61,026	Transport - Tyne and Wear		110,310	(48,011)	62,299
30,019	(102,211)	(72,192)	Transport - Other		45,440	(23,194)	22,245
16,309	(20,317)	(4,008)	Transport - Tyne Tunnels		21,070	(25,923)	(4,854)
176,553	**(175,058)**	**1,495**	**Cost of Services**		**202,624**	**(98,783)**	**103,841**
10,846	(8,797)	2,049	**Financing and Investment Income and Expenditure**	G03	12,472	(21,318)	(8,847)
-	(133,696)	(133,696)	**Taxation and Non-Specific Grant Income**	G04	-	(121,028)	(121,028)
16	-	16	**(Gain)/Loss on disposal or derecognition of non-current assets**		152	-	152
		(130,136)	**Surplus on the Provision of Services**				**(25,882)**
-	**-**	**(1,773)**	**Taxation of Group Entities**		-	-	(796)
		(131,909)	**Group Surplus**				**(26,678)**
		(79,097)	Re-measurement of the defined benefit liability	G12	-	-	45,891
		-	Gains on Revaluation of Property	G06			110
		(79,097)	**Other Comprehensive Income and Expenditure**				**45,891**
		(211,006)	**Total Comprehensive Income and Expenditure**				**19,213**

3.3 Group Balance Sheet

31 March 2023 £000		Note	06 May 2024 £000
588,319	Property, Plant and Equipment	G6	627,612
3,916	Intangible Assets	G7	6,026
-	Long Term Debtors	G8	-
1	Long Term Investments	G8	1
47,111	Net Pension Asset	G12	1,740
639,347	**Long Term Assets**		**635,379**
152,694	Short Term Investments	G8	161,478
12,384	Short Term Debtors	G9	36,050
62,096	Cash and Cash Equivalents	G10	38,400
480	Inventories		514
227,654	**Current Assets**		**236,442**
(1,257)	Short Term Borrowing	G8	(1,076)
(44,027)	Short Term Creditors	G11	(83,053)
(1,130)	Grants Receipts in Advance		(157)
(2,802)	New Tyne Crossing Deferred Income		(2,797)
(49,216)	**Current Liabilities**		**(87,083)**
(39,228)	New Tyne Crossing Deferred Income		(36,084)
(92,809)	Long Term Borrowing	G8	(81,654)
-	Pension Liability	G12	(818)
(2,180)	Provisions		(2,624)
(798)	Deferred Taxation	G13	-
(135,015)	**Long Term Liabilities**		**(121,180)**
682,770	**Net Assets**		**663,558**
(179,886)	Usable Reserves	G14	(160,155)
(502,884)	Unusable Reserves	G15	(503,403)
(682,770)	**Total Reserves**		**(663,558)**

Chief Finance Officer Certificate

I certify that the accounts set out on pages 81 to 113 give a true and fair view of the financial position of the North East Combined Authority Group as at the 6 May 2024.

Signed: Janice Gillespie, Chief Finance Officer

Date:

3.4 Group Cash Flow Statement

2022/23 £000		Note	2023/24 to 6 May 2024 £000
131,910	Surplus on the provision of services	G16	26,676
43,020	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G16	55,704
(137,385)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G16	(97,649)
37,545	**Net cash flows from Operating Activities**	G16	**(15,267)**
(20,874)	Investing Activities	G17	(51,570)
(3,222)	Financing Activities	G18	(8,192)
13,449	**Net (Decrease)/Increase in cash and cash equivalents**		**(75,030)**
48,646	Cash and cash equivalents at the beginning of the reporting period		113,430
62,095	**Cash and cash equivalents at the end of the reporting period**	G10	**38,400**

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 2023/24, 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.

As described in Note 1b to the single entity accounts, the establishment of the North East Mayoral Combined Authority necessitated an extension to the 2023/24 year end to 6 May 2024. Nexus prepare accounts to a year end of 31 March. The Code states that the financial statements of the reporting authority and its subsidiaries should be prepared as of the same reporting date. When the end of the reporting period of the reporting authority is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so (9.1.2.56-9.1.2.57).

We consider that it is impracticable for Nexus to prepare additional financial information at 6 May 2024 due to the size and scope of the organisation and the timing around the period in which they will be producing their own financial statements.

The Code states that in this scenario, where the financial year-ends of the reporting authority and its subsidiary do not converge, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the reporting authority's financial statements. The adjustments shall be restricted to the reporting period of the subsidiary and that of the reporting authority of not more than three months (9.1.2.59).

The accounts of Nexus have been updated to reflect the pension actuary's valuation at 6 May 2024, all other balances remain the same as the Nexus accounts prepared to 31 March 2024 as differences were deemed immaterial and therefore not significant.

Note G02: Expenditure and Funding Analysis

	2023/24 to 6 May 2024				
	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	5,056	-	350	-	5,406
Transport - Retained Levy Budget	753	(319)	-	-	434
Transport - Durham	18,310	-	-	-	18,310
Transport - Tyne and Wear	108,240	(45,876)	(65)	-	62,299
Transport - Other	7,511	14,734	-	-	22,245
Transport - Tyne Tunnels	(3,179)	(1,625)	(50)	-	(4,854)
Cost of services	**136,692**	**(33,086)**	**235**	**-**	**103,841**
Other Income and Expenditure	(133,334)	-	-	3,611	(129,723)
(Surplus)/Deficit on Provision of Services	**3,358**	**(33,086)**	**235**	**3,611**	**(25,882)**
Opening General Fund Balances	(100,489)				
Closing General Fund Balances	**(97,130)**				

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.

	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)
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)**				

Note G02a: Income and Expenditure Analysed by Nature

	2022/23 £000	2023/24 to 6 May 2024 £000
Expenditure		
Employee benefit expenses	23,713	27,462
Other service expenses	96,604	115,201
Support Services Recharges	3,938	4,377
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	52,310	56,296
Interest payments	10,846	11,912
Total expenditure	**187,411**	**215,248**
Income		
Fees, charges and other service income	(45,202)	(53,591)
Interest and investment income	(8,796)	(20,759)
Income from transport levy	(51,509)	(58,760)
Government grants and contributions	(207,846)	(102,198)
Other income	(4,197)	(5,823)
Total income	**(317,550)**	**(241,130)**
Surplus on the provision of services	**(130,139)**	**(25,882)**

Note G03: Financing and Investment Income and Expenditure

	Note	2022/23	2023/24 to 6 May 2024
		£000	£000
Interest Payable and Similar Charges		4,123	3,717
Interest Payable on defined benefit liability	G12	572	(2,268)
Interest Receivable and similar income		(2,644)	(10,295)
Total		**2,051**	**(8,847)**

Note G04: Taxation and Non-Specific Grant Income

	Note	2022/23	2023/24 to 6 May 2024
		£000	£000
Transport Levy		(51,509)	(55,638)
Non-Specific Capital Grants		(82,187)	(65,390)
Total		**(133,696)**	**(121,028)**

Note G05: Grant Income

	Note	2022/23	2023/24 to 6 May 2024
		£000	£000
Local Authority Contributions to NECA		(201)	(190)
Active Travel Fund		(10,336)	(2,799)
Active Travel Capability Fund		(778)	(1,161)
Bus Recovery Grants		(236)	-
Bus Service Improvement Plan		(64,860)	(402)
City Regional Sustainable Transport Settlement		(3,127)	(1,560)
COVID-19 Grants		(5,593)	(578)
Nexus Energy Bill Relief Scheme		(3,105)	-
European Grants		-	-
Levelling Up Fund		-	(2,301)
Local Electric Vehicle Infrastructure (LEVI)		-	(340)
Local Growth Fund		(12)	(90)
Local Transport Fund		(1,088)	(305)
Local Transport Plan		(5,076)	(8,114)
Metro Rail Grant		(16,948)	(15,269)
Nexus Non-Specific Grants		(1,071)	-
Office for Low Emission Vehicles		(1)	(28)
Other Grants		(506)	(618)
Transforming Cities Fund		(6,294)	-
		-	(297)
		-	(3,186)
Total		**(119,231)**	**(37,238)**

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

	2023/24				
	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 2023	20,430	87,942	4,784	113,157	-
Additions	92	64,073	-	64,165	-
Reclassifications from Assets Under Construction	209	(27,530)	-	(27,321)	-
Transfers between categories	-	(98)	-	(98)	-
Derecognition - Disposals	(720)	(55)	(16)	(790)	-
Revaluation Recognised in Revaluation Reserve	-	-	(110)	(110)	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other Adjustments	(25)	27	-	2	-
At 6 May 2024	**19,987**	**124,359**	**4,658**	**149,004**	**-**
Accumulated Depreciation and Impairment					
At 1 April 2023	(15,378)	-	(192)	(15,570)	-
Depreciation charge	(693)	-	(13)	(705)	-
Derecognition - Disposals	563	-	14	577	-
At 6 May 2024	**(15,508)**	**-**	**(190)**	**(15,698)**	**-**
Net Book Value					
At 1 April 2023	**5,052**	**87,942**	**4,592**	**97,586**	**-**
At 6 May 2024	**4,479**	**124,359**	**4,468**	**133,306**	**-**

	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	20,430	87,942	4,784	113,157	-
Additions	92	64,073	-	64,165	-
Reclassifications from Assets Under Construction	209	(27,530)	-	(27,321)	-
Transfers between categories	-	(98)	-	(98)	-
Derecognition - Disposals	(720)	(55)	(16)	(790)	-
Revaluation Recognised in Revaluation Reserve	-	-	(110)	(110)	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other Adjustments	(25)	27	-	2	-
At 31 March 2023	**19,987**	**124,359**	**4,658**	**149,004**	**-**
Accumulated Depreciation and Impairment					
At 1 April 2022	(15,378)	-	(192)	(15,570)	-
Depreciation charge	(693)	-	(13)	(705)	-
Derecognition - Disposals	563	-	14	577	-
At 31 March 2023	**(15,508)**	**-**	**(190)**	**(15,698)**	**-**
Net Book Value					
At 1 April 2022	**5,052**	**87,942**	**4,592**	**97,586**	**-**
At 31 March 2023	**4,479**	**124,359**	**4,468**	**133,306**	**-**

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.

	2022/23	2023/24
	£000	£000
Net book value (modified historical cost)		
At 1 April	**441,768**	**491,214**
Additions	74,676	31
Reclassification from Assets under construction	-	27,321
Derecognition	(2,258)	(478)
Depreciation	(20,785)	(22,223)
Impairment	-	-
Other movements in cost	(2,187)	(1,559)
At 31 March	**491,214**	**494,306**

Reconciliation to Balance Sheet

	2022/23	2023/24
	£000	£000
Infrastructure assets	491,214	494,306
Other PPE assets	97,106	133,306
Total PPE assets	**588,320**	**627,612**

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.

	2022/23 £000	2023/24 £000
Cost or Valuation		
Opening Balance	7,241	8,378
Additions	1,100	2,656
Transfers from assets under construction	41	-
Transfers from property, plant and equipment	-	98
Derecognition - Disposals	(4)	(254)
Total	**8,378**	**10,878**
Amortisation		
Opening Balance	(3,992)	(4,462)
Amortisation provided during the period	(470)	(565)
Derecognition - Disposals	-	174
Total	**(4,462)**	**(4,853)**
Net Book Value at 31 March	**3,916**	**6,026**

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 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	1	1	-	-	152,694	161,478	10,377	23,899
Total financial assets	1	1	-	-	152,694	161,478	10,377	23,899
Non-financial assets	-	-	-	-	-	-	2,007	12,151
Total	**1**	**1**	**-**	**-**	**152,694**	**161,478**	**12,384**	**36,050**

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 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(92,809)	(81,654)	-	-	(1,257)	(1,076)	15,050	(20,850)
Total financial liabilities	(92,809)	(81,654)	-	-	(1,257)	(1,076)	15,050	(20,850)
Non-financial liabilities	-	-	-	-	-	-	(59,077)	(62,203)
Total	**(92,809)**	**(81,654)**	**-**	**-**	**(1,257)**	**(1,076)**	**(44,027)**	**(83,053)**

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:

2022/23				2023/24		
£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
4,123	-	4,123	Interest expense	3,717	-	3,717
4,123	**-**	**4,123**	**Total expense in Surplus on Provision of Services**	**3,717**	**-**	**3,717**
-	(2,644)	(2,644)	Investment income	-	(10,295)	(10,295)
-	**(2,644)**	**(2,644)**	**Total income in Surplus on Provision of Services**	**-**	**(10,295)**	**(10,295)**
4,123	**(2,644)**	**1,479**	**Net (gain)/loss for the year**	**3,717**	**(10,295)**	**(6,578)**

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 6 May 2024, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 6 May.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options: lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

	Level	31 March 2023 Carrying amount £000	31 March 2023 Fair value £000	06 May 2024 Carrying amount £000	06 May 2024 Fair value £000
Financial liabilities held at amortised cost	2	(94,069)	(90,515)	(82,730)	(64,174)
Total		**(94,069)**	**(90,515)**	**(82,730)**	**(64,174)**
Financial Assets at amortised cost					
Held to maturity investments		152,694	152,694	161,478	161,478
Total		**152,694**	**152,694**	**161,478**	**161,478**

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 2023 £000	6 May 2024 £000
Central Government bodies	7,834	18,601
Other local authorities	550	8,810
NHS bodies	25	1
Other entities and individuals	3,974	8,638
Total	**12,382**	**36,050**

Note G10: Cash and Cash Equivalents

	31 March 2023 £000	6 May 2024 £000
Cash	34,936	4,828
Short-term deposits with financial institutions	27,160	33,572
Total	**62,096**	**38,400**

Note G11: Short Term Creditors

	31 March 2023 £000	6 May 2024 £000
Central government bodies	(3,806)	(3,019)
Other local authorities	(10,598)	(17,506)
Other entities and individuals	(29,623)	(47,637)
Total	**(44,027)**	**(68,162)**

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 £0.988m (2023 £35.221m) 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	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
Cost of Services:				
Current service cost [1]	10,986	5,557	-	-
Past service cost	-	-	-	-
Settlement cost	-	-	-	-
Exceptional loss on transfer of pension liability	-	-	-	-
Financing and Investment Income and Expenditure				
Interest cost	6,676	7,882	48	142
Expected Return on Scheme Assets	(6,152)	(10,386)	-	-
Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services	**11,510**	**3,053**	**48**	**142**
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	2,000	(2,617)	-	-
Remeasurement of the net Defined Benefit Liability	(81,000)	(1,053)	(97)	(128)
Asset loss/(gain) due to surplus restriction	-	49,678	-	-
Total amount recognised in Other Comprehensive Income and Expenditure	**(79,000)**	**46,008**	**(97)**	**(128)**
Total amount recognised in CIES	**(67,490)**	**49,061**	**(49)**	**15**

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	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
Opening balance at 1 April	**(306,275)**	**(230,222)**	**(1,769)**	**(1,533)**
Current service cost	(10,986)	(5,557)	-	-
Interest cost	(8,216)	(11,744)	(48)	(142)
Contributions by participants	(1,833)	(2,226)	-	-
Remeasurement of the net Defined Benefit liability	90,148	15,096	101	130
Net benefits paid out	6,941	9,405	183	187
Past service costs	-	-	-	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31 March	**(230,222)**	**(225,248)**	**(1,533)**	**(1,358)**

Reconciliation of the Fair Value of the Scheme Assets:

	LGPS		Discretionary Benefits	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
Opening balance at 1 April	**285,096**	**278,865**	**-**	**-**
Interest income on assets	7,692	14,345	-	-
Remeasurement gains/(losses) on assets	(11,033)	5062.9584	-	-
Employer contributions	2,218	2,763	40	187
Contributions by scheme participants	1,833	2,226	-	-
Net benefits paid out	(6,941)	(9,405)	(40)	(187)
Settlement costs	-	-	-	-
Net decrease in assets from Stadler transfer	-	-	-	-
Closing balance 31 March	**278,865**	**293,858**	**-**	**-**

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	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Fair value of LGPS assets	**237,767**	**279,963**	**290,317**	**278,865**	**293,858**
Present value of liabilities:					
- LGPS liabilities	(271,818)	(318,620)	(306,275)	(230,222)	(225,249)
- Impact of minimum funding	(2,820)	(9,030)	-	-	(13,640)
Surplus/(Deficit) on funded defined benefit s	**(36,871)**	**(47,687)**	**(21,179)**	**48,644**	**54,969**
Discretionary benefits	(2,380)	(2,329)	(1,770)	(1,533)	(1,358)
Unrecognised asset (asset ceiling)	-	-	-	-	(52,689)
Total (Deficit)	**(39,251)**	**(50,016)**	**(22,948)**	**47,111**	**922**

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 £225.249m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a net pension asset of £0.922m. Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2025 is nil for NECA and £0.250m for Nexus (of which £0.137m 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**	
	2022/23	**2023/24 to 6 May 2024**	**2022/23**	**2023/24 to 6 May 2024**
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.6	21.0	21.8	21.0
Women	24.6	24.2	25.0	24.2
Longevity at 65 for future pensioners:				
Men	22.9	22.3	n/a	n/a
Women	26.1	25.6	n/a	n/a
Principal financial assumptions (% per annum)				
Rate for discounting scheme liabilities	4.7%	5.1%	4.7%	5.1%
Rate of inflation - Consumer Price Index	2.7%	2.7%	2.7%	2.7%
Rate of increase in pensions	2.7%	2.7%	2.7%	2.7%
Pension accounts revaluation rate	2.7%	2.7%	n/a	n/a
Rate of increase in salaries	4.5%	4.2%	n/a	n/a

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

	31 March 2023	6 May 2024		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	51.2%	40.1%	11.1%	51.2%
Property	10.5%	0.0%	9.9%	9.9%
Government bonds	1.3%	1.2%	0.0%	1.2%
Corporate bonds	19.5%	18.9%	0.0%	18.9%
Multi Asset Credit	4.5%	4.5%	0.0%	4.5%
Cash	1.8%	0.8%	0.0%	0.8%
Other*	11.2%	0.0%	13.5%	13.5%
Total	**100.0%**	**65.5%**	**34.5%**	**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	
	2022/23	2023/24 to 6 May 2024
	£000	£000
Interest Income on Assets	7,692	2,800
Remeasurement gain/(loss) on assets	(8,067)	1,090
Actual Return on Assets	**(375)**	**3,890**

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 2024 and the projected cost for the period ending 31 March 2025 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised above.

Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

Discount rate assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to discount rate			
Present value of total obligation (£M)	328.78	334.13	339.81
% change in present value of total obligation	-1.6%		1.7%
Projected service cost (£M)	7.91	8.27	8.64
Approximate % change in projected service cost	-4.4%		4.5%

Rate of general increase in salaries	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to salary increase rate			
Present value of total obligation (£M)	334.80	334.13	333.46
% change in present value of total obligation	0.2%		-0.2%
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	339.14	334.13	329.45
% change in present value of total obligation	1.5%		1.4%
Projected service cost (£M)	8.64	8.27	7.91
Approximate % change in projected service cost	4.5%		-4.4%

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	342.48	334.13	325.78
% change in present value of total obligation	2.5%		-2.5%
Projected service cost (£M)	8.58	8.27	7.96
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

Note G13: Deferred Taxation

The movement for the year comprises:

	2022/23 £000	2023/24 £000
Capital Allowances	(365)	(693)
Roll over relief on capital gains	(144)	-
Other timing differences	(3)	6
Tax effect of losses	(1,261)	1,484
Total	**(1,773)**	**796**

The balance at the year end comprises:

	31 March 2023 £000	6 May 2024 £000
Excess of capital allowances over depreciation	1,810	2,500
Roll over relief on capital gains	534	533
Other timing differences	(60)	(66)
Tax effect of losses	(1,486)	(2,966)
Total	**798**	**-**

Note G14: Usable Reserves

	31 March 2023 £000	6 May 2024 £000
General Fund Balance	(42,591)	(46,038)
Earmarked Reserves	(59,669)	(51,093)
Capital Receipts Reserve	-	-
Capital Grants Unapplied Reserve	(77,627)	(63,025)
Total	**(179,887)**	**(160,156)**

Note G15: Unusable Reserves

Summary

	31 March 2023 £000	6 May 2024 £000
Capital Adjustment Account	(450,216)	(497,279)
Financial Instruments Adjustment Account	36	185
Revaluation Reserve	(5,595)	(5,386)
Pension Reserve	(47,112)	(921)
Total	**(502,887)**	**(503,401)**

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 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 2022	**(5,595)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	99
Revaluation Gain recognised in Revaluation Reserve	110
Balance at 6 May 2024	**(5,386)**

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 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)**
Remeasurements of the net defined benefit liability to 6 May 2024	45,780
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 6 May 2024	3,075
Employer's pension contributions and direct payments to pensioners to 6 May 2024	(2,664)
Balance at 6 May 2024	**(921)**

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 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	**(450,217)**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	22,700
Other income that cannot be credited to the General Fund	(3,073)
Revenue expenditure funded from capital under statute	32,804
Write down of long term debtors	745
Non Current Assets written off on disposal	605
Adjusting amounts written out of the Revaluation Reserve	**(99)**
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(97,693)
Statutory provision for the financing of capital investment	(1,146)
Capital expenditure charged against the General Fund	(1,163)
Debt redeemed using capital receipts	(745)
Balance at 6 May 2024	**(497,282)**

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

	2022/23 £000	2023/24 to 6 May 2024 £000
Surplus/(Deficit) on the provision of services	131,910	26,676
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation, Impairment and Amortisation	21,712	23,319
Loss on disposal of non-current assets	2,477	945
(Increase)/Decrease in Creditors	26,959	70,312
Increase/(Decrease) in Debtors	(15,872)	(36,960)
Increase/(Decrease) in Inventories	21	(34)
Pension transactions	9,157	234
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,435)	(2,111)
	43,020	**55,704**
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	(138,458)	(93,864)
Other adjustments for items that are financing or investing activities	1,072	(3,785)
Net cash flow from operating activities	**37,545**	**(15,268)**

The cash flows for operating activities include the following items:

	2022/23 £000	2023/24 to 6 May 2024 £000
Interest received	664	6,228
Interest paid	(3,163)	(3,216)

Note G17: Cash Flow Statement - Investing Activities

	2022/23 £000	2023/24 to 6 May 2024 £000
Purchase of property, plant and equipment, investment property and intangible assets	(92,898)	(66,520)
Purchase of short-term and long-term investments	(226,428)	(581,648)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	-
Proceeds from short-term and long-term investments	160,832	502,562
Other receipts from investing activities	137,620	94,036
Net cash flows from investing activities	**(20,874)**	**(51,570)**

Note G18: Cash Flow Statement - Financing Activities

	2022/23 £000	2023/24 to 6 May 2024 £000
Repayments of short and long-term borrowing	(1,699)	(11,950)
Other payments for financing activities	(1,523)	3,757
Net cash flows from financing activities	**(3,222)**	**(8,192)**

Note G18a: Reconciliation of liabilities arising from Financing Activities

	1 April 2023	Financing Cash Flows	Changes which are not financing cash flows		6 May 2024
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(92,809)	11,155	-	(1)	(81,655)
Short term borrowings	(1,261)	184	-	1	(1,076)
Total Liabilities from financing activities	**(94,070)**	**11,339**	**-**	**-**	**(82,731)**

	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)**

Note G19: Capital Expenditure and Capital Financing

	£000
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)**

Opening Capital Financing Requirement 1 April 2023	**99,639**
Capital Investment	
Property, Plant and Equipment	64,165
Intangible Assets	2,663
Revenue Expenditure Funded from Capital Under Statute	32,804
Sources of Finance	-
Capital receipts - repayment of principal from long term debtors	(745)
Government Grants and other contributions	(98,415)
Sums set aside from revenue	-
Direct revenue contributions	(1,163)
Minimum Revenue Provision	(1,146)
Additional Voluntary Provision	-
Closing Capital Financing Requirement 6 May 2024	**97,802**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(1,837)**

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.

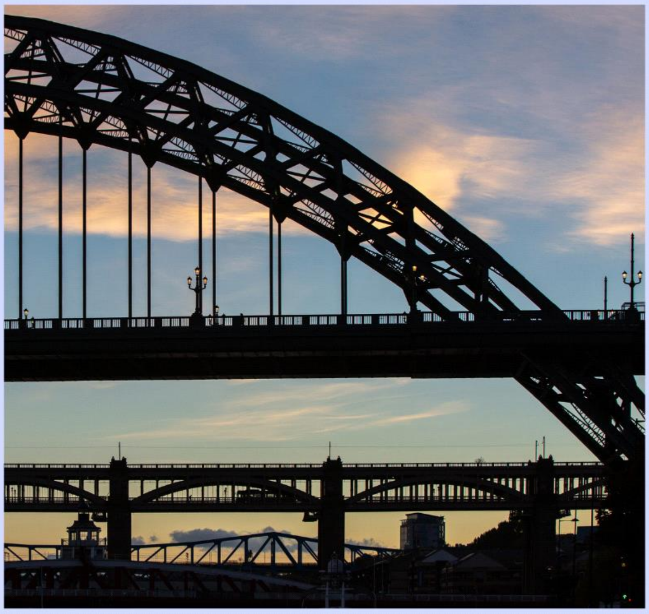
Debtors	Monies owed to the Authority but not received at the balance sheet date.
Defined Benefit Scheme (Pensions)	A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits 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.

ANNUAL GOVERNANCE STATEMENT 2023/24



NORTH OF TYNE
COMBINED AUTHORITY

Section 1: Introduction

This Annual Governance Statement provides an overview of how the North of Tyne Mayoral Combined Authority's governance and internal control arrangements operated during 2023/24, including how they are reviewed annually to ensure they remain effective.

Section 2: Scope of Responsibility

The North of Tyne Combined Authority (NTCA) is a cross-party, cross-region collaboration led by a Mayor and Cabinet to create a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

It was established on 2 November 2018 to deliver the devolution deal agreed between Newcastle, North Tyneside and Northumberland Councils, the North East Local Enterprise Partnership (North East LEP) and Central Government. Devolution has given us the chance to make our own decisions about our own future - with a shift of power, funding and responsibility from central government to the region. It does not replace the three constituent councils, nor take away any of their statutory powers.

We work in partnership and create connections between our programmes and projects for the region. We target investment where we know we need it most and make connections between economic growth and providing the skills, education and confidence local people need to benefit. We work collaboratively with:

- The North East LEP to support delivery of the objectives of the regions Strategic Economic Plan. We are the accountable body of the North East LEP with all its funding decisions being held to account through NTCA.
- The North East Combined Authority to support the region, including transport. To oversee strategic transport functions a Joint Transport Committee has been established with members from both Combined Authorities.
- All seven Local Authorities, and other regional bodies on issues that relate to the wider region.

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

In discharging this overall responsibility, the Authority's Cabinet and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

(i) the governance of our affairs and

(ii) facilitating the effective exercise of our functions, including arrangements for the management of risk

In relation to (ii) the Authority has developed a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

a) identify and prioritise the risks to the achievement of our, aims and objectives; and

b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and Strategic Risk Register which is reported regularly at meetings of the Authority's Audit and Standards Committee.

Section 3: Purpose of the Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against to consider the extent to which the Authority complies with the principles of good governance as set out in the Framework. This is reported through the Annual Governance Statement. It also enables us to monitor the achievement of the Authority's priorities and to consider whether those priorities have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 6 May 2024 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (6) (1) to conduct a review of the effectiveness of the system of internal controls required by Regulation 3 and prepare an Annual Governance Statement.

Section 4: The Governance Framework

The core principles and outcomes of our Governance Framework are set out overleaf. This includes examples of how the Authority has adhered to its governance commitments set out in the Constitution and includes sources of further information which include more detail about how NTCA has implemented its commitments.

Principles of Good Governance

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Governance Framework		
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
The Authority's Commitment of Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Behaving with Integrity	The 2023/24 budget and our medium-term financial plan for the period 2024-25 to 2026-27 has been developed within the context of the Authority's strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Combined Authority's strategic plans are delivered within the financial resources available. The Corporate Plan provides a clear blueprint for the work of the Authority and shows how it will deliver on the outcomes shaped by the Mayor and Cabinet. The Plan builds on well-established portfolios, clear strategic priorities and a culture of collaboration that is knitted into everything it does. A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area which outlines a framework for collaborative working across the region. A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis. The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.	2023-2027 Budget Proposals Working Together: Our Corporate Plan 2023-2024 Gifts and Hospitality Policy

	Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the NTCA Chief Finance Officer.	
Demonstrating Strong Commitment to Ethical Values	Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and controls required to manage risks. We will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical. Codes of conduct are set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deal with issues of conduct and generally promote high standards among officers and members. Our Freedom of Information Scheme is published on our website We ensure that there are effective arrangements for "Whistle-blowing" and for receiving and investigating complaints from the public. Administration of the Authority's policies on anti-fraud and corruption is undertaken by Internal Audit. Whistleblowing policy and procedure is at Part 5.5 of our Constitution The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.	The Constitution is available on the NTCA website. Cabinet Rules of Procedure ("Standing Orders") can be found at part 3.1 of the Constitution Codes of Conduct can be found at Part 5.2 of the Constitution Freedom of Information Scheme Whistleblowing Policy

	Data Protection and Confidentiality; Environmental; Equalities and Diversity; Inclusive Economy, Modern Slavery; and Social Value policies are in place and available on the Transparency page of our website. We work with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work which are outlined in our Corporate Plan.	Transparency Policies Working Together: Our Corporate Plan 2023-2024
Respecting the Rule of Law	NTCA has measures to address breaches of its legal and regulatory powers. The Authority's Monitoring Officer has statutory reporting duties in respect of lawful decision and maladministration. We review and update our standing orders, standing financial instructions, scheme of delegation and support procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks. Scheme of Delegations - The proposed scheme identifies a number of officers as "designated officers" who can exercise the delegated functions allocated to them in the scheme. These designated officers are the Head of Paid Service, Chief Finance Officer, and Monitoring Officer, Chief Executive and Director of Policy and Performance, as well as the Chief Executive of the North East LEP (whose delegation relates to North East LEP matters only). Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer. The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.	Constitution 2.9 – Scheme of Delegations

B. Ensuring openness and comprehensive stakeholder engagement		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Ensuring Openness Engaging Comprehensively with Institutional Stakeholders	We are clear on delivering the objectives of the Combined Authority and intended outcomes of our vision. Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region. Each year NTCA produces an Annual Report which sets out the Authority's achievements and the work of the Mayor and Cabinet. The Authority's significant partners (Nexus and the North East LEP) provide signed assurance statements which contains an assessment of their governance and internal control systems. The statement provides additional evidence for this AGS. The Authority produces an Annual Report to set out the Authority's achievements and the work of the Mayor and Cabinet over the last year. This year will be the final Annual Report of the NTCA and as such reflects the lifetime of the Authority. The Annual Report 2023-2024 which is presented to Cabinet also includes updates from the Inclusive Economy Board	Working Together: Our Corporate Plan 2023-2024 Delivering Devolution Together – Annual Report Cabinet report 12 March 2024 presents updates from IEB, HLB, & VCSE

	(IEB), the Housing and Land Board (HLB), and the Voluntary, Community and Social Enterprise Group (VCSE) The Elected Mayor chairs the Cabinet and Cabinet decisions will be subject to scrutiny by the Overview and Scrutiny Committee. The Elected Mayor has a number of specific powers and financial resources which Cabinet can make representations on, and which can also be subject to scrutiny by the Overview and Scrutiny Committee. Transport is of strategic importance to the North East and together with the North East Combined Authority a North East Joint Transport Committee has been established bringing together members from across the seven local authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered. The NTCA Adult Education Strategic Skills Plan sets out our ambitious programme for skills development. It highlights strengths, opportunities and challenges across our region and sets out the NTCA key priorities to ensure our residents have the skills to get a good job, progress in work and that employers have people with the right skills. The Skills for Growth programme has been developed using the flexibilities provided by devolved funding to enable investment in innovation and sector growth to be complemented by support for skills and talent pipeline development. Click on the link to read more about the skills for growth priorities.	Overview and Scrutiny Annual Report 2023/24 and Decision Review North East Joint Transport Committee Opportunity for All – North of Tyne Strategic Skills Plan
Engaging stakeholders effectively, including	Meetings, agendas and minutes are accessible via the website. All meetings are held in public (other than where consideration of confidential or exempt information).	NTCA website

individual citizens and service users	We publish a register of key decisions to notify the public of the most significant decisions the Combined Authority is due to take. Details of each decision are included on the Forward Plan 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that NTCA is planning to take. Our Freedom of Information Scheme is published on our website. The appointment of a Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) and supporting Accord, which sets out a framework to deliver our shared vision of an inclusive economy. We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors. Our website includes a transparency page where you will find the non-financial information the North of Tyne Combined Authority is required to publish under the Local Government Transparency Code 2015. We continue to work closely with our adult education providers. The hyperlink to the mid-year update provides an update on provision that has been delivered through the devolved Adult Education Budget for the period 1 August 2023 to 6 February 2024. The Skills Bootcamps update included within the same hyperlink as above reports on the performance of the Skills Bootcamps and describes the range of sector areas which	Forward Plan Freedom of Information Scheme VCSE Stakeholder Engagement Group Annual Report 2023/24 Social Media House Rules Transparency Information Devolved Adult Education Budget – mid year update Skills Bootcamps update

	are included i.e. digital, logistics, technical and engineering and shows over 340 employers are engaged in the Bootcamps. In 2022 and 2023 NTCA held three engagement events – Open the door a little wider - (2 for residents and 1 for employers) to listen to the experiences of both residents and employers focusing on challenges and successes in getting good work	The Open the door a little wider report presents the findings from the three events.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Defining Outcomes	The Corporate Plan sets out the ambitions of Cabinet for the authority for the year ahead with a roadmap for action. It captures the breadth of work undertaken and ensures activities are aligned allowing for clear collaborative working. The North East LEP works with its partners, which includes NTCA and NECA, to deliver the regions Strategic Economic Plan (SEP). The Plan reflects on recent changes to the global and national economy as well as the UK's departure from the European Union. It also looks at how the North East can maximise opportunities around the UK's Industrial Strategy. We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.	Working Together: Our Corporate Plan 2023-2024 Strategic Economic Plan UK's Industrial Strategy. Significant Partnership Register

Sustainable, Economic, Social and Environmental Benefits	To build on the engagement that is already happening across the North of Tyne region regarding climate change, Cabinet has approved the creation of a Citizens' Assembly to look at a specific set of issues relating to climate change. NTCA have embedded our 'zero-carbon – zero poverty' approach; the Energy, Green Growth and Climate Change programme, improving the north bank of the Tyne, green crowdfunding and our Green New Deal which will create jobs, reduce emissions, and save money – it's the kind of innovation that's needed for local areas to become net-zero. Creating jobs need not cost the Earth. As part of the business planning process the Authority sets out how it will work towards its agreed equality objectives, with Equality Impact Assessments undertaken to ensure we consider the likely impact of our policies and plans on different groups of people to ensure they do not inadvertently disadvantage anyone. Equality implications are considered in all our decision-making reports - with reporting templates prompting report authors to record the equality implications arising from their reports. Our Social Value Policy sets out how the Authority will deliver social value through their commissioning and procurement activities and to set the Authority's priorities in relation to social value. NTCA has developed a programme to understand what 'Good Work' should look like in the North of Tyne and how NTCA can promote and reward employers that are offering the elements of 'Good Work'. This has included the	 Zero carbon, Zero poverty: Our 5 point plan Annual update on NTCA's performance against its Equality Objectives Social Value Policy Good Work Pledge Article

	development of a Good Work Pledge, which enables employers to understand the key elements of 'Good Work'', what they can do to achieve this for their employees and what support is available to help them get there. The pledge covers over 40,000 employees who now have secure employment, a decent wage and proper representation and a ladder to boost skills to turn a job into a career. The Adult Education Budget provision supports key elements of the North East Strategic Economic Plan, and the emerging Local Industrial Strategy and plays a key role in NTCA's economic growth and reform agenda. Inclusive Economy Board was launched in March 2020 and advises the NTCA Cabinet on inclusive economy interventions across the North of Tyne area, championing the NTCA vision and supporting the area to become a national exemplar in inclusive growth The Housing and Land Board provides robust governance around an integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area. A North of Tyne Poverty Truth Commission brought together community, civic and business representatives with people with experience of living in poverty. The Commission led to a better understanding of the specific features of poverty for people living in Newcastle, North Tyneside, and Northumberland and it produced collaborative and practical solutions. The project concluded with a final 'call to action' event held in January 2024 which showcased the work of the	Adult Education Budget mid-year update Inclusive Economy Board Annual Report 2023/24 Housing and Land Board Annual Report 2023/24 Children North East to lead on Poverty Truth Commission Education Improvement and Child Poverty Prevention Report Poverty Truth Commission

	commission and the projects developed by each of its working groups. Crowdfund North of Tyne will fund projects to help communities - its aim is to bring people together, create or improve green spaces, improve mental health, inspire creativity and opportunity for all, or support social enterprise and co-operative development.	Crowdfund North of Tyne

D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Determining Interventions	Cabinet regularly receive Budget Monitoring Reports. Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee can review and scrutinise decisions made by the Mayor and Cabinet and can call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles of decision making . A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.	Cabinet Reports Constitution (Part 1.2) Annual Report and Decision Review

	Strategic risks are owned by our Senior Leadership Team and reported to Audit and Standards Committee on a regular basis	
Optimising Achievement of Intended Outcomes	The strategic, crosscutting nature of much of the Authority's work means that delivery is often achieved through collaboration with NTCA partners and North of Tyne Council's. An example of this collaboration is in our Recover, redesign, reimagine plan which was put forward to Government demonstrating our commitment to post-covid recovery and renewal.	Recover, Redesign, Reimagine

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Developing the Organisation's Capacity	We have defined and documented in our Constitution the roles and responsibilities of Cabinet, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Cabinet, Members and Officers have been agreed by the Combined Authority.	Part 2 Constitution – Responsibility for Functions - NTCA (northoftyne-ca.gov.uk)
Developing the Capability of the Organisation's Leadership and Other Individuals	We identify and aim to address the development needs of members and senior officers through the annual appraisal process, in relation to their strategic roles, and support these with appropriate training.	

	Values and behavior's workshops have been delivered to all staff, with staff appraisals undertaken with agreed targets and objectives linked to NTCA's work programme. Staff are also reminded of our information governance/data security requirements whilst working remotely, to ensure they continue to work safely and securely. Additional health and safety modules have been made available on our Learning Management System alongside advice from the Health & Safety Executive to ensure all our staff work safely at home.	

F. Managing risks and performance through robust internal control and strong public financial management		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Managing Risk	Our Risk and Opportunity Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.	Risk Management Policy and Strategy 2023/24
Managing Performance	Cabinet and Overview and Scrutiny Committees receive quarterly finance reports, monitoring the Authority's financial position and treasury management activity.	Overview and Scrutiny Committee March 2023/24 Budget Monitoring Report

	Cabinet and Overview and Scrutiny Committees receive six monthly reports monitoring the financial position of the North East LEP and Invest North East England.	Funding Decisions Reports
Effective Overview and Scrutiny	Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 1.2) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles. A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens. There are regular meetings between the Mayor and the Chair and Vice Chair of Overview and Scrutiny Committee.	Adoption of Cabinet-Scrutiny Protocol Overview and Scrutiny Annual Report 2023/24 and Decision Review
Robust Internal Control	An Officer holds the position of Data Protection Officer and is responsible for overseeing the Authority's Data Protection and Confidentiality Strategy and its implementation to ensure compliance with the General Data Protection Regulations. The Authority regularly reviews policies relating to records management, data quality, data protection and information security. The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent assurance on the adequacy of the risk management framework and internal control environment.	Data Protection and Confidentiality Strategy Audit and Standards Committee

	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 2023/24 to support this Annual Governance Statement. A 2023/24 Strategic Audit Plan which was approved by Audit and Standards Committee April 2023, has been prepared to ensure Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority. Progress against the 2022/23 Audit Plan was reported to Audit and Standards Committee at its January 2023 meeting.	Internal_Audit reports to Audit & Standards Committee
Managing Data	All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continued during 2023/24. The Authority makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.	Freedom of Information Scheme
Strong Public Financial Management	The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2023/24 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.	

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
The Authority's Commitment to Good Governance	***How the Authority meets these principles***	***Where you can see Governance in action***
Implementing Good Practice in Transparency	Mayor's Question Time – Mayor Driscoll hosts regular themed online Mayor's question time, welcoming questions and comments on key issues. We publish details of delegated decisions on our website. We publish NTCA's £500+ spend monthly	How can devolution help us get to net zero delegated decisions website. 2022/23 Transparency Spend Documents
Implementing Good Practices in Reporting	We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. Internal Audit compliance with Public Sector Internal Audit Standards Production of the Authority's Annual Report and Accounts	Review of Audit and Standards Committee Arrangements
Assurance and Effective Accountability	The Assurance Framework explains the arrangements for NTCA to: • Demonstrate that arrangements are in place to ensure accountable and transparent decision-making • Appraise projects and allocate funding; and • Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks,	

	issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals. Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy of the effectiveness of our governance, risk and control framework. The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations. Information on expenditure, performance and decision making is sited together on the Transparency page of the Authority’s website and can be accessed quickly and easily.	

Section 5: Annual Review of Effectiveness of Governance Framework

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

(a) An assessment of the Authority's Constitution, including its committee structure.

(b) The views of Internal Audit.

(c) Assurance from Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written signed statements.

(d) The views of External Auditors.

(e) Activity of the Audit and Standards Committee, including ethical governance

(f) Partnerships, including the North East Local Enterprise Partnership and Nexus, through a written signed statement

(g) The Risk Management process, particularly the Strategic Risk Register

(h) Performance information which is reported to Cabinet and other meetings on a regular basis.

Section 6: North East Devolution Deal and Election of a Mayor

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils have agreed to a devolution deal for the region which will unlock £4.2 billion of investment, over 30 years, and see additional powers transferred from Whitehall to local people with better knowledge and experience of our communities.

This deal is expected to create 24,000 extra jobs, create 70,000 courses to give people the skills to get good jobs and lever £5.0 billion of private sector investment. It represents a significant opportunity to make a difference to people who live and work in the North East and could have a hugely positive impact on the big issues that matter.

Whether that is new and better paid jobs, more affordable housing or placing ourselves at the forefront of Net Zero revolution, the chance of more decision-making powers and millions of pounds in funding will have a major impact on the North East.

The devolution deal is subject to adopting the model of a directly elected mayor over the whole of the Combined Area and replacing the North of Tyne Mayoral Combined Authority and the North East Combined Authority, with a single new North East Mayoral Combined Authority.

The new authority, which would cover an area which is home to around 2 million people, will have the power to make decisions on areas such as transport, skills, housing, finance and economic development. This will result in the functions of the North East Local Enterprise Partnership, Transport North East and Invest North East England being delivered by the new combined authority.

Following an order being laid in Parliament to establish the new North East Mayoral Combined Authority election will take place in May 2024 to elect a Mayor for the region. The new authority will be formed on 7 May 2024.

We the North of Tyne Combined Authority have a strong track record on governance, accountability and transparency measures having successfully passed our Gateway Review therefore the new North East Mayoral Combined Authority will maintain and build on this track record.

An interim Corporate Plan for the new North East Mayoral Combined Authority is available.

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 2023/24.

Section 8: Conclusion

We consider the governance and internal control environment operating during 2023/24, to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

The annual review has shown that the arrangements for 2023/24 are in place and operating as planned.

Mayor of the North of Tyne Combined Authority	**Chief Executive**
Full Name:	**Full Name:**

Signature: **Date:**	**Signature:** **Date:**

NORTH OF TYNE COMBINED AUTHORITY

Draft
Narrative Report
Period ending May 6 2024

Narrative Statement

Introduction

This Narrative Report provides information about the North of Tyne Combined Authority (NTCA) and includes the key issues affecting the Combined Authority and its accounts. This report provides an explanatory narrative to key elements of the statements and sections in the accounts and provides a summary of the Combined Authority's financial performance for the period ending 6 May 2024 and its future financial prospects.

The report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which have occurred during the year and the extended period to May 6 2024.
- A summary of the Combined Authority's financial performance during the period from April 1 2023 through to the extended year end to May 6 2024.
- A look ahead to 2024/25 when NTCA, along with the former North East LEP and Invest North East England, will be part of the North East Mayoral Combined Authority.
- Confidence in the Combined Authority's stewardship of public money and that it has been accounted for in an appropriate manner.

The Statement of Accounts contains all the financial statements and disclosure notes required by statute, prepared in accordance with the proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Combined Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cashflow Statement

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

The purpose of this Narrative Report is to collectively provide a comprehensive view of the Combined Authority's financial position, including that of the North East Local Enterprise Partnership (North East LEP) and Invest North East England (INEE) for which the North of Tyne Combined Authority became the accountable body on the 1 April 2020.

The format of the accounts reflects the impact of the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order), which changed the boundaries of the former North East Combined Authority (NECA) on the 2 November 2018 and established the North of Tyne Combined Authority (NTCA) as well as the North East Joint Transport Committee.

The report enables readers to focus on the key elements of the Statement of Accounts and contains the following sections:

- Annual Governance Statement.
- About North of Tyne Combined Authority.
- Key Facts about Governance Arrangements.
- Financial Performance of the Combined Authority for the extended year end to May 6 2023/24 including the North East LEP (North East LEP) and Invest North East England (INEE).
- Non-Financial Performance of the Combined Authority for the extended year end to May 6 2023/24.
- Key Priorities and upcoming Milestones
- Significant Issues for 2024/25 and beyond.
- Explanation of Accounting Statements included within the Statement of Accounts.
- Implementation of the Devolution Order.
- Joint Transport Committee.

Annual Governance Statement

The Combined Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Further information is available in the Annual Governance Statement which will be presented to the Audit and Standards Committee in conjunction with the Statement of Accounts. The Statement explains how the Combined Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015. The Statement can be found on the Combined Authority's website: [NTCA 2023/24 Annual Governance Statement]

About North of Tyne Combined Authority (NTCA)

NTCA was established to give effect to a 'minded to' devolution deal which was agreed between the three councils, the North East LEP and central government. At the same time, the North of Tyne Combined Authority was established, the North East Joint Transport Committee (JTC) was created, which continues to exercise the Transport functions.

The JTC brings together members from both NTCA and NECA, to allow effective decision making across the region and to ensure that the local needs and transport priorities are delivered. NECA retained the Accountable Body role for Transport on behalf of the North East Joint Transport Committee. NTCA became the Accountable Body for the North East LEP as of 1 April 2020.

A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region.

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 required the creation of a new mayoral combined authority for the region. This was 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 Combined Authority (North East CA).

These changes also entailed the abolition of the Joint Transport Committee as the North East CA 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.

Key Facts about Governance Arrangements

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

NTCA Order and Constitution

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

Management Structure

Senior Officers of NTCA during 2023/24 to May 6 2024, consisted of: the Chief Executive (Designated Head of Paid Service), Director of Policy and Performance, the Director of Finance (Section 73 Officer), and the Monitoring Officer. The Monitoring Officer is a seconded post from Newcastle City Council (one of the three Constituent Authorities).

The Combined Authority has grown to 150 employees during 2023/24 to May 6 2024 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

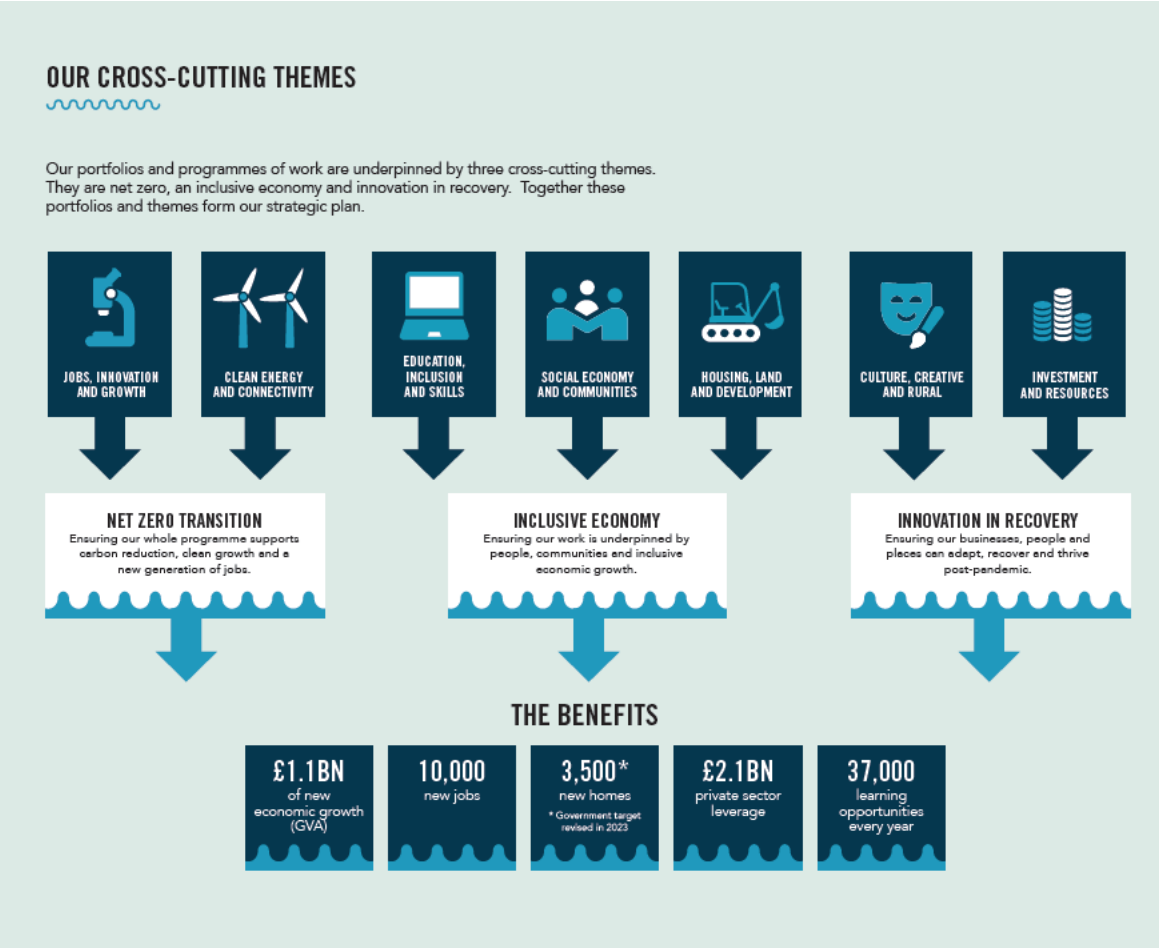
The North of Tyne Combined Authority (NTCA) was established on the 2 November 2018 as a legal body led by an Elected Mayor. The North of Tyne Combined Authority manages a range of powers on housing, transport, infrastructure, skills, and employment. Decisions are made locally to benefit our local economy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

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

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

Cross-cutting Themes

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



Funding, Investment and Resources

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

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

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

Over £90m of this initial tranche has been committed and is in the process of being invested into tangible projects. This has helped attract a further £282m of private sector investment.

Headline Targets

The devolution deal is committed to adding an additional £1.1bn Gross Value Added (GVA) to the economy, delivering 10,000 new jobs and leveraging over £2.1bn in private sector investment. This is a 'job a day' through the lifetime of the deal with every £1 invested generating a further minimum of £3.50 of private sector investment.

NTCA are on track to meet and exceed these targets, with over 5,049 new jobs already in the pipeline which will turn into real, sustainable careers for our citizens.

Financial Performance of the Combined Authority 2023/24 to 6 May 2024

The financial position of the NTCA for the period 2023/24 to May 6 2024 is shown in Table 1 below with the financial position as at 6 May 2024 on the key funding allocations awarded shown in Table 1a:

Table 1: NTCA Budget Outturn 2023/24 to May 6 2024

Summary Outturn	2023/24 Budget extended to May 6 2024	2023/24 Outturn extended to May 6 2024	Variance
	£m	£m	£m
NTCA Corporate	0	(5.187)	(5.187)
Adult Education Budget	24.535	27.062	2.527
Bootcamps Wave 3	5.338	5.531	0.193
Total	**29.873**	**27.406**	**(2.467)**

Table 1a: Financial position as at 6 May 2024 on NTCA key funding allocations

Summary Outturn	Funding/ Allocation	2023/24 Outturn extended to May 6 2024	Variance
	£m	£m	£m
Investment Fund*	154.245	85.807	68.438
UK SPF and Multiply**	54.256	11.036	43.220
Brownfield Housing***	31.805	9.058	22.747
Total	**88.238**	**66.049**	**22.189**

**Investment Fund line shows the original allocations approved to date with the outturn reflecting spend to date from the inception of the NTCA. The variance for the Investment Fund is the future years commitment.*

***UKSPF and Multiply reflects the full UKSPF allocation covering 3 years to March 2025 with spend to date across the funding programme.*

****Brownfield Housing reflects the full funding allocation for the first tranche of Brownfield Housing allocated to NTCA.*

Corporate Budget Outturn

A more detailed outturn for the NTCA Corporate Budget for 1 April 2023 to May 6 2024 is set out below in Table 2:

Table 2: NTCA Corporate Budget Outturn 2023/24 to May 6 2024

Corporate Budget 2023/24	2023/24 Budget	2023/24 Budget extended to 6 May 2024	2023/24 Outturn	Variance
Expenditure	**£m**	**£m**	**£m**	**£m**
Staffing/Secondments	4.786	5.258	5.625	0.367
Mayors Office	0.288	0.316	0.314	(0.002)
Transition Costs	0.500	0.549	0.784	(0.235)
Election Costs	0	0	1.492	1.492
Other Costs	1.578	1.734	1.418	(0.316)
Contribution to Reserves	0.500	0.500	0.292	(0.208)
SLA with Constituent Authorities	0.271	0.298	0.333	0.035
JTC Levy	30.561	33.587	33.587	0.000
Gross Expenditure	**38.484**	**42.242**	**43.845**	**1.603**
Income				
Grant Income	(6.937)	(7.631)	(7.432)	0.199
Contributions from Constituent Authorities	(0.111)	(0.122)	(0.122)	(0.000)
Contribution from the former NECA			(0.448)	(0.448)
Contribution from Reserves	(0.600)	(0.600)	(1.728)	(1.128)
Investment Interest Receivable	(0.275)	(0.302)	(5.715)	(5.413)
JTC Levy	(30.561)	(33.587)	(33.587)	0.000
Gross Income	**(38.484)**	**(42.242)**	**(48.484)**	**(6.242)**
Net (Income)/Expenditure	**0**	**0**	**(5.187)**	**(5.187)**
Contribution to Strategic Capacity Reserve				**(5.187)**

Investment Fund Outturn

Table 3 sets out the NTCA Investment Fund by portfolio in line with the NTCA Corporate Plan, showing outturn against the original Investment Fund allocation.

Table 3: NTCA Investment Fund Outturn 2023/24 to May 6

				Future Years Commitments Profile				
Portfolio	**Original Approved Allocation**	**Revised Allocation**	**Total spent to May 6 2024**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Clean Energy, and Connectivity	10.736	9.443	5.618	2.497	1.300			
Culture, Creative and Rural	19.004	19.879	14.121	3.430	1.780	0.523		
Education, Inclusion and Skills	19.100	17.945	10.721	7.218	1.703	0.214		
Green New Deal and Connectivity	9.000	9.000	8.800					
Housing, Land and Development	28.632	27.646	6.366	16.844	2.021	1.004	1.315	
Investment and Resources	12.000	12.000	12.000					
Jobs, Innovation and Growth	53.178	52.999	26.099	11.970	6.808	3.880	1.224	1.470
Social Economy and Communities	2.117	2.095	2.021	0.061				
Unallocated	0.479	0.479	0.061	0.418				
Total	**154.245**	**151.487**	**85.807**	**42.438**	**13.612**	**5.621**	**2.539**	**1.470**

Table 3 illustrates the significant progress made in decision and actions to deliver the NTCA Investment Fund programme since the establishment of NTCA with programmes and project allocations totalling £154.245m. The outturn position of £85.807m reflects many projects coming into their final year of delivery against the original set of allocations. The balance of committed spend into future years is £65.713m. Delivery of this will continue to be spent in 2024/25 going forward into 2028/29, the first five-year period of the new North East CA where there are approvals in place.

Within the Investment Fund the following schemes relate to capital expenditure. See overleaf in Table 4:

	2020/21 £ million	2021/22 £ million	2022/23 £ million	2023/24 £ million	2024/25 £ million (forecast)
NU Futures	0.335	1.636	0.028		
North Shields Fish Quay		0.346	1.084	0.242	
Swans Energy Park			2.000		
Spirit of North Tyneside			0.249		
Community Hubs Northumberland		0.010			
CCZ – North Tyneside			0.142	0.657	
Energy Central Learning Hub (ECLH)				1.000	
Northumberland Line Newsham Bridge				5.000	
Berwick CCZ				0.100	
North Bank of the Tyne EZ Phase 1		0.110	0.372	0.317	
North Bank of the Tyne EZ Phase 2				1.000	2.444
Bates Clean Energy Terminal		0.752	1.457	0.113	
Clean Energy Park, Howdon Yard and Quay			2.791	0.038	
Technology Development Centre				1.000	1.000
NEP1 Battle Wharf			0.508	0.741	
Northumbria Healthcare Laundry Facility			0.082		
Neptune & Swans Energy Parks Enabling Work				0.141	
Total	**0.335**	**2.854**	**8.713**	**10.349**	**3.444**

In addition to the above capital schemes funded from the NTCA Investment Fund, £15.350m of capital funding was provided by DLUHC in March 2023 for spend within 2022/2023; expenditure in 2023/2024 was allowed due to the late receipt of the notification of funding. Table 5 shows the three schemes identified for this additional capital spend:

Table 5: £15.350m Capital Funding

Capital Project	Allocation	Spend to Date	Remaining spend in 24/25
	£m	£m	£m
Port of Tyne – Tyne Clean Energy Park	8.000	8.000	0
Sunderland City Council – Sunderland Studio Development	5.500	4.886	0.614
North Tyneside Council – North Shields Town Square	1.850	1.850	0
	15.350	**14.736**	**0.614**

Brownfield Housing Fund (BHF)

The Brownfield Housing Fund (BHF) was the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least 2,000 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. BHF is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.

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

To date, 18 schemes have been approved and are in various stages of development or delivery. These 18 schemes are projected to remediate 77.51 hectares of brownfield land and deliver 2,917 homes. Furthermore, there are another two schemes still awaiting the business case and sign off process to be completed. These schemes will add a further 172 homes and remediate a further 5.90 hectares of brownfield land.

This takes the total number of homes forecasted to be unlocked to 3,089 homes across 83.41 hectares. The total estimated cost of these schemes is £483.2m, with Brownfield Housing Fund contributing £49.3m.

A further £17.409m was awarded to NTCA following the announcement of the North East Devolution Deal, taking the total funding allocation to £49.205m. This allocation will be focused primarily on housing sites south of the Tyne and will unlock between 1,134 and 1,451 new homes, with projects expected to defray their spending by March 2026, in line with Government expectations.

Table 6 shows the projected programme with current allocation of funds.

Table 6: Brownfield Housing Fund Profile

	2020/21	2021/22	2022/23	2023/24	2024/25 Forecast	2025/26 Forecast	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Initial Funding Profile	4.854	8.100	6.700	3.100	1.100	0.000	23.854
Extended Funding Profile	0.000	0.000	4.753	2.674	0.524	0.000	7.951
Devo Deal Funding Profile	0.000	0.000	0.000	0.000	8.704	8.704	17.409
Combined Funding Profile	**4.854**	**8.100**	**11.453**	**5.774**	**10.328**	**8.704**	**49.205**
Annual spend as at end of 31 March	0.636	3.228	1.046	**3.417**	**22.950**	**17,928**	**49.205**
Annual spend and cumulative to 6 May 2024	**0.636**	**3.228**	**1.046**	**4.148**			**9.058**

Overall good progress is being made with the NTCA's Brownfield Housing Programme. The programme is expected to over-deliver in terms of outputs, and deliver good value for money, with expenditure profiles expected to be completed by March 2025 in line with expectations. For the original pipeline of projects, NTCA's work on the Brownfield Housing Fund schemes during 2023/24 has concentrated on continuing project development, completion of final business cases, entry in to grant funding agreements, and supporting scheme promotors to begin work on the ground.

Alongside this and after the announcement of additional funding linked to the North East Devolution Deal, NTCA have also engaged with local authorities to build a pipeline of further schemes across the new authorities and develop these project business cases to approval. This process has successfully led to seven projects being added to the pipeline from south of the Tyne, of which 5 have been approved.

UKSPF and Multiply

The UK Shared Prosperity Fund (UKSPF or the Fund) is a central pillar of the UK government's Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025. The intention of the fund is to invest in domestic priorities and targeting funding where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances. The table includes the Rural England Prosperity Fund (REPF), a £110m top-up to the UKSPF allocated to eligible rural authorities (Section 44).

Table 7 below shows expenditure against the first-year profile of UKSPF, including

Multiply. Confirmation of funding was received late in November 2022 and therefore first year spend was low.
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Table 7: UKSPF 1 April 2023 to 6 May 2024

UKSPF Investment Priorities	Total Allocation		Prior Yr. Spend 2022/23		2023/24 Outturn		2024/25 Forecast	
	Revenue £m	Capital £m	Revenue £m	Capital £m	Revenue £m	Capital £m	Revenue £m	Capital £m
Community and Place	**11.137**	**4.115**	1.407	0.155	1.285	0.038	8.445	3.922
Supporting Businesses	**13.814**	**4.528**	-	-	2.308	0.180	11.506	4.348
People and Skills	**11.609**	**-**	-	-	1.872	-	9.737	-
Rural England Prosperity Fund	**-**	**3.044**	-	-	-	0.242	-	2.802
Administration Top-Slice (4%)	**1.522**	**0.359**	0.241	-	0.681	-	0.600	0.359
Total UKSPF and Rural England Prosperity Fund	**38.082**	**12.046**	**1.648**	**0.155**	**6.146**	**0.460**	**30.288**	**11.471**

Multiply (UKSPF)

Multiply funding is a separate funding stream that forms part of UKSPF overall programme, aimed at boosting funding for adult numeracy enabling local areas to deliver more innovative approaches to reach more people. The 2023/24 extended year end position is shown below in Table 8.

Table 8: UKSPF Multiply Outturn 2023/24 to May 6 2024

UKSPF Multiply	Total Allocation	2022/23 Spend	2023/24 Outturn	2024/25 Forecast Budget
Multiply Programme	3.715	1.089	1.269	1.334
Administration top slice (10%)	0.413	0.125	0.144	**0.140**
Total UKSPF Multiply	**4.128**	**1.214**	**1.413**	**1.474**
UKSPF Multiply Funding	(4.128)	(1.214)	(1.413)	(1.474)
Net UK SPF Multiply Position	**0.000**	**0.000**	**0.000**	**0.000**

Rural England Property Fund (REPF) (UKSPF)

The Rural England Prosperity Fund (REPF) is a £110m top-up to the UKSPF allocated to eligible rural authorities to support activities that specifically address the challenges rural communities face. North of Tyne was allocated £3.044m capital funding specifically targeted at Northumberland, but recognising the important connection between our rural, coastal, and urban economies. The REPF is available from April 2023 to March 2025. The fund is aligned with interventions in the Supporting Local Business and Communities and Place investment priorities, and will provide capital funding to:

- support new and existing rural businesses to develop new products and facilities that will be of wider benefit to the local economy, including farm businesses looking to diversify income streams.

- support new and improved community infrastructure, providing essential community services and assets for local people and businesses to benefit the local economy.

Table 9 sets out the REPF spend profile for the Rural Business and Rural Communities Priorities. 65% of the funding has been allocated to the Rural Business Priority and 35% to the Rural Communities Priority.

Table 9: Rural England Prosperity Capital Spend Profile

	2023/24 Budget	2023/24 Outturn to May 6 2024	2024/25 Forecast Budget	Total
	£ million	£ million	£ million	£ million
Rural Business	0.495	0.242	1.484	1.979
Rural Communities	0.266	-	0.799	1.065
Total	**0.761**	**0.242**	**2.283**	**3.044**

Adult Education Budget (AEB)

As part of the devolution deal the Adult Education Budget was devolved to the Authority with an effective start date of August 2020. This provided the Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.

NTCA's devolved AEB for the period 1 April 2023 to 6 May 2024 was £23.782m. The AEB includes a 3% top slice allocation to fund corporate related activity allocation. A further £0.753m funding for the delegated Free Courses for Jobs (FCFJ) offer has been awarded for this financial year bringing the total AEB for 2023/24 to £24.535m.

Providers' AEB delivery plans are monitored at quarterly performance management meetings throughout the year. AEB Devolution features as a strategic risk on the NTCA Strategic Risk Register. In addition, at a project level, appropriate risk management processes are in place to identify and mitigate risks, with escalation requirements embedded.

Reconciliation of under delivery from academic year (AY) 2020/21 & AY 2021/22 (which was mainly due to the impact of the Covid Pandemic) has meant that a proportion of funding from these two academic years was held in reserve at the end of 2022/23. A further full reconciliation of providers' actual earnings against their allocations for the academic year (Aug 22 to Jul 23) took place at the end of October 2023.

Providers have been working hard to increase participation and are reporting an increased confidence from learners and employers in AY 2023/24. A proportion of the remaining balance from the reconciliations noted in paragraph 4.31 has been re-distributed during the AY 2023-24 through an approved 'earnings boost' and earnings reconciliations across AEB and Free Skills for Jobs which allowed providers to apply for growth to their current allocations in line with procurement regulations and NTCA's Scheme of Delegation. These growth windows and earnings reconciliations committed £1.432m against the reserve held.

NTCA's performance management processes enable current AEB providers to apply for in-year growth to their funding allocations at set performance management points throughout the academic year. All requests for growth are subject to funding being available, criteria set out in the NTCA Payment and Performance Management Framework, and appropriateness in terms of meeting NTCA's strategic priorities for AEB as set out in the Strategic Skills Plan. Table 8 shows the use of existing reserves balance in 2023/24.

Table 8: Adult Education Budget 2023/24 to May 6 2024

Reserves	**Outturn 2023/24**
	£ million
Reserve Balance on 1st April 2023	(8.760)
5% Earnings Boost AEB and FCFJ Earnings Reconciliations	1.432
AEB Funding April 1 to July 31, 2024 (2023/24 AY)	(5.843)
Balance on AEB Reserve 06 May 2024	**(13.171)**

Table 11 overleaf shows the spend on AEB and FCFJ against the 2023/24 Allocation to March 2024. With the extended year end position to May 6, 2024, the outturn position across AEB and FCFJ was £27.063m. The funding allocation for April to July 2024 (£8.370m) has already been received; the relevant proportion of this funding has been applied to match the extended outturn expenditure.

Table 11: 2023/24 Outturn to May 6 2024

Free Courses for Jobs funding for 2023/24	2023/24 AEB Financial Year		
	2023/24 Allocation	**2023/24 Outturn**	**Variance**
	£ million	**£ million**	**£ million**
AEB	23.069	25.661	2.592
FCFJ	0.753	0.665	(0.088)
Corporate top slice	0.713	0.736	0.023
Total	**24.535**	**27.062**	**2.527**
AEB Funding	**(24.535)**	**(27.062)**	**(2.527)**
Net Funding Position	0.000	0.000	0.00

Bootcamps

In 2022/23 NTCA were notified of Bootcamp Wave 3 grant funding from the Department for Education (DfE) for a total of £5.531m including £0.503m in relation to management costs, to support the delivery of Skills Bootcamps in the NTCA region. The DfE provided 50% of this grant funding up front plus the full 10% management costs. £1.884m of this £3.017m was spent in 2022/23 with the £1.133m remaining balance of funding put in reserves. The 2023/24 outturn position for the extended year end on Bootcamp Wave 3 utilised the remaining grant funding in the reserve.

NTCA secured £9.237m DfE funding in relation to Bootcamp Wave 4. This represented a significant investment in our region and has the potential to deliver as with Wave 3. 50% of the grant has been received plus the top slice. Table 12 below shows the 2023/24 outturn position for the extended year end to May 6, 2024, on Bootcamp Wave 4 reflecting spend of £3.558m and top slice £0.840m. The remaining allocation will be claimed in arrears from DfE in FY 2024/25.
Table 12 below reflects the 2023/24 extended financial year outturn position on Bootcamps Waves 3 and 4. Table 9 below shows the 2022/2023 outturn position on Wave 3 Bootcamps.

Table 12: Bootcamps Wave 3 2023/24 Outturn

	2023/24 Budget	**2023/24 Outturn**	**Variance**
	£ million	**£ million**	**£ million**
Bootcamp Wave 3 Residual Bootcamp Wave 4	1.133 3.365	1.133 3.558	- 0.193
Bootcamp Wave 4 top slice	0.840	0.840	-
Total Expenditure	**5.338**	**5.531**	**0.193**
Bootcamp Wave 4 Funding	(5.338)	(5.531)	(0.193)
Net position	**0.000**	**0.000**	**0.000**

North East Local Enterprise Partnership (NE LEP)

NTCA became the accountable body for the NE LEP on the 1 April 2020. The Statement of Accounts therefore include the income, expenditure, assets and liabilities of the NE LEP.

Table 13: North East LEP 2023/24 Outturn to May 6 2024

	Budget 2023/24	Budget extended to 6 May 2024 2023/24	Outturn Position 6 May 2024 2023/24	Variance 2023/24
Expenditure	**£m**	**£m**	**£m**	**£m**
Employee Costs	3.168	3.496	3.961	0.465
Other Core Costs	1.040	1.070	0.649	(0.421)
Programme Operational Costs	9.574	9.749	7.881	(1.868)
	13.782	**14.315**	**12.491**	**(1.824)**
Income				
Core Funding	(0.250)	(0.250)	(0.250)	0.000
Grants and Programme Funding	(12.393)	(12.787)	(12.028)	0.759
Other Income	(0.728)	(0.867)	(0.457)	0.410
Contribution from EZ Reserve	(0.411)	(0.411)	0	0.411
Total	**(13.782)**	**(14.315)**	**(12.735)**	**1.580**
Net Outturn (surplus)	0	0	**(0.244)**	**(0.244)**
Reserves Brought Forward	**(1.202)**	**(1.202)**	**(1.202)**	**0.000**
Reserves Carry Forward	**0**	**0**	**(1.446)**	

The LEP core budget for 2023/24 to May 6 2024 covers core operational activity of the LEP and also management of the Local Growth Fund (legacy programme funding), Getting Building Fund (legacy programme funding), NEIF and Enterprise Zone (EZ) programmes.

North East Investment Fund (NEIF)

The NEIF was originally established by the North East LEP in 2012 following receipt of two rounds of direct grant awards from Growing Places Fund (GPF) totalling £25m. Aligned to the objectives of the GPF, the North East LEP took the early decision of ensuring that awards from the NEIF would be in capital infrastructure investments and be returnable (debt finance). In 2013 the NEIF was supplemented through a successful RGF Round 3 bid for £30m for further investment in capital infrastructure investment on a revolving basis. After over 25 investments across the NEIF, in 2020 BEIS released LEP/NTCA from the obligations attached to the RGF award, providing the region with a £55m+ secured revolving fund for strategic repayable capital infrastructure investment.

Interest is charged to most private sector borrowers at commercial rates of up to 15% to reflect risk and satisfy subsidy control regulations. The temporary use to fund public infrastructure projects in particular other LEP programmes such as Enterprise Zone projects was interest free.

Since its creation the NEIF has invested in 33 projects, with £120m of investments to date, using recycled loan repayments. The two largest investments approved from the NEIF create two sub funds: 1) the North East Property Fund (NEPF) currently £15.7m; and the Commercial Property Investment Fund (CPIF), with £5.5m drawn down so far out of an approved allocation of £35m. Both funds are managed by FW Capital.

Table 14 Movement on the North East Investment Fund Reserve during 2023-24

	£m
Opening balance on NEIF Reserve	**12.156**
Loans Issued	(5.196)
Capital Gant issued	(3.191)
Loans Repaid	3.823
Interest received	1.378
Project Management costs	(0.166)
Movement on provision for debts	0.127
Capital Accounting adjustment	(7.336)
Closing Balance	**1.595**

Enterprise Zones

In terms of the key programme of activity moving into the North East CA, the Enterprise Zones have outturn with a surplus carried into 2024-25 of £ 9.451m as set out in Table 15 below.

Table 15: Enterprise Zone Outturn Position 2023/24 to May 6 2024

	2022/23 Actual	2023-24 Outturn	2023-24 Adj to 6 May 24	2023-24 Outturn @ 6 May 24
ROUND 1 EZ SCHEMES	**£000**	**£000**	**£000**	**£000**
Newcastle – Neptune Yard	514.19	723.89	69.20	793.09
North Tyneside – Swans	231.36	190.33	22.40	212.73
Northumberland – Blyth Port / Estuary	380.93	430.57	49.30	479.87
Sunderland A19 Corridor	863.60	1,264.39	186.50	1,450.89
ROUND 2 EZ SCHEMES				
Durham – Jade	290.08	512.20	55.30	567.50
Gateshead – Follingsby	4,011.13	4,056.68	382.80	4,439.48
Newcastle – International Airport	230.41	69.00	37.30	106.30
Northumberland – Ashwood Business Park		149.20	15.40	164.60

Northumberland – Ramparts (Berwick)	41.00	86.11	6.30	92.41
South Tyneside – Tyne Dock		56.24	5.56	61.80
Sunderland / South Tyneside IAMP	583.87	766.94	75.85	842.80
TOTAL BRGI	**7,146.56**	**8,305.57**	**905.91**	**9,211.48**
Interest	53.30	270.00	26.63	296.63
Total Income	**7,199.87**	**8,575.57**	**932.54**	**9,508.11**
Expenditure				
Capital Financing Costs	2,832.00	4,200.00	572.10	4,772.10
Revenue Operating Costs	108.00	71.72	7.58	79.30
Contribution to INEE Team Costs	208.68	252.60	(9.80)	242.80
Total Costs	**3,148.68**	**4,524.32**	**569.88**	**5,094.20**
Annual Surplus	**4,051.18**	**4,051.25**	**362.66**	**4,413.91**
Cumulative Surplus	**8,619.78**	**12,671.03**	**13,034.69**	**13,033.69**
Variance to balance sheet	17.00			17.00
Residual Surplus balance	**8,636.78**	**11,482.02**	**1,132.47**	**13,050.69**

Less – Use of Surplus				
Performance Reward payment		(950.12)	(93.71)	(1,043.83)
To Fund LEP Costs	(500.00)	-	-	(500.00)
INEE Inward Investment Grants	-	-	-	-
Project Development Acceleration Fund (PDAF)	(706.01)	(228.00)	(22.49)	(956.50)
LGF Swaps		-	-	-
GBF Top up refund to NEIF		(1,000.00)	(98.63)	(1,098.63)
Residual Surplus Balance	**7,430.77**	**9,303.90**	**917.65**	**9451.73**

Invest North East England (INEE)

The NTCA became the accountable body for Invest North East England in April 2020.

Invest North East England acts as the strategic inward investment service in the North East. It works collaboratively with its seven local authority partners, two combined authorities, and other key stakeholders such as the North East LEP, Department of International Trade, and Universities to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses. Table 16 overleaf sets out the outturn position for Invest North East England for 2023/24 to May 6 2024.

Table 16: Invest North East England (INEE)

Note that, due to the size of INEE, all numbers are presented in £ (not £m as other tables)				
	2023/24 Original Budget	**2023/24 Extended Budget to May 6 2024**	**2023/24 Outturn**	**Variance**
Expenditure	**£**	**£**	**£**	**£**
Employees	238,000	261,538	258,786	(2,752)
Staff Training	1,000	0	0	0
Travel and Subsistence	5,000	5,493	14,110	8,617
Web, Telecoms, Computers	8,000	8,789	0	(8,789)
Marketing/Coms/Events	90,000	98,000	86,376	(11,624)
Membership Fees	3,000	3,196	5,670	2,474
Professional Consultancy	8,000	8,789	28,750	19,961
Lead Generation	93,000	102,173	0	(102,173)
Research Resource Licenses	15,000	16,479	15,000	(1,479)
Gross Expenditure	**460,000**	**504,457**	408,692	(95,765)
Income				
Local Authority Contributions	(140,000)	(153,846)	(153,846)	0
EZ Contribution	(313,000)	(343,471)	(252,587)	90,884
Private Sector Contribution	(7,000)	(7,140)	(2,259)	4,881
Gross Income	(460,000)	(504,457)	(408,692)	95,765

Main points from Financial Statements

Comprehensive Income & Expenditure Statement

The Continuing Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the North of Tyne Combined Authority, the North East LEP and INEE, it also includes the share of the costs contained within the North East Combined Authority (as relating to the Joint Transport Committee), in the direct provision of Services. The Comprehensive Income & Expenditure Statement is showing a surplus of (£51.866m) for the period ended 6 May 2024.

Balance Sheet

The Balance Sheet is set out within the main Statement of Accounts. The net assets of the Combined Authority are £353.6350m for the period ended May 6 2024 and are financed by Usable Reserves of £267.818m and Unusable Reserves of £85.817m. The Balance Sheet also includes the Authority’s share of assets and liabilities contained within the North East Combined Authority in relation to the Joint Transport Committee

Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results and balance sheet of Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note 1.

During the year Nexus invested £121.2m of capital expenditure in public transport in Tyne and Wear, funded primarily by central government grants.

The liquidity of Nexus remained strong with net current assets of £881.12m, adequate to cover both short-term fluctuations and future commitments from usable reserves.

The Nexus accounts are divided between NTCA and NECA accounts (after elimination of intra-group transactions), with the balance sheet information at 31 March 2024 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population – 54.92% in the NECA accounts and 45.08% in the NTCA accounts.

Non-Financial Performance of the Authority

Investment Fund non-financial performance

The Investment Fund sets out costs associated with the development, management and delivery of projects to be funded through the Investment Fund. In common with other long-term devolved Investment Funds, the North of Tyne Investment Fund (NTIF) was subject to a five-yearly Gateway Review by Government. The first five-year review of the NTIF was March 2022/2023 which NTCA have now received confirmation that they have passed successfully, with quotes from senior economic development stakeholders stating:

"The NTCA and NTIF are a unifying force which allows us to deliver [social and economic] benefits" and
"NTIF has enabled more and larger investment decisions to be made in the region, based on local knowledge and a long-term plan"

At the end of financial period to May 6 2024 the Investment Fund was in year 6 of delivery after successfully passing the first five-year gateway review, securing ongoing funding for continued and increased delivery against the North of Tyne Investment Fund, with £154.245m allocated spend and over 181 projects and programmes approved since the launch of NTCA, providing direct support to residents, promoting business growth and investing in our communities. These projects are on track to create 5,377 jobs based on current commitments against a target of 10,000, with the first 2,554 new jobs created, and 1,983 jobs safeguarded.

Brownfield Housing non-financial performance

To date, 18 schemes have been approved and are in various stages of development or delivery. These 18 schemes are projected to remediate 77.51 hectares of brownfield land and deliver 2,917 homes. Furthermore, there are another two schemes still awaiting the business case and sign off process to be completed. These schemes will add a further 172 homes and remediate a further 5.90 hectares of brownfield land

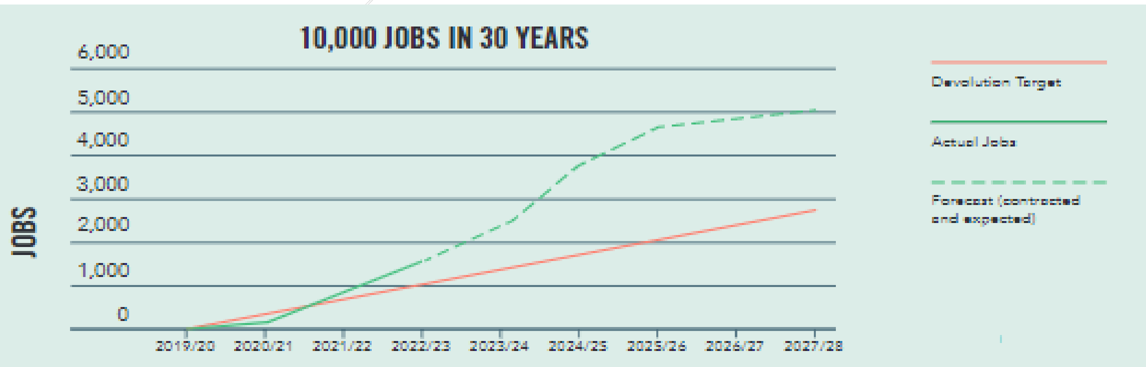
Adult Education Budget (AEB) non-financial performance

Outputs

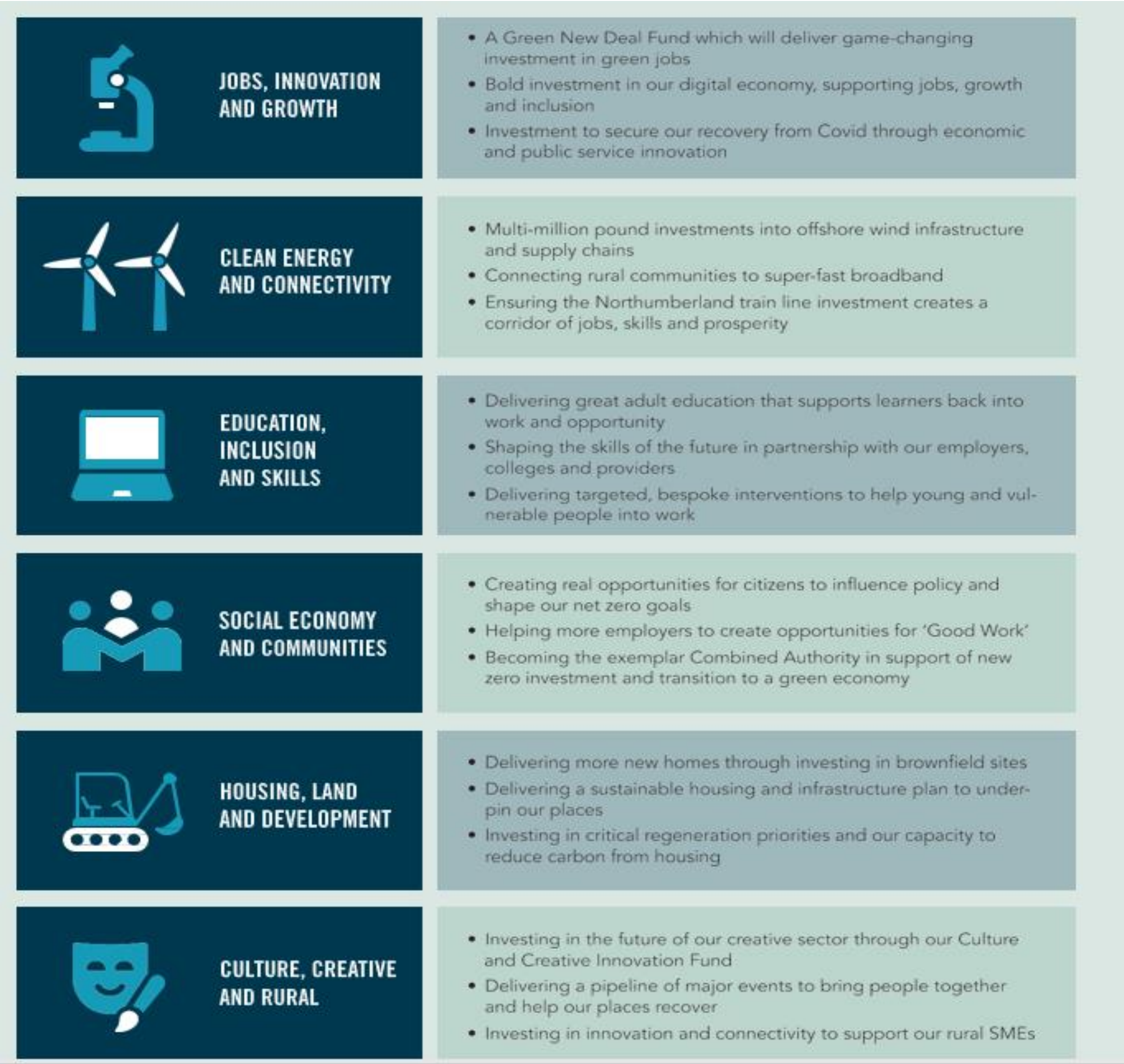
- This is the final year of the original AEB framework delivery.
- The above devolved AEB Allocation for AY 2023-24 has been allocated and delivery has been underway since 1st August 2023.
- From 1st August 2023 to 6 May 2024 over 22,513 learning opportunities were being delivered. This total is made up of a combination of new enrolments and some learners retained in learning from the previous academic year.

Key Priorities and Up and Coming Milestones

The Devolution Deal committed North of Tyne Combined Authority to adding an additional £1.1bn to GVA (Gross Value Added) to the economy, delivering 10,000 new jobs and leveraging over £2.1bn private sector investment. This is a ‘job-a-day’ through the lifetime of the deal, with every £1 invested generating £3.50 of private sector investment.



Delivery activity outlined below is an evolution of our programme, from the original Devolution Deal through to post-covid renewal plans.



Significant issues relating to 2024/25 and beyond

2023/24 was a unique and important year for the North of Tyne Combined Authority. It was the last year of our first term, and a year in which we transitioned into the new arrangements reflecting the signing of the North East Devolution Deal.

On 28th December 2022, the seven North East Authorities (Durham County Council, Gateshead Council, Newcastle City Council, North Tyneside Council, Northumberland County Council, South Tyneside Council and Sunderland City Council) agreed a “minded to” devolution deal with HM Government.

The devolution deal set out £4.2bn of government investment, which will be subject to local decision making, enabling spend on local priorities, together with a range of devolved functions. The deal is subject to the creation of a new mayoral combined authority involving all of the seven North East authorities.

It is expected to create 24,000 extra jobs, generate 70,000 courses to give people the skills to get good jobs and leverage £5.0 billion of private sector investment.

The new mayoral combined authority will cover an area which is home to around 2 million people and will have the power to make decisions on areas such as transport, skills, housing, finance and economic development.

The deal includes:

- **An investment fund of £1.4bn, or £48m a year,** to support inclusive economic growth and support our regeneration priorities

- **An indicative budget of around £1.8bn, or £60m a year**, for adult education and skills – to meet local skills priorities and improve opportunities for residents

- **A £900m package of investment to transform our transport system**, with £563m from the City Regional Sustainable Transport Fund, on top of funding already announced for our buses and metro system

- **£69m of investment in housing and regeneration,** unlocking sites to bring forward new housing and commercial development

In order to establish the new regional NEMCA, the existing combined authorities – NTCA and NECA – had to be abolished. The Mayor and Cabinet of NTCA and the Leadership Board of NECA therefore had to consent to the statutory order which provided for their abolition and the creation of NEMCA. The existing combined authorities would be abolished and NEMCA established simultaneously when the elected mayor for NEMCA took office on 7 May 2024.

The statutory order provided appropriate continuity and transitional arrangements so that any acts of the existing combined authorities were to be treated as the acts of the new mayoral combined authority. The order is also to provide for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to NEMCA. This will ensure that the existing funding programmes of NTCA and the regional transport arrangements which are currently overseen by the Joint Transport Committee 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.

Explanation of Accounting Statements included within the 2023/24 Accounts

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain a number of different elements and are required to be prepared under the Code of Practice.

The Statement of Accounts is set out in the accompanying document, and are explained below:

Core Financial Statements

The Comprehensive Income & Expenditure Statement (CIES) summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.

The Movement in Reserves Statement (MIRS) (page 3) shows the movement from the start of the year to the end on the different reserves held by the Authority. This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those that can be applied to fund expenditure) and Unusable Reserves (those that cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NTCA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

The Balance Sheet (page 5) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g., the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line "adjustments between accounting basis and funding basis under regulations".

The Cash Flow Statement (page 6) shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Authority.

Notes to the Accounts

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

Group Accounts and Associated Notes

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

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

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

Implementation of the Devolution order

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

To comply with the CIPFA Code, NECA must:

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

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

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

For the 2023/24 accounts the mid-year estimated population published by the Office of National Statistics as at June 2021 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 6 May 2024 is shown in Table 14 below.

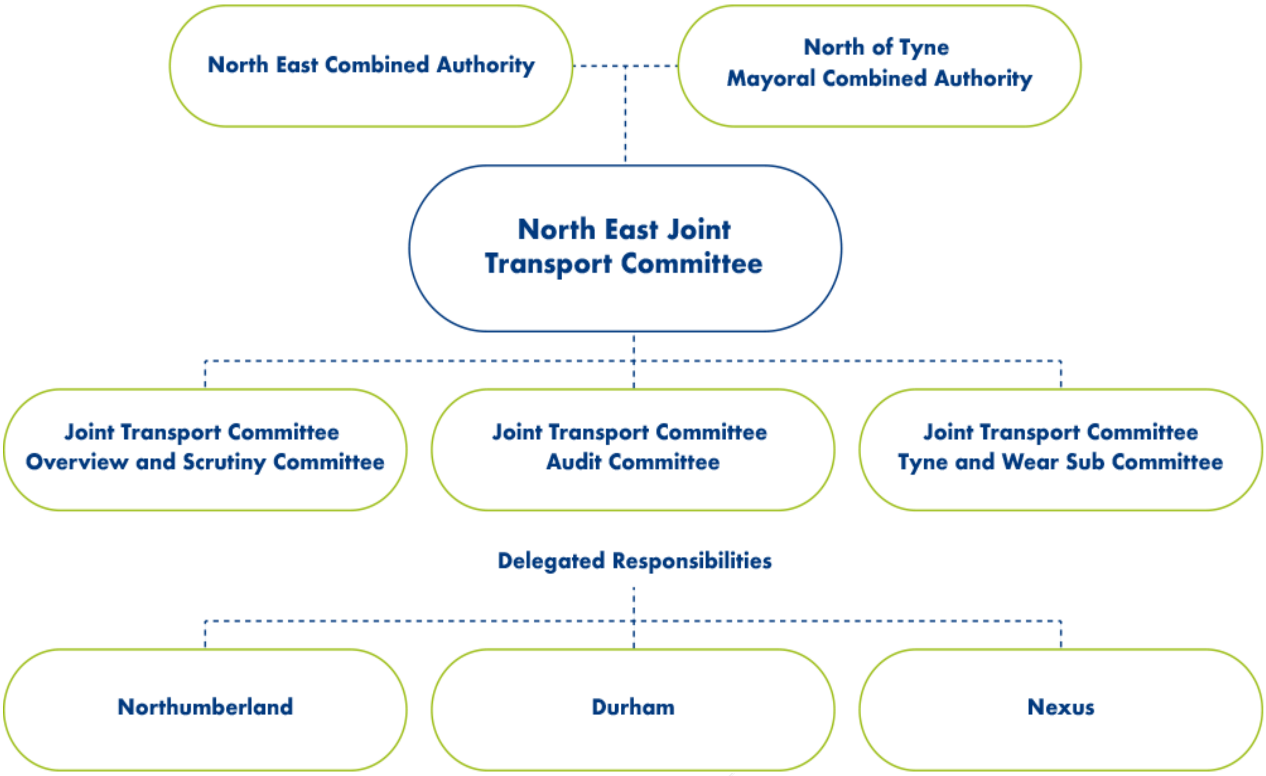
Table 14: Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	Mid-Year 2021 Population	Proportion
	People	Proportion
NECA		
- Gateshead	196,154	
- South Tyneside	147,915	
- Sunderland	274,211	
	618,280	0.54924
NTCA		
- Newcastle	298,264	
- North Tyneside	209,151	
	507,415	0.45076
Tyne and Wear Total	**1,125,695**	

The Joint Transport Committee

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

Transport is of strategic importance to the North East, and the collaborative working of both Combined Authorities allows effective decision making across the region, which ensures that the local needs and priorities are delivered.
The structure for Transport that was established in November 2018 is shown in the diagram below:



Transport

Tyne Tunnels accounting balances are reflected in the NTCA financial statements as part of the JTC. The Tyne Tunnels link the A19 under the River Tyne between Howdon and Jarrow. There are two tolled vehicle tunnels, and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing from the toll's income raised. There is no call on the Combined Authority's budget or local taxpayers to support them, and assets and liabilities associated with the tunnels are ringfenced to the Tyne and Wear constituent councils within the Combined Authority.

Table 15 shows Tyne Tunnel Flow data for 2023/24.

Table 15- Tyne Tunnels Flow Traffic data

	Class 1	Class 2	Class 3	Exempt	Total
2023/24	80,180	17,567,673	1,080,024	630,356	19,358,233
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

Tyne and Wear Passenger Transport Executive – Nexus

During 2023-24 the North East Joint Transport Committee continued to set 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 2023/24.

- The number of passenger journeys across all modes within Tyne and Wear in 2023/24 was 124.1 million, a 0.57% increase when compared to 123.4 million in the previous year:
- Bus patronage was 90.6 million in 2023/24, a 1.6% decrease when compared to 92.1 million in the previous year.
- Metro patronage was 31.1 million in 2023/24; a 6.1% increase when compared to 29.3 million in the previous year.
- Ferry patronage was 0.380 million passengers in 2023/24; an 0.75% decrease when compared to 0.383 million journeys in the previous year.
- Rail patronage was 2.025 million journeys in 2023/24; a 19.5% increase when compared to 1.695 million journeys in the previous year.

Metro Performance 2023/24

- Metro reliability (operated mileage) was 91.8% during 2023/24, a decrease of 2.8 percentage points versus the figure of 94.6% achieved in the previous year.

- Metro reliability (Charter punctuality) was 75.9% during 2023/24, a decrease of 5.8 percentage points on the 81.7% achieved in the previous year.

Annual Governance Statement

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

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

- Ensuring openness and comprehensive stakeholder engagement.

- Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

- Determining the interventions necessary to optimise the achievement of the intended outcomes.

- Managing risks and performance through robust internal control and strong public financial management.

- Defining outcomes in terms of sustainable economic social and environmental benefits.

- Implementing good practices to transparency, reporting and audit to deliver effective accountability.

NTCA Staffing

As at 6 May 2024 there were 150 staff employed by the Combined Authority, including North East LEP and Invest North East England.

Table 16: Change in Staffing numbers during 2023/24

	Corporate Employees at the year end	North East LEP Employees at year end	Invest North East Employees at year end	Total NTCA Employees at year end
2023/24	97	50	3	150
2022/23	71	50	3	124
2021/22	62	59	4	125
2020/21	48	62	3	113
2019/20	34	-	-	34
2018/19	1	-	-	1

The Statement of Accounts accompanying this report looks back at our performance since establishment. Reviewed together they provide the reader with an understanding of the financial position of the Combined Authority.

If you would like further information about these accounts, please contact Janice Gillespie, Chief Finance Officer, The Lumen, Helix, St James Boulevard, Newcastle upon Tyne NE4 5 BZ.

Janice Gillespie
Chief Finance Officer (S73 Officer)

North of Tyne Combined Authority

Draft Statement of Accounts

For the period 1 April 2023 to 6 May 2024

Table of Contents

1.0 Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the officer is the Chief Finance Officer,

- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and

- To approve the Statement of Accounts.

Signed: ________________________ **Date:**______________

Kim McGuinness
Mayor of the North East Combined Authority

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts for the period ended 6 May 2024, required by the Accounts and Audit Regulations 2015 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2023.

Signed: ________________________ **Date:**______________

Janice Gillespie Chief Finance Officer (Section 73 Officer)

2.0 Core Financial Statements and Explanatory Notes

2.1 Movement in Reserves Statement

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

	Note	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves Note 25 £000	Total Reserves £000
Balance at 31 March 2022		**(7,064)**	**(105,278)**	**(471)**	**(58,470)**	**(171,283)**	**(63,408)**	**(234,691)**
Total Comprehensive Income & Expenditure		(59,861)	-	-	-	**(59,861)**	(6,674)	**(66,535)**
Adjustments between accounting Basis & funding Basis under regulations		31,060	-	-	(17,704)	**13,356**	(13,899)	**(543)**
(Increase)/Decrease in year		(28,801)	-	-	(17,704)	**(46,505)**	(20,573)	**(67,078)**
Transfers (to)/from Reserves	23	29,319	(29,319)	-	-	**-**	-	**-**
Balance at 31 March 2023 carried forward		**(6,546)**	**(134,597)**	**(471)**	**(76,174)**	**(217,788)**	**(83,981)**	**(301,769)**
Total Comprehensive Income & Expenditure		(52,458)	-	-	-	**(52,458)**	592	**(51,866)**
Adjustments between accounting Basis & funding Basis under regulations		46,708	-	471	(44,751)	**2,428**	(2,428)	**-**
(Increase) /Decrease in year		(5,750)	-	471	(44,751)	**(50,030)**	(1,836)	**(51,866)**
Transfers (to)/from Earmarked Reserves	23	(1,129)	1,129	-	-	**-**	-	**-**
Balance at 6 May 2024		**(13,425)**	**(133,468)**	**-**	**(120,925)**	**(267,818)**	**(85,817)**	**(353,635)**

2.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount charged to the General Fund which is set out in the Movement in Reserves Statement.

As part of the creation of the Combined Authority (NTCA) it was stated that a Joint Transport Committee (JTC) must be appointed which is endowed with the powers of the Integrated Transport Authority, which were previously endowed upon the North East Combined Authority (NECA) when the seven Local Authorities were part of it. NECA was appointed as the accountable body for the JTC.

NECA as the accountable body must split revenue, expenditure, assets and liabilities into those which relate to NECA and NTCA. The accounts for the Combined Authority thereby include a split of all income and expenditure relating to transport activity associated with the constituent authorities of North of Tyne.

2022/23					2023/24 to 6 May 2024		
Gross Exp £000	**Gross Inc £000**	**Net Exp £000**		**Note**	**Gross Exp £000**	**Gross Inc £000**	**Net Exp £000**
29,449	(3,357)	26,092	Investment Fund		21,099	(1,535)	19,565
12,230	(13,848)	(1,618)	Corporate Costs		38,986	(53,457)	(14,471)
20,420	(26,409)	(5,989)	Adult Education Budget		27,759	(32,906)	(5,147)
80,727	(100,387)	(19,660)	Joint Transport Committee Costs		94,580	(40,484)	54,096
513	(301)	212	Invest North East		562	(325)	238
32,425	(13,410)	19,015	Local Enterprise Partnership		21,846	(18,305)	3,540
175,764	(157,712)	**18,052**	**Cost of Services**		**204,833**	**(147,012)**	**57,820**
			Other operating expenditure				
4,843	(4,261)	582	Financing & Investment income and expenditure	6	6,239	(12,966)	(6,727)
-	(78,495)	(78,495)	Taxation and non-specific grant income and expenditure	7	-	(103,551)	(103,551)
180,608	**(240,469)**	**(59,861)**	**(Surplus)/ Deficit on Provision of Services**		**211,071**	**(263,529)**	**(52,458)**
		(6,674)	**Other Comprehensive Income & Expenditure**				**592**
		(66,535)	**Total Comprehensive Income & Expenditure**				**(51,866)**

2.3 Balance Sheet as at 6 May 2024

The Balance sheet shows the values as at the Balance Sheet date of the assets and liabilities recognised by the Combined Authority. The Net Assets of the Combined Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories – Usable and Unusable. Unusable Reserves includes those which hold unrealised gains and losses (e.g., the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

31 March 2023 £000		Note	6 May 2024 £000
151,250	Property, Plant & Equipment	13	149,683
626	Pension Asset	21	-
48,661	Long Term Debtors	17	46,086
200,537	**Long Term Assets**		**195,769**
231,806	Short Term Investments	14	298,546
14,353	Short Term Debtors	16	32,549
45,136	Cash & Cash Equivalents	18	39,666
291,295	**Current Assets**		**370,761**
(1,030)	Short Term Borrowing	14	(883)
(78,035)	Short Term Creditors	19	(113,086)
(787)	Grants Receipts in Advance	8	(5)
(2,290)	Public Private Partnerships	20	(2,295)
(82,142)	**Current Liabilities**		**(116,269)**
(32,063)	Public Private Partnerships	20	(29,613)
(75,858)	Long Term Borrowing	15	(67,013)
(107,921)	**Long Term Liabilities**		**(96,626)**
301,769	**Net Assets**		**353,635**
	Financed By:		
(217,788)	Useable Reserves	22	(267,818)
(83,981)	Unusable Reserves	24	(85,817)
(301,769)	**Total Reserves**		**(353,635)**

I certify that the Statement of Accounts for the period ended 6 May 2024, required by the Accounts and Audit Regulations 2015 give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 6 May 2024.

Signed: ________________________ **Date:**_____________

Janice Gillespie Chief Finance Officer (Section 73 Officer)

2.4 Cash Flow Statement for period ended 6 May 2024

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

2022/23 £000		Note	2023/24 to 6 May 2024 £000
59,861	Net Surplus/(Deficit) on the provision of services		52,458
390	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	22,926
(68,900)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(53,679)
(8,649)	**Net cash flows from Operating Activities**		21,705
38,605	Investing Activities	27	(15,060)
(19,714)	Financing Activities	28	(12,115)
10,242	**Net (Decrease)/Increase in cash and cash equivalents**		(5,469)
34,894	Cash and cash equivalents at the beginning of the reporting period	18	45,136
45,136	**Cash and cash equivalents at the end of the reporting period**		**39,666**

2.5 Index to the Notes to the Financial Statements

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

1. Narrative Explanatory Note on Devolution

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

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

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

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

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

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

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 of Tyne Combined Authority (NTCA) and North East Combined Authority (NECA), and the office of the Mayor of North of Tyne.

The accounts for 2023/24 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 2023/24 (the Code) as published by the Chartered Institute of Public Finance and Accounting (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 MCA. The Order also provides for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to the MCA. This ensures that the regional transport arrangements which were previously overseen by the JTC and other funding programmes of NTCA and NECA 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.

Extended Financial Year End

The North East Combined Authority (Establishment and Functions) Order 2024 also determined that in relation to the financial year beginning with 1 April 2023, the statement of accounts should be prepared as though that financial year were to end with 6 May 2024.

The Statement of Accounts covers the period from 1 April 2023 to 6 May 2024, a period of 12 months and 36 days. In preparing the Balance Sheet as at 6 May 2024, the following critical judgements were adopted by management:

- IAS 19 pension entries for the period to 6 May 2024 were based upon reports obtained from the pension actuaries at the balance sheet date.
- Loans and investment balances were obtained as at 6 May 2024.
- Cash and cash equivalents were accounted for on the basis of the actual position as at 6 May 2024.
- Unusable reserves were accounted for on the basis of the actual position as at 6 May.
- Non-current asset values at 31 March 2024 were updated to reflect any additions in the period 1 April 2024 to 6 May 2024, and depreciation provided for the period 1 April to 6 May on an estimated straight line basis.

April and May 2024 transactions were examined and estimates of income and expenditure for the period 1 April to 6 May 2024 were included in the CIES.

2. Expenditure and Funding Analysis

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

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

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

2023/24 to 6 May 2024

	Net Exp. Chargeable to General Fund	Adjs'. for Capital Purposes	Pension Adjs	Other Adjs	Net Exp. in CIES
	£000s	£000s	£000s	£000s	£000s
Investment Fund	19,565	-	-	-	19,565
Corporate Costs	(14,424)	-	52	(99)	(14,471)
Adult Education Budget	(5,147)	-	-		(5,147)
Joint Transport Committee	41,928	10,036	-	2,132	54,096
Invest North East	235	-	2	-	238
Local Enterprise Partnership	3,546	-	36	(42)	3,540
Net Cost of Services	**45,703**	**10,036**	**91**	**1,991**	**57,820**
Other Income & Expenditure	(73,807)	(37,231)	(57)	817	(110,278)
Surplus on Provision of Service	(28,104)	**(27,195)**	**34**	**2,808**	**(52,458)**
Opening General Fund Balances					(6,546)
Surplus on General Fund Balances in Year					(5,750)
Transfers from Earmarked Reserves					(1,129)
General Fund Balances at 6 May 2024					(13,425)

2022/23

	Net Exp. Chargeable to General Fund	Adjs'. for Capital Purposes	Pension Adjs	Other Adjs	Net Exp. in CIES
	£000s	£000s	£000s	£000s	£000s
Investment Fund	25,579	-	508	5	26,092
Corporate Costs	(1,852)	-	223	11	(1,618)
Adult Education Budget	(5,989)	-	-		(5,989)
Joint Transport Committee	(4,037)	(15,623)	-		(19,660)
Invest North East	90	-	96	26	212
Local Enterprise Partnership	17,467	-	1,389	158	19,015
Net Cost of Services	31,258	**(15,623)**	**2,216**	**201**	**18,052**
Other Income & Expenditure	(68,288)	(12,726)	(201)	3,302	(77,913)
Surplus on Provision of Service	(37,030)	**(28,349)**	**2,015**	**3,503**	**(59,861)**
Opening General Fund Balance					(7,064)
Surplus on General Fund Balance in Year					(37,030)
Transfers to Earmarked Reserves					37,548
General Fund Balance at 31 March 2023					(6,546)

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

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

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

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

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

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

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

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

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

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

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

3. Income and Expenditure Analysed by Nature

2022/23 Total		2023/24 to 6 May 2024 Cost of Services	2023/24 to 6 May 2024 Other Income & Expenditure	2023/24 to 6 May 2024 Total
£000		£000	£000	£000
7,501	Employee benefit expenses	11,164	-	11,164
114,759	Other Service Expenses	136,571	-	136,571
579	Support Service Recharges	1,275	-	1,275
-	Levies & Precepts	-	-	-
52,925	Depreciation, impairment and Revenue Expenditure Funded from Capital under Statute (REFCUS)	55,822	-	55,822
4,844	Interest Payments	-	6,239	6,239
180,608	**Total Expenditure**	**204,832**	**6,239**	**211,071**
(21,887)	Fees, charges and other service income (Tyne Tunnels tolls)*	(26,076)	-	(26,076)
(4,261)	Interest and Investment Income	-	(12,965)	(12,965)
(35,702)	Income from Transport Levy	-	(40,224)	(40,224)
(171,194)	Government grants and contributions	(116,059)	(63,230)	(179,289)
(7,425)	Other Income	(4,976)	-	(4,976)
(240,469)	**Total Income**	(147,111)	(116,419)	(263,530)
(59,861)	**(Surplus)/Deficit on the provision of services**	**57,722**	**(110,180)**	**(52,458)**

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

4. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2022/23 General Fund £000	2022/23 Capital Receipts Reserve £000	2022/23 Capital Grants Unapplied £000	2022/23 Unusable Reserves £000		2023/24 to 6 May 2024 General Fund £000	2023/24 to 6 May 2024 Capital Receipts Reserve £000	2023/24 to 6 May 2024 Capital Grants Unapplied £000	2023/24 to 6 May 2024 Unusable Reserves £000
				Adjustments primarily involving the Capital Adjustment Account				
				Reversal of items debited or credited to the CIES				
(1,938)	-	-	1,938	Charges for depreciation and impairment of non-current assets	(2,147)	-	-	2,147
2,290	-	-	(2,290)	Other income that cannot be credited to the General Fund	2,522	-	-	(2,522)
32,836	-	-	(32,836)	Capital Grants and contributions applied	6,696	-	-	(6,696)
(51,528)	-	-	51,528	Revenue expenditure funded from capital under statute	(54,215)	-	-	54,215
				Insertion of items not debited or credited to the CIES				
832	-	-	(832)	Statutory provision for the financing of capital investment	941			(941)
8,937	-	-	(8,937)	Application of reserves to finance Capital Expenditure	25,130			(25,130)
				Capital expenditure charged against the General Fund				
				Adjustments primarily involving the Capital Grants Unapplied Account				
36,064	-	(36,064)	-	Grants and contributions unapplied credited to CIES	69,737	-	(69,737)	-
-	-	18,360	(18,360)	Application of grants to capital financing transferred to Capital Adjustment Account	-	-	24,986	(24,986)

2022/23 General Fund £000	2022/23 Capital Receipts Reserve £000	2022/23 Capital Grants Unapplied £000	2022/23 Unusable Reserves £000		2023/24 to 6 May 2024 General Fund £000	2023/24 to 6 May 2024 Capital Receipts Reserve £000	2023/24 to 6 May 2024 Capital Grants Unapplied £000	2023/24 to 6 May 2024 Unusable Reserves £000
				Adjustments involving the Capital Receipts Reserve				
-	(1,787)	-	1,787	Loan principal repayments (Capital receipts)	(1,245)	(1,940)		3,185
-	1,154	-	(1,154)	Use of Capital Receipts to finance new capital expenditure		1,800		(1,800)
-	633	-	(633)	Application of capital receipts to repayment of debt		611		(611)
				Adjustments involving the Financial Instruments				
5,381	-	-	(5,381)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(817)	-	-	817
				Adjustments involving the Accumulated Absences Reserve				
203	-	-	(203)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	141			(141)
				Adjustments involving the Pensions Reserve				
(2,216)	-	-	2,216	Reversal of items relating to retirement benefits debited or credited to CIES	(1,181)			1,181
305	-	-	(305)	Employer's pension contributions and direct payments to pensioners payable in the year	1,090			(1,090)
(104)	-	-	104	Interest expense on net defined liability/(asset)	57			(57)
31,062	**-**	**(17,704)**	**(13,358)**	**Total Adjustments**	**46,708**	**471**	**(44,751)**	**(2,428)**

5. Leasing

The Combined Authority entered into a short-term building lease on the 10th August 2021 which is classified as a short-term lease. The total rents payable in 2023/24 to 6 May 2024 were £0.154m (2022/23 £0.150m).

Undischarged operating lease rentals at 6 May 2024 amounted to £0.417m, comprising of the following elements:

	6 May 2024 £000
Due Year 1	156
Due Year 2-5	261
Due after Year 5	-
Total	**417**

6. Financing and Investment Income and Expenditure

The financing and investment income & expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

	Note	2022/23 £000	2023/24 to 6 May 2024 £000
Interest payable and similar charges		4,740	6,239
Interest on defined benefit liability	21	102	(57)
Interest receivable and similar income		(4,262)	(12,909)
Total		**582**	**(6,727)**

7. Taxation and Non-Specific Grant Income

The taxation and non-specific grant income shown in the Comprehensive Income and Expenditure Statement consists of:

	2022/23 £000	2023/24 to 6 May 2024 £000
Transport Levy	(35,702)	(40,321)
Non-ringfenced Government Grants	(20,000)	(2,000)
Non-Specific Capital Grants	(22,793)	(61,230)
Total	**(78,495)**	**(103,551)**

8. Grants and Contributions Income

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

	31 March 2023 £000	6 May 2024 £000
<u>Capital Receipts in Advance</u>		
NECA Office for Low Emission Vehicles	(23)	(5)
Other Grants	(764)	-
Total	**(787)**	**(5)**
Shown as Short-Term Liability on the Balance Sheet	(787)	(5)
Total	**(857)**	**(5)**

The following grants were credited to the net cost of service within the Comprehensive Income and Expenditure Statement during the year:

	2022/23 £000	2023/24 to 6 May 2024 £000
Adult Education Budget	(26,138)	(32,906)
Bus Service Improvement Plan	(53,014)	-
Transforming Cities Fund	(6,000)	-
Local Transport Plan	(6,322)	(7,920)
Active Travel Fund	(8,448)	(2,297)
Covid 19 Business Support	-	-
Mayoral Capacity Fund	(1,000)	(1,000)
Brownfield Housing Fund	-	(238)
European Grants	(858)	(2,098)
Growth Hub	(390)	(420)
LEP Core Funding	(932)	(250)
Business Recovery Grants	(193)	-
Community Renewal	(367)	-
Made Smarter	(800)	(799)
Levelling Up Support Grant	(625)	(300)
Multiply	(1,248)	(1,607)
UK Social Prosperity Fund	(5,754)	(9,887)
Digital Connectivity Infrastructure Accelerator	(469)	(50)
Corporate Contributions from Local Authorities	(222)	(587)
Enterprise Advisor Programme	(221)	(313)
Local Transport Fund	(5,644)	(613)
Active Travel Capability	-	(953)
Levelling Up Fund	-	(1,889)
Local Electric Vehicle Infrastructure (LEVI)	-	(279)
Traffic Signal Obsolescence Grant	-	(244)
Zero Emission Bus Regional Areas (ZEBRA)	-	(2,614)
Education Vision	(52)	-
Contributions KAM Programme	(161)	(169)
Contributions Net Zero North East	(220)	(105)

EY Primary Pilot	(407)	-
City Regional Sustainable Transport Settlement	(2,555)	(1,281)
Careers Grant	-	(319)
Skills Bootcamp	(4,931)	(12,096)
Youth Employment Partnership	(39)	-
Local Nature Recovery Strategies (DEFRA)	-	(152)
Mayors Election	-	(100)
Create Growth Programme	-	(425)
DESNES In person energy advice for wider NE Region	-	(170)
NEMCA North East Flexible Pot S31	-	(2,000)
NEMCA North East Investment Fund	-	(14,000)
Challenge North of Tyne	-	(110)
Other grants and contributions (individually under £0.100m)	(1,390)	(834)
Total	**(128,400)**	**(99,025)**

9. Members' Allowances

	2022/23 £000	2023/24 to 6 May 2024 £000
Allowances	67	74
Total	**67**	**74**

10. Officers' Remuneration

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

2022/23 Salary, Fees & Allowances £000	2022/23 Pension Contributions £000	2022/23 Total £000		2023/24 to 6 May 2024 Salary, Fees & Allowances £000	2023/24 to 6 May 2024 Pension Contributions £000	2023/24 to 6 May 2024 Total £000
155	7	162	Chief Executive (LEP) Helen Golightly	271	24	295
154	8	162	Head of Paid Service/NTCA Chief Executive (Formerly Managing Director)** Henry Kippin	171	26	197
163	8	171	Director of Policy and Performance Ruth Redfern (to July 2023)	38	6	43
66	1	67	Innovation Director (LEP)	-	-	-

73	4	77	Director Invest North East	83	13	96
73	4	77	Skills Director (LEP)	83	13	96
74	4	78	Strategy & Policy Director (LEP) (to April 2023)	5	1	6
73	4	77	Business Growth Director (LEP)	83	13	96
135	-	135	Managing Director of Transport Operations*	153	-	153
966	**40**	**1,006**	**Total**	**887**	**94**	**982**

* The Managing Director of Transport Operations is a NECA employee, working on behalf of the Joint Transport Committee, therefore under the Joint Transport Committee arrangements the remuneration paid to the Managing Director of Transport Operations is included in the table above, although NTCA are only responsible for their proportion of his salary costs based on the population split.

**From the 7th of June 2022 this post now includes the responsibilities of the Statutory post of Head of Paid Service.

Two of the Statutory Officers of the Combined Authority - Monitoring Officer and Chief Finance Officer are not formal employees of the Combined Authority and are not therefore included in the statutory disclosures above. Their services are based on agreed number of days per week and charged including expenses by their respective local authority employers, these are shown in the interests of transparency.

2022/23				**2023/24 to 6 May 2024**		
Payment for agreed days £000	**Expenses £000**	**Total £000**		**Payment for agreed days £000**	**Expenses £000**	**Total £000**
88	-	88	Janice Gillespie, Interim Chief Finance Officer, S.73 Officer (Secondment from North Tyneside Council)	148	-	148
23	-	23	John Softly Interim Monitoring Officer (SLA Newcastle City Council)	26	-	26
-	-	-	Christine Reed, Consultant Director of Policy and Performance	188	-	188
111	**-**	**111**	**Total**	**362**	**-**	**362**

The number of other officers who are directly employed by the Combined Authority, who received remuneration greater than £50,000 (excluding employers' pension contributions) was as follows:

	2022/23	2023/24 to 6 May 2024
£50,000-£54,999	15	17
£55,000-£59,999	8	19
£60,000-£64,999	1	11
£65,000-£69,999	1	4
£70,000-£74,999	2	2
£75,000-£79,999	0	0
£80,000-£84,999	3	2
£85,000-£89,999	0	2
£90,000-£94,999	0	1
£95,000-£99,999	0	0
£100,000-£104,999	0	2

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit pack cost band (a)	Number of compulsory redundancies (b)		Number of other departures agreed (c)		Total number of exit packages by cost band (b) + (c)		Total cost of exit packages in each band £000	
£	**2022/23**	**2023/24 to 6 May 2024**	**2022/23**	**2023/24 to 6 May 2024**	**2022/23**	**2023/24 to 6 May 2024**	**2022/23**	**2023/24 to 6 May 2024**
0-20,000	4	-	1	-	5	-	13	-
20,001-40,000	1	-	-	-	1	-	21	-
40,001-60,000	-	-	-	-	-	-	-	-
60,001-80,000	-	-	-	-	-	-	-	-
80,001-100,000	-	1	-	-	-	1	-	97
100,001-150,000	-	-	-	-	-	-	-	-
Total	**5**	**1**	**1**	**1**	**6**	**1**	**34**	**97**

The above table provides details of exit packages. The packages included within each band are those that have been agreed by the Combined Authority. The agreement may be legal, contractual or constructive at the end of the financial year. The costs include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

11. Audit Costs

The Combined Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

	2022/23 £000	2023/24 to 6 May 2024 £000
Fees payable to the appointed Auditor under the Local Audit and Accountability Act 2014	28	155

12. Related Party Transactions

The Combined Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Combined Authority or toe controlled or influenced by the Combined Authority. Disclosure of these transactions allows readers to assess the extent to which the Combined Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Combined Authority.

In this context, related parties include:
- Central Government
- Members of the Cabinet
- Officers of the Combined Authority
- NTCA Constituent Authorities
- Joint Transport Committee Constituent Authorities
- Other Public Bodies
- Other Entities

Central Government is responsible for providing the statutory framework within which the Combined Authority operates and provides much of its funding in the form of grants and prescribes the terms of some of the transactions that the Combined Authority has with other parties. Grants received from government departments are set out in **Note 8.**

Members of the Cabinet have direct control over the Combined Authority's financial and operating policies. The total of Members' allowances payable to elected members of the Combined Authority is shown in **Note 9**. During 2023/24 no works or services were commissioned from companies in which any members had an interest.

Officers – During 2023/24 there have been no pecuniary interests involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Combined Authority.

NTCA Constituent Authorities – The leaders of the three constituent authorities serve as members on the NTCA Cabinet. Details of material transactions with the seven north east authorities are set out in the table below.

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

Other public bodies – The Combined Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus) through the North East Combined Authority

(NECA). Details of material transactions with Nexus are set out in the table overleaf.

2022/23					2023/24 to 6 May 2024			
Receivables	**Income**	**Expenditure**	**Payables**		**Receivables**	**Income**	**Expenditure**	**Payables**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
				NTCA Constituent Authorities				
(69)	(36,565)	14,062	2,961	Newcastle	(2,761)	(40,743)	17,786	5,604
(69)	(23,895)	11,700	432	North Tyneside	(1,499)	(27,495)	11,120	6,689
(424)	(6,909)	4,531	997	Northumberland	(943)	(7,207)	5,618	6,171
				NECA Constituent Authorities				
(322)	(3,720)	3,609	694	Durham	(1,128)	(5,704)	19,889	3,181
(489)	(362)	1,786	391	Gateshead	(749)	(6,963)	3,408	2,213
(32)	(115)	1,760	282	South Tyneside	(536)	(98)	2,010	995
(30)	(109)	11,397	1,623	Sunderland	(2,900)	(94)	9,573	6,069
				Other Public Bodies				
(84)	-	36,041	32	NECA	(459)	-	40,593	429
(846)	(87)	30,288	3,657	Nexus	(633)	(174)	34,605	19,691

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

13. Property, Plant and Equipment

2023/24 to 6 May 2024

	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000
Cost or Valuation			
At 1 April 2023	2,359	772	**3,131**
Additions	76	141	**217**
Reclassification from Assets Under Construction	112	(112)	**-**
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	**-**
Other Adjustments	(20)	23	**3**
At 6 May 2024	**2,527**	**824**	**3,351**
Accumulated Depreciation and Impairment			
At 1 April 2023	(996)	-	**(996)**
Depreciation charge for the period	(159)	-	**(159)**
At 6 May 2024	**(1,155)**	**-**	**(1,155)**
Net Book Value			
At 1 April 2023	1,363	772	2,135
At 6 May 2024	**1,372**	**824**	**2,196**

2022/23

	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation			
At 1 April 2022	2,359	624	2,983
Additions	-	148	148
Reclassification	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-
Other adjustments	-	-	-
At 31 March 2023	**2,359**	**772**	**3,131**
Accumulated Depreciation & Impairments			
At 1 April 2022	(863)	-	(863)
Depreciation charge	(133)	-	(133)
At 31 March 2023	**(996)**	**-**	**(996)**
Net Book Value			
At 1 April 2022	1,497	624	2,121
At 31 March 2023	**1,363**	**772**	**2,135**

Note 13a: 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.

	2022/23	2023/24 to 6 May 2024
	£000	£000
Net book value (modified historical cost)		
At 1 April	**150,123**	**149,117**
Additions	10	25
Derecognition	-	-
Depreciation	(1,806)	(1,988)
Impairment	-	-
Other movements in cost	790	334
At financial year end	**149,117**	**147,488**

Reconciliation to Balance Sheet

	31 March 2023	6 May 2024
	£000	£000
Infrastructure assets	149,117	147,488
Other PPE assets	1,363	2,196
Total PPE assets	**151,252**	**149,684**

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

NTCA has estimated a net book value at 6 May 2024 for its structures at £147.488m (31 March 2023 £149.117m). 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	59 years
Southbound vehicle tunnel	107 years
Pedestrian and cyclist tunnels	59 years

14. Financial Instruments

Financial Assets

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

Financial Assets	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000
Amortised cost	-	-	48,661	46,086	231,806	298,546	12,131	22,263
Total Financial Assets	-	**-**	**48,661**	**46,086**	**231,806**	**298,546**	**12,131**	**22,263**
Non-financial Assets	-	-	-	-	-	-	2,222	10,256
Total	-	**-**	**48,661**	**46,086**	**231,806**	**298,546**	**14,353**	**32,519**

Financial assets held at amortised costs

Financial assets are classified at amortised cost only if both of the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

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

Trade receivables

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

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000
Amortised cost	(75,858)	(67,013)	-	-	(1,030)	(883)	(27,915)	(47,161)
Total financial liabilities	**(75,858)**	**(67,013)**	-	**-**	**(1,030)**	**(883)**	**(27,915)**	**(47,161)**
Non-financial liabilities	-	-	-	-	-	-	(50,121)	(65,925)
Total	**(75,858)**	**(67,013)**	-	**-**	**(1,030)**	**(883)**	**(78,036)**	**(113,086)**

A financial liability is an obligation to transfer economic benefits controlled by the Combined Authority and can be represented by a contractual obligation to deliver cash or financial assets or

an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Combined Authority.
The contractual terms for these financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

Income, Expense, Gains and Losses

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

31 March 2023				6 May 2024		
Financial Liabilities at Amortised Cost £000	**Financial Assets at Amortised Cost £000**	**Total £000**		**Financial Liabilities at £000**	**Financial Assets at Amortised Cost £000**	**Total £000**
3,240	1,500	4,740	Interest Expense	6,239	-	6,239
-	104	104	Interest payable/(receivable) on defined benefit liability/asset	-	(57)	(57)
3,240	**1,604**	**4,844**	**Total expense in Surplus on the Provision of Services**	**6,239**	**3,256**	**6,182**
-	(2,721)	(2,721)	Investment Income	-	(13,602)	(13,602)
-	(1,541)	(1,541)	Movement on Soft Loan Adjustment	-	(694)	(694)
-	**(4,262)**	**(4,262)**	**Total Income on Surplus on Provision of Services**	**-**	**(14,296)**	**(14,296)**
3,240	**(2,658)**	**582**	**Net gain/(loss) for the year**	**6,239**	**(14,353)**	**(8,115)**

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 6 May 2024, using the following methods and assumptions:

- Loans borrowed by the Combined Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of ‘Lender’s Option Borrower’s Option’ (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 6 May 2024.
- No early repayment or impairment is recognised for any financial instrument; and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximate to the carrying amount.

For 2023/24 the fair values shown in the table below are split by their level in the fair value hierarchy:

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

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

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

The fair values calculated are as follows:

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

	Level	31 March 2023		6 May 2024	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities held at amortised cost	2	(76,888)	(73,984)	(88,308)	(73,079)
Total		**(76,888)**	**(73,984)**	**(88,308)**	**(73,079)**
Financial Assets at amortised cost					
Held to Maturity Investments	2	231,806	231,806	298,546	298,546
Nexus loan debtor	2	13,935	13,537	20,055	20,055
Other loan debtors	3	34,183	34,183	44,889	44,889
Total Financial Assets		**279,924**	**279,526**	**363,490**	**363,490**

Soft Loans

Soft loans are loans made to third parties at a preferential rate of interest, i.e., below the market rate. In previous years, the Local Enterprise Partnership issued a small number of loans as part of its North East Investment Fund activity to encourage economic development in the region. Details of soft loans are set out in the table below.

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

Description	Term remaining (Years)	Contracted Rate	Fair Value Rate	Opening Balance Fair Value	Loans Repaid	Increase in discounted amount	Closing Balance (fair value)	Closing Balance (Nominal)
				£000	£000	£000	£000	£000
Durham University	5	1.90%	4.95%	5,822	(1,084)	173	4,911	4,580
Hyperbaric	6	0.00%	4.99%	2,909	(55)	62	2,916	3,511
Boiler Shop	1	4.50%	5.02%	1,900	(287)	150	1,764	1,259

15. Nature and Extent of risks arising from Financial Instruments

The Combined Authority's activities expose it to a variety of financial risks:

- Credit Risk- the possibility that other parties might fail to pay amounts due to the Combined Authority,

- Liquidity Risk- the possibility that the Combined Authority might not have funds available to meet its commitments to make payments; and

- Market Risk- the possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and financial market movements.

The Combined Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Combined Authority in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Combined Authority's customers. This deposit risk is minimised through the Treasury Management Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Statement also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Combined Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the Combined Authority's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by Treasury Management advisors and focuses on the long-term investment grade rating issued to each financial institution. The highest possible rating is AAA, and the lowest rating is BBB:

Rating	**6 May 2024 £000**
AAA	24,497
Total Cash Equivalents	**24,497**
n/a – investment with Government Debt Management Office	188,561
n/a – investments with UK Local Authorities	22,087
n/a - investments with banks	81,136
n/a – investments with unrated building societies[1]	6,761
Total Short-Term Investments	**298,545**

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

The Combined Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all the Combined Authority's deposits, but there was no evidence at the 6 May 2024 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, considering their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Combined Authority. The Combined Authority has a low risk of default from its customers for goods and services since these are predominantly other local authorities or other public bodies such as Nexus.

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

Liquidity Risk

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

	31 March 2023 £000	6 May 2024 £000
Between 1 and 2 years	(299)	(301)
Between 2 and 5 years	(450)	(150)
Between 5 and 10 years	-	-
More than 10 years	(75,108)	(66,562)
	(75,858)	**(67,013)**
Less than 1 year	**(1,030)**	**(883)**
Total Borrowing	**(76,888)**	**(67,896)**

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

The Combined Authority has several 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 2023 £000	6 May 2024 £000
Increase in interest payable on variable rate borrowing	(1,500)	-
Increase/(decrease) in interest receivable on variable rate investments	(693)	(558)
Impact on the Surplus on Provision for Services	**(2,193)**	**(558)**

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

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

16. Short Term Debtors

	31 March 2023 £000	6 May 2024 £000
Central Government Bodies	3,982	14,922
Other local authorities	8,439	7,530
NHS Bodies	-	-
Other Entities and Individuals	1,933	10,097
Total	**14,354**	**32,549**

17. Long Term Debtors

	31 March 2023 £000	6 May 2024 £000
Local Enterprise Partnership Loans	34,726	32,709
Nexus borrowing	13,935	13,377
Total	**48,661**	**46,086**

18. Cash and Cash Equivalents

	31 March 2023 £000	6 May 2024 £000
Cash held by the Combined Authority	31,004	8,958
Cash equivalents	14,132	30,708
Total	**45,136**	**39,666**

19. Short Term Creditors

	31 March 2023 £000	6 May 2024 £000
Central Government Bodies	(201)	(198)
Other Local Authorities	(22,330)	(32,751)
Other Entities and Individuals	(55,504)	(80,137)
Total	**(78,035)**	**(113,086)**

20. Private Finance Initiatives and Similar Contracts

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

In 2023/24 the total payment under the contract was £32.047m (2022/23 £24.555m) of which £17.601m is shown in the accounts of the North East Combined Authority and the remaining £14.445m being shown in the accounts of the Combined Authority.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 6 May 2024 total value of £71.291m (31 March 2023 £76.384m), of which £39.157m is shown in the NECA accounts with the remaining £32.134m being shown in the NTCA Balance sheet. The table below shows an analysis of the Combined Authority's deferred income balances.

	Deferred Income Release	
	2022/23 £000	**2023/24 to 6 May 2024 £000**
Payable in 2024/25	(2,290)	(2,295)
Payable within 2 to 5 years	(9,161)	(9,181)
Payable within 6 to 10 years	(11,451)	(11,477)
Payable within 11 to 15 years	(11,451)	(8,955)
Payable within 16 to 20 years	-	-
Total	**(34,353)**	**(32,134)**

Payments

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

21. Defined Benefits Pension Scheme

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

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

The Tyne & Wear Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of the Fund's Pension Committee which consists of eight members from South Tyneside Council (which has legal responsibility for the Fund), four members from the other councils in Tyne and Wear, and three members each nominated by the trade unions and the employers. During

2017/18, the Fund, along with eleven other funds, created and now owns a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited.

Amounts recognised in Profit and Loss and Other Comprehensive Income

Comprehensive Income & Expenditure Statement	LGPS	
	2022/23 £000	2023/24 to 6 May 2024 £000
Cost of Services		
Current Service Costs	2,200	1,181
Past Service Costs	16	
Settlement Costs	-	
Financing and Investment Income and Expenditure		
Interest on net defined benefit asset	104	(57)
Interest on unrecognised asset	-	5
Adjustment loss (gain) due to restriction of surplus	-	2,100
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**2,320**	**3,229**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
Return on plan assets (excluding the amount included in the net interest expense)	413	(245)
Actuarial gains due to changes in financial assumptions	(8,295)	(1,291)
Actuarial gains due to changes in demographic assumptions	-	(176)
Actuarial losses due to changes in liability assumptions	1,208	199
Total Amount recognised in Other Comprehensive Income & Expenditure	**(6,674)**	**(1,513)**
Total amount recognised in the CIES	**(4,354)**	**1,716**

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

Reconciliation of the Fair Value of the Scheme Assets

	LGPS	
	2022/23 £000	**2023/24 to 6 May 2024 £000**
Opening fair value of scheme assets	**11,831**	**12,408**
Interest Income	329	672
Remeasurement gain on plan assets	(413)	245
Employer contributions	305	1,090
Contributions by scheme participants	441	545
Net Benefits paid out	(85)	43
Settlements	-	-
Closing fair value of scheme assets	**12,408**	**15,003**

Reconciliation of present value of the scheme liabilities

	LGPS	
	2022/23 £000	**2023/24 to 6 May 2024 £000**
Opening balance at 1 April	**15,864**	**11,782**
Current Service Cost	2,200	1,181
Interest expense on defined benefit obligation	433	615
Contributions by participants	441	545
Actuarial losses on liabilities – financial assumptions	(8,295)	(1,291)
Actuarial losses on liabilities – demographic assumptions	-	(176)
Actuarial gains on liabilities – experience	1,208	199
Net benefits paid	(85)	43
Past service costs	16	-
Net Increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing balance	**11,782**	**12,898**

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

	2022/23 £000	2023/24 to 6 May 2024 £000
Fair Value of LGPS Assets	**12,408**	**15,003**
Present value of LGPS liabilities		
- Funded Defined Benefit Obligation	(11,782)	(12,898)
Surplus/(Deficit) on funded defined benefit scheme	**626**	**2,105**
Unrecognised Asset	-	(2,105)
Total Asset/(Liability) shown on Balance Sheet	**626**	**-**

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

	NTCA
Active members	95%
Deferred pensioners	4%
Pensioners	1%

The liabilities show the underlying commitments that the Combined Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £12.898m has an impact on the net worth of the Combined Authority recorded on the balance sheet, resulting in a neutral pension balance of £0m after unrecognised losses of £2.105m. However, statutory arrangements for funding any deficit mean that the financial position of the Combined Authority remains healthy:

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

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

- The total contributions expected to be made to the Local Government Pension Scheme by the Combined Authority in the period to 6 May 2024 is £0.294m. In addition, strain on the fund contributions may be required. Expected payments direct to beneficiaries in the period to 6 May 2024 are nil in relation to unfunded benefits.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been estimated by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2022.

A small proportion (9.0%) of the Pension Fund’s investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund’s property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty, and a higher degree of caution should be attached to the valuations of those unquoted assets than would normally be the case. There is a risk that current valuations may be under or overstated in the accounts. The weighted average duration of the defined benefit obligation for scheme members is 24.5 years.

The principal assumptions used by the actuary have been:

	Local Government	
	31 March 2023	**6 May 2024**
Mortality assumptions:		
Pensioner member aged 65 at accounting date (male)	21.6	21.0
Pensioner member aged 65 at accounting date (female)	24.6	24.2
Active member aged 45 at accounting date (male)	22.9	22.3
Active member aged 45 at accounting date (female)	26.1	25.6
Rate for discounting scheme liabilities:	% per annum	% per annum
Discount Rate	4.6	5.0
Rate of inflation – Consumer Price Index	2.6	2.6
Rate of increase in pensions	2.6	2.6
Pensions accounts revaluation rate	2.6	2.6
Rate of increase in salaries	4.1	4.1

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

	31 March 2023	**Asset Split 6 May 2024 %**		
	% Total	**Quoted**	**Unquoted**	**Total**
Equities	51.2	40.1	11.1	51.2
Property	10.5	0.0	9.9	9.9
Government Bonds	1.3	1.2	0.0	1.2
Corporate Bonds	19.5	18.9	0.0	18.9
Multi Asset Credit	4.5	4.5	0.0	4.5
Cash	1.8	0.8	0.0	0.8
Other*	11.2	0.0	13.5	13.5
Total Assets	100.0	65.5	34.5	100.0

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

Actual Return on Assets	**Local Government**	
	2022/23 £000	**2023/24 to 6 May 2024 £000**
Interest Income on Assets	329	672
Remeasurement gain (loss) on assets	(413)	245
Actual Return on Assets	**(84)**	**917**

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Discount rate assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to discount rate			
Present value of total obligation (£M)	12.588	12.898	13.220
% change in present value of total obligation	(2.5%)		2.5%
Projected service cost (£M)	0.940	0.986	1.033
Approximate % change in projected service cost	(4.7%)		4.8%

Rate of general increase in salaries	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to salary increase rate			
Present value of total obligation (£M)	12.950	12.898	12.846
% change in present value of total obligation	0.4%		(0.4)%
Projected service cost (£M)	0.986	0.986	0.986
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	13.169	12.898	12.640
% change in present value of total obligation	2.1%		(2.1)%
Projected service cost (£M)	1.033	0.986	0.940
Approximate % change in projected service cost	4.8%		(4.7)%

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	13.220	12.898	12.576
% change in present value of total obligation	2.5%		(2.5)%
Projected service cost (£M)	1.023	0.986	0.949
Approximate % change in projected service cost	3.8%		(3.8)%

*a rating of + 1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

22. Usable Reserves

	Note	31 March 2023 £000	6 May 2024 £000
General Fund Balance	23	(6,544)	(13,423)
Earmarked Reserves	23	(134,599)	(133,470)
Capital Receipts Reserve		(471)	-
Capital Grants Unapplied Reserve		(76,174)	(120,925)
Total Usable Reserves		**(217,788)**	**(267,818)**

Earmarked Reserves are amounts which the Combined Authority has chosen to set aside from the General Fund Balance to be used for specific purposes.

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.
The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Combined Authority has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

23. Transfers (to)/from Earmarked Reserves

Restated	Balance 1 April 2022 £000	Transfers out 2022/23 £000	Transfers in 2022/23 £000	Balance 1 April 2023 £000	Transfers out 2023/24 £000	Transfers in 2023/24 £000	Balance 6 May 2024 £000
General Fund Balances	**(7,065)**	**1,333**	**(812)**	**(6,544)**	**-**	**(6,879)**	**(13,423)**
General Fund Reserves							
Investment Fund Reserve	(54,591)	12,645	-	(41,946)	21,819	(18,213)	(38,340)
JTC Revenue Grants unapplied	-	-	(38,412)	(38,412)	10,518	(3,679)	(31,573)
EZ Reserve	(10,934)	2,963	-	(7,431)	-	(1,671)	(9,101)
UK Social Prosperity Fund Reserve	-	-	(3,950)	(3,950)	-	(3,816)	(7,786)
Metro Fleet Replacement	(4,520)	-	(89)	(4,584)	99	(331)	(4,817)
Metro Reinvigoration Res	(3,834)	-	(71)	(3,905)	79	(265)	(4,092)
Tyne Tunnel Reserve	(3,491)	3,141	-	(350)	-	-	(350)
LGF SWAP Reserve	(2,983)	9,899	(6,567)	350	-	-	350
LEP General reserves	(475)	-	(201)	(676)	559	(281)	(397)
GBF Reserve	(17,627)	16,237	-	(1,390)	1,390	-	-
Bootcamp Wave 3	-	-	(1,134)	(1,134)	1,134	-	-
Strategic Capacity Reserve	-	-	(800)	(800)	336	(5,298)	(5,762)
Transport Devolution	-	-	(1,157)	(1,157)	176	-	(982)
Recovery Contingency Fund	(452)	-	-	(452)	452	-	-
Create Growth Programme Reserve	-	-	(425)	(425)	421	-	(4)
Strategic Reserve	(200)	-	-	(200)	-	-	(200)
Net Zero North East England Reserve	-	-	(151)	(151)	52	(2)	(101)
DFE Funding	(159)	41	-	(118)	118	-	-
Community Renew Fund	(931)	931	-	-			
NEIF Reserve	-	130	(4,950)	(4,820)	8,216	(3,396)	-
DLUHC Capital Grant	-	-	(12,302)	(12,302)	11,989	-	(313)
DLUHC Grant	-	-	-	-	-	(125)	(125)
Adult Education Reserve	(3,459)	-	(5,301)	(8,760)	4,340	(8,371)	(12,791)
Brownfield Housing Revenue Reserve	(31)	-	(6)	(37)	-	(238)	(275)
Metro Studies	(583)	98	-	(485)	253	(9)	(241)
Bus Project	(242)	15	-	(227)	-	-	(227)
North East Ambition Reserve	(486)	486	(341)	(341)	341	-	-
CEC Enterprise Advisor	(290)	290	(129)	(129)	129	-	-
Election Fund Reserve	-	-	-	-	1,100	(1,100)	-

North East Flexible Pot	-	-	-	-	-	(2,000)	(2,000)
North East Investment Fund Revenue	-	-	-	-	-	(14,000)	(14,000)
Reserves (balances < £0.1m)	(556)	380	(590)	(767)	618	(213)	(360)
Total Earmarked Reserves	**(105,278)**	**47,256**	**(76,576)**	**(134,599)**	**64,139**	**(63,007)**	**(133,468)**
Total General Fund Balances and Reserves	**(112,343)**	**48,589**	**(77,388)**	**(141,143)**	**64,139**	**(69,886)**	**(146,891)**

24. Unusable Reserves

	31 March 2023 £000	6 May 2024 £000
Capital Adjustment Account	(78,255)	(81,456)
Financial Instruments Adjustment Account	(1,836)	(1,021)
Revaluation Reserve	(3,466)	(3,402)
Accumulated Absences Account	202	61
Pension Reserve	(626)	-
Total Unusable Reserves	**(83,981)**	**(85,816)**

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The CAA is credited with the amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement. The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 4) provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2022/23 £000	2023/24 to 6 May 2024 £000
Opening Balance 1 April	(67,877)	(78,255)
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation & impairment of non-current assets	1,938	2,147
Write down of New Tyne Crossing deferred income balance	(2,290)	(2,522)
Revenue expenditure funded from capital under statute	50,986	54,215
Write down of long-term debtors	2,349	3,185

Adjusting amounts written out of the Revaluation Reserve	(47)	(64)
Capital financing applied in the year:		
Capital grants & contributions credited to the CIES that have been applied to capital financing	(62,839)	(31,682)
Statutory provision for the financing of capital investment charged against the General Fund	(832)	(941)
Use of the Capital Receipts Reserve to finance new capital expenditure	1,154	(1,800)
Capital expenditure charged against the General Fund	(164)	(25,130)
Debt redeemed using capital receipts	(633)	(611)
Closing Balance	**(78,255)**	**(81,457)**

Financial Instruments Adjustment Account

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

	2022/23 £000	2023/24 to 6 May 2024 £000
Balance at 1 April	**3,544**	**(1,836)**
Transfer of balance from North East Combined Authority 1 April	-	
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(5,380)	817
Closing balance	**(1,836)**	**(1,019)**

Revaluation Reserve

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

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

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

	2022/23	2023/24 to 6 May 2024

	£000	£000
Balance at 1 April	(3,513)	(3,466)
Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	47	64
Closing balance	**(3,466)**	**(3,402)**

Accumulated Absences Account

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

	2022/23 £000	2023/24 to 6 May 2024 £000
Balance at 1 April	405	202
Adjustment to the accrual required	(203)	(141)
Adjustment to the debtor in respect of leave taken in advance		
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(203)	(141)
Closing Balance	**202**	**61**

Pensions Reserve

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

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

	2022/23 £000	2023/24 to 6 May 2024 £000
Balance at 1 April	4,033	(626)
Remeasurements of the net defined benefit liability/(asset)	(6,674)	592
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	2,216	1,181
Employer's pension contributions and direct payments to pensioners payable in the year	(305)	(1,090)
Interest expense on net defined liability/(asset)	104	(57)
Closing Balance	**(626)**	**-**

25. Capital Expenditure and Capital Financing

	2022/23 £000	2023/24 to 6 May 2024 £000
Opening Capital Financing Requirement	**79,951**	**78,434**
Capital Investment		
Property, Plant and Equipment	158	217
Capital Loans	11,643	4,023
Revenue Expenditure Funded from Capital Under Statute	50,986	54,215
Sources of Finance		
Government Grants and Other Contributions	(61,685)	(31,682)
Capital Receipts	(1,787)	(2,411)
Sums set aside from revenue		
Use of reserves	-	(24,964)
Direct Revenue Contributions	-	(166)
Minimum Revenue Provision	(832)	(941)
Additional Voluntary Provision	-	-
Closing Capital Financing Requirement	**78,434**	**76,725**
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,517)	(1,709)
Decrease in Capital Financing Requirement	**(1,517)**	**(1,709)**

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

	2022/23 £000	2023/24 to 6 May 2024 £000
Surplus on the provision of services	**59,861**	**52,458**
Adjustments to Surplus on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	1,938	(2,147)
Increase/(Decrease) in Creditors	14,969	38,250
(Increase)/Decrease in Debtors	(16,242)	(12,280)
Movement in Pension Liability	2,015	-
Other non-cash items charged to the surplus on the provision of services	(2,290)	(897)
	390	22,926
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	(68,900)	(53,679)
Net Cash Flow from Operating Activities	**(8,649)**	**21,705**

The cash flows for operating activities include the following items

	2022/23 £000	2023/24 to 6 May 2024 £000
Interest Received	1,371	12,387
Interest Paid	(4,084)	(5,952)

27. Cash Flow Statement – Investing Activities

	2022/23 £000	2023/24 to 6 May 2024 £000
Purchase of Property, Plant & Equipment, investment property and intangible assets	(947)	(580)
Purchase of short- and long-term investments	(292,072)	(1,492,352)
Proceeds from short-term and long-term investments	288,351	1,428,135
Other receipts from Investing Activities	43,273	49,737
Net Cash Flows from Investing Activities	**38,605**	**(15,060)**

28. Cash Flow Statement – Financing Activities

	2022/23 £000	2023/24 to 6 May 2024 £000
Repayment of short and long-term borrowing	(19,714)	(12,115)
Net Cash Flows from Financing Activities	**(19,714)**	**(12,115)**

29. Reconciliation of liabilities arising from Financing Activities

	1 April 2023	Financing Cash Flows	Changes which are not financing cash flows		6 May 2024
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long Term Borrowings	(75,766)	8,845	-	(92)	(67,013)
Short Term Borrowings	(1,025)	147	-	(5)	(883)
Total Liabilities arising from Financing Activities	**(76,791)**	**8,992**	**-**	**(97)**	**(67,896)**

	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	(75,766)	(92)	-	-	(75,858)
Short Term Borrowings	(21,025)	20,000		(5)	(1,030)
Total Liabilities arising from Financing Activities	**(96,791)**	**19,908**	**-**	**(5)**	**(76,888)**

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

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There have been no changes in accounting policies introduced by the Combined Authority in 2023/24.

The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:
a) **IFRS 16 Leases** issued in January 2016
b) **Classification of Liabilities as Current or Non-current** (Amendments to IAS 1) issued in January 2020. The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
- clarify how lending conditions affect classification, and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

c) **Lease Liability in a Sale and Leaseback** (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
d) **Non-current Liabilities with Covenants** (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
e) **International Tax Reform: Pillar Two Model Rules** (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:

- a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
- targeted disclosure requirements for affected entities.

f) **Supplier Finance Arrangements** (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

- assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
- understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

31. Critical Judgements in Applying Accounting Policies

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

Service Concession Arrangements

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

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

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

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

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

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

Accounting for the North East Joint Transport Committee

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

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

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

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

The items in the Combined Authority's Balance Sheet at 6 May 2024 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	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality

	rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Combined Authority with expert advice about the assumptions to be applied.	rates and expected returns on pension fund assets. The Pension Fund engages a firm of specialist actuaries to provide the Combined Authority with expert advice about the assumptions to be applied. See Note 21 Defined Benefits Pension Scheme for details of sensitivity analysis of the estimations.
Fair Value Measurement	Estimation of the fair value measurement depends on a number of complex judgements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e., Level 1 inputs), their fair value is measured using valuation techniques (e.g., quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding discount rates – adjusted for regional factors.
Debtors Arrears	Calculation of bad debt provision	At 6 May 2024, the Combined Authority had a gross debtors of £82.456m (Long term £49.543m and Short term £32.913m). A review of significant balances suggested that an impairment of doubtful debts of £3.821m was appropriate leaving a net balance of £78.635m (Long term £46.086m and Short term £32.549m). However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient.

33. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2023/24 financial year and its position at the year-end of 6 May 2024. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with property accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Code requires that a Local Authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the Combined Authority will continue in operational existence for the foreseeable future.
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 Combined Authority transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.

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

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

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

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

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

3. Cash and Cash Equivalents

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

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

4. Charges to Revenue for Non-Current Assets

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

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

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

- Amortisation of intangible fixed assets attributable to the service.

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

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

5. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Combined Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Combined Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2023/24.

6. Employee Benefits

Benefits Payable during Employment

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

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

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

Termination Benefits

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

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

7. Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

8. Exceptional Items

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

9. Fair Value measurement

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

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

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

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

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

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

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

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

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

10. Financial Instruments

Financial Liabilities

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

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

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

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

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

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

Financial Assets

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

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

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

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

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

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

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

Amortised Cost

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

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

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

Expected Credit Loss Model

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

Fair Value through other Comprehensive Income

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

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

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

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

Fair Value through Profit and Loss (FVPL)

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

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

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

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

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

- Level 3 inputs – unobservable inputs for the asset

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

11. Government Grants and Contributions

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

- The Combined Authority will comply with the conditions attached to the payments; and

- The grants or contributions will be received.

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

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

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

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

12. Group Accounts

NECA and the Combined Authority are required by the Code of Practice on Local Authority Accounting 2023/24 to produce Group Accounts to include services paid to Council Tax payers by organisations other than the Combined Authority itself in which the Combined Authority has an interest.

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

For the 2023/24 accounts, NECA and the Combined Authority have fully complied with the requirements of the Code, providing group figures for 2023/24 and comparators for 2022/23. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

13. Joint Transport Committee

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

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

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

- Assets and liabilities transferred at book value.

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

In order to comply with CIPFA Code, NECA must:

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

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

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

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

14. Leases

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

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

The Authority as Lessee

Rentals paid under operating leases are charge to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

15. Overheads and Support Services

The costs of overheads and support services e.g., Finance and Legal services are shown within the Corporate Costs line on the Comprehensive Income and Expenditure Statement on the basis of Service Level Agreements in accordance with the Combined Authority’s arrangements for accountability and financial performance and in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA), this is also the case for NECA.

16. Post-Employment Benefits

The Combined Authority and NECA are members of the Local Government Pension Scheme, which provides members with defined benefits relating to pay and service. Its pension obligations relate primarily to former employees.

The relevant fund is the Tyne & Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at www.twpf.info.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Combined Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate determined annually, based on the indicative rate of return on high quality corporate bonds.

- The assets of the pension fund attributable to the Combined Authority are included in the Balance Sheet at their fair value:

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

The change in the net pension’s liability is analysed into the following components:

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

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

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

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

- Remeasurements comprising:

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

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

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

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

Further details are provided in Note xx to the accounts.

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

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

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

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

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

18. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Combined Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

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; and

- The initial estimate of the costs dismantling and removing the item and restoring the site on which it is located.

The Combined Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Combined Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Combined Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets– depreciated historical cost.

- Assets Under Construction – cost.

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

The following useful economic lives are used for PPE assets in relation to NECA: Tyne Tunnels 120 years, Tunnels vehicles, Plant and Equipment 30 years.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. All valuations will be undertaken by or under the supervision of a fully qualified Chartered Surveyor (MRICS – Member of the Royal Institution of Chartered Surveyors). These revaluations are detailed within the Notes to the Core Financial Statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

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

<u>De Minimis Levels</u>

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

<u>Impairment</u>

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

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

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

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

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

<u>Depreciation</u>

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

Deprecation on all Property, Plant and Equipment assets (except Vehicles) is calculated by taking the asset value at the 6 May 2024 divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal.

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

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

<u>Disposals</u>

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

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

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

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

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

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

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

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

19. Provisions

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

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

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

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

20. Public Private Partnership (PPP) Contracts

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

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

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

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

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

For any service concession within the scope of the application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing is considered to meet both IFRIC 12 criteria, and therefore the costs are recognised on the Combined Authority’s Balance Sheet.

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

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

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

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

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

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

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

21. Reserves

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

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

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

22. Revenue Expenditure Funded from Capital under Statute

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

23. Tyne Tunnels Income

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

24. Value Added Tax (VAT)

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

34. Events after the Balance Sheet Date

Adjusting events after the Balance Sheet date

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

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.

3.0 Group Financial Statements and Explanatory Notes

3.1 Group Movement in Reserves Statement

	NTCA Usable Reserves £000	NTCA Unusable Reserves £000	Total NTCA Reserves £000	Authority Share of Nexus £000	Total Group Reserves £000
Balance at 31 March 2022 carried forward	**(171,283)**	**(63,408)**	**(234,691)**	**(264,253)**	**(498,946)**
Total Comprehensive Income & Expenditure	(59,861)	(6,674)	(66,535)	(115,762)	**(182,297)**
Adjustments between accounting basis & funding basis under regulations	13,356	(13,899)	(543)	-	**(543)**
(Increase)/decrease in 2022/23	(46,505)	(20,573)	**(67,078)**	(115,762)	**(182,840)**
Balance at 31 March 2023 carried forward	**(217,788)**	**(83,981)**	**(301,769)**	**(380,015)**	**(681,786)**
Total Comprehensive Income & Expenditure	(52,458)	592	(51,866)	(8,513)	(60,379)
Adjustments between accounting basis & funding basis under regulations	2,428	(2,428)	-	-	-
(Increase)/decrease in 2023/24	(50,030)	(1,836)	(51,866)	(8,513)	(60,379)
Balance at 6 May 2024 carried forward	**(267,818)**	**(85,817)**	**(353,635)**	**(388,529)**	**(742,164)**

3.2 Group Comprehensive Income and Expenditure Statement

2022/23					2023/24 to 6 May 2024		
Gross Exp	Gross Inc	Net Exp			Gross Exp	Gross Inc	Net Exp
£000	£000	£000			£000	£000	£000
29,449	(3,357)	26,092	Investment Fund		21,099	(1,535)	19,565
12,230	(13,848)	(1,618)	Corporate Costs		38,986	(53,457)	(14,471)
20,420	(26,409)	(5,989)	Adult Education Budget		27,759	(32,906)	(5,147)
134,012	(142,233)	(8,220)	Joint Transport Costs		151,019	(79,711)	71,308
513	(301)	213	Invest North East		562	(325)	238
32,425	(13,410)	19,015	Local Enterprise Partnership		21,846	(18,305)	3,540
229,050	**(199,558)**	**29,492**	**Cost of Services**		**261,272**	**(186,240)**	**75,032**
			Other operating expenditure				
10,599	(9,485)	1,115	Financing & Investment income and expenditure	G4	13,548	(23,675)	(10,127)
-	(145,660)	(145,660)	Taxation and non-specific grant income and expenditure	G5	-	(154,557)	(154,557)
13	-	13	Gain/loss on disposal of non-current assets		125	-	125
239,662	**(354,703)**	**(115,041)**	**(Surplus)/ Deficit on Provision of Services**		**274,945**	**(364,472)**	**(89,527)**
		(1,449)	Taxation credit charge for the year	G14			(654)
		(116,490)	**Group (surplus)/deficit after taxation**				**(90,181)**
		(65,807)	Re-measurement of the defined benefit liability	G13			29,711
		-	Gains on Revaluation of Property				90
		(182,297)	**Total Comprehensive Income & Expenditure**				**(60,380)**

3.3 Group Balance Sheet

31 March 2023 £000		Note	6 May 2024 £000
480,868	Property, Plant & Equipment	G7	515,074
3,201	Intangible Assets	G8	4,945
29,415	Pension Asset	G13	-
34,726	Long Term Debtors		32,708
548,210	**Long Term Assets**		**552,727**
231,806	Short Term Investments	G9	298,546
21,802	Short Term Debtors	G10	39,845
53,943	Cash & Cash Equivalents	G11	44,800
393	Inventories		421
307,944	**Current Assets**		**383,613**
(1,033)	Short Term Borrowing	G9	(884)
(59,902)	Short Term Creditors	G12	(91,542)
(787)	Grants Receipts in Advance	G6	(5)
(2,290)	Public Private Partnerships		(2,295)
(64,013)	**Current Liabilities**		**(94,726)**
(32,063)	Public Private Partnerships		(29,613)
(75,858)	Long Term Borrowing	G9	(67,013)
-	Grants Receipts in Advance	G6	-
-	Pension Liability	G13	(672)
(1,781)	Provisions		(2,154)
(652)	Deferred Taxation		-
(110,354)	**Long Term Liabilities**		**(99,452)**
681,786	**Net Assets**		**742,162**
	Financed By:		
(245,917)	Useable Reserves	G15	(295,634)
(435,869)	Unusable Reserves	G16	(446,528)
(681,786)	**Total Reserves**		**(742,162)**

I certify that the Accounts give a true and fair view of the financial position of the North of Tyne Combined Authority Group as at 6 May 2024.

Signed: ________________________________ **Date:**_______________

Janice Gillespie, Chief Finance Officer (Section 73 Officer)

3.4 Group Cash Flow Statement

2022/23 £000		Note	2023/24 to 6 May 2024 £000
116,487	Surplus on the provision of services	G17	90,181
25,680	Adjustments to net surplus on the provision of services for non-cash movements	G17	50,761
(142,970)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	G17	(110,625)
(803)	**Net Cash Flows from Operating Activities**		**30,316**
35,023	Investing Activities	G18	(29,839)
(21,568)	Financing Activities	G19	(9,621)
12,652	**Net Increase/(Decrease) in cash and cash equivalents**		**(9,143)**
41,291	Cash and cash equivalents at the beginning of the reporting period		53,943
53,943	**Cash and cash equivalents at the end of the reporting period**	G11	**44,800**

3.5 Index to the Notes to the Group Financial Statements

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

G1 Group Accounts

Under the 9.1.17 of the Code of Practice for Local Authority Accounting 2022/23, authorities with interest in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

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

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

<u>Property, Plant and Equipment and Intangible Assets</u>

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

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

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

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

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

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

NTCA on the basis of Tyne ad Wear population using the ONS statistics used as the basis of dividing the levy contributions.

Assumptions made about the future and other major sources of uncertainty

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

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

G2 Expenditure and Funding Analysis

2023/24 to 6 May 2024	Net Exp Chargeable to General Fund £000	Adj. for Capital Purposes £000	Pension Adj. £000	Other Adj. £000	Net Exp in CIES £000
Investment Fund	19,565	-	-	-	19,565
Corporate Costs	(14,424)	-	52	(99)	(14,471)
Adult Education Budget	(5,147)	-	-	-	(5,147)
Joint Transport Committee Costs	59,140	10,036	-	2,132	71,308
Invest North East	235	-	2	-	238
Local Enterprise Partnership	3,546	-	36	(42)	3,540
Net Cost of Services	**62,915**	**10,036**	**91**	**1,991**	**75,032**
Other Income & Expenditure	(128,088)	(37,231)	(57)	817	(164,559)
Surplus on Provision of Service	**(65,173)**	**(27,195)**	**34**	**2,808**	**(89,527)**

Opening General Fund Balances	**(34,675)**
Surplus on General Fund Balances in Year	(8,993)
Transfers to Reserves	2,428
General Fund Balances at 6 May 2024	**(41,240)**

2022/23	Net Exp Chargeable to General Fund £000	Adjs for Capital Purposes £000	Pension Adjs £000	Other Adjs £000	Net Exp in CIES £000
Investment Fund	25,579	0	508	5	26,092
Corporate Costs	(1,852)	0	223	11	(1,618)
Adult Education Budget	(5,988)	0	0	0	(5,988)
Joint Transport Committee Costs	75,675	(83,895)	0	0	(8,220)
Invest North East	90	0	97	26	213
Local Enterprise Partnership	17,467	0	1,389	160	19,016
Net Cost of Services	**110,970**	**(83,895)**	**2,216**	**202**	**29,492**
Other Income & Expenditure	(134,908)	(12,726)	(201)	3,303	(144,533)
Surplus on Provision of Service	**(23,938)**	**(96,621)**	**2,015**	**3,505**	**(115,041)**

Opening General Fund Balances	**(26,139)**
Surplus on General Fund Balances in Year	(23,938)
Transfers to Reserves	15,402
General Fund Balances at 31 March 2023	**(34,675)**

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

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

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

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

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

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs; and
- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

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

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

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

G3 Income and Expenditure Analysed by Nature

2022/23 £000		2023/24 to 6 May 2024 £000
	Expenditure	
26,287	Employee benefit expenses	32,735
150,011	Other service expenses	150,186
3,797	Support Service Recharges	4,868
48,969	Depreciation, impairment and Revenue Expenditure Funded from Capital under Statute (REFCUS)	72,955
10,600	Interest Payments	13,549
239,662	**Total Expenditure**	274,292
	Income	
(44,632)	Fees, charges and other service income	(51,506)
(9,485)	Interest and investment income	(23,675)
(35,702)	Income from transport levy	(40,224)
(257,676)	Government grants and contributions	(244,267)
(7,208)	Other Income	(4,801)
(354,703)	**Total Income**	(364,473)
(115,041)	**Surplus on the provision of services**	**(90,181)**

G4 Financing and Investment Income and Expenditure

2022/23 £000		2023/24 to 6 May 2024 £000
4,866	Interest payable and similar charges	6,363
699	Interest payable on defined benefit liability	-
-	Interest receivable on defined benefit liability	(1,459)
(4,450)	Interest receivable and similar income	(15,031)
1,115	**Total**	**(10,127)**

G5 Taxation and Non-Specific Grant Income

2022/23 £000		2023/24 to 6 May 2024 £000
(35,702)	Transport Levy	(37,760)
(89,958)	Non-Specific Capital Grants	(114,797)
(20,000)	Non Ringfenced Government Grants	(2,000)
(145,660)	**Total**	**(154,557)**

G6 Grant Income and Other Contributions

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services:

2022/23 £000		2023/24 to 6 May 2024 £000
(26,138)	Adult Education Grant	(32,906)
(13,852)	Metro Rail Grant	(12,531)
(1,000)	Mayoral Capacity Fund	(1,000)
4,754	Local Transport Fund	(250)
(4,149)	Local Transport Plan	(6,659)
(5,145)	Transforming Cities Fund	-
(2,538)	Nexus Energy Bill Relief Scheme	-
(876)	Nexus Non-Specific Grants	-
-	Adult Education Implementation Fund	-
(4,571)	Covid 19 Business Support	-
(8,448)	Active Travel Fund	(2,297)
(367)	Community Renewal Fund	
(1,248)	Multiply	(1,607)
(4,931)	Skills Bootcamp	(12,096)
(5,754)	UK Social Prosperity Fund	(9,887)
(53,014)	Bus Service Improvement Plan	-
(2,555)	City Regional Sustainable Transport Settlement	(1,281)
(5,644)	Local Transport Fund	
-	Levelling Up Fund	(1,889)
-	Zero Emission Bus Regional Areas (ZEBRA)	(2,614)
-	European Grants	(2,098)
(6,979)	Other Grants and Contributions (individually under £1M)	(7,575)
(142,455)	Total	**(94,691)**

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

31 March 2023 £000		6 May 2024 £000
	Grants Receipts in Advance	
(787)	Grants & Contributions (individually under £1m) – Short Term	(5)
(787)	**Total**	**(5)**

G7 Property, Plant and Equipment (excluding Infrastructure Assets)

2023/24	**Vehicles, Plant, Furniture & Equipment £000**	**Land & Buildings £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
Cost or Valuation				
At 1 April 2023	**15,799**	**3,871**	**71,059**	**90,729**
Additions	76	-	52,584	52,660
Transfers from Assets under Construction	172	-	(22,594)	(22,422)
Transfers to Intangibles	-	-	(81)	(81)
Derecognition – disposals	(590)	(13)	(45)	(649)
Revaluation recognised in Revaluation Reserve	-	(90)	-	(90)
Other Adjustments	375	-	23	398
At 6 May 2024	**15,831**	**3,768**	**100,946**	**120,545**
At 1 April 2023	(12,245)	(108)	-	(12,353)
Depreciation charge	(568)	(10)	-	(579)
Derecognition – disposals	462	12	-	474
At 6 May 2024	**(12,351)**	**(107)**	**-**	**(12,458)**
Net Book Value				
At 1 April 2023	3,554	3,763	71,059	**78,376**
At 6 May 2024	**3,480**	**3,661**	**100,946**	**108,088**

2022/23	**Vehicles, Plant, Furniture & Equipment**	**Land & Buildings**	**Assets Under Construction**	**Total Property, Plant & Equipment**
Cost or Valuation	**£000**	**£000**	**£000**	**£000**
At 1 April 2022	**15,621**	**1,640**	**59,039**	**76,300**
Additions	-	-	75,665	75,665
Transfers from Assets under Construction	342	2,231	(63,599)	(61,026)
Transfers to Intangibles	-	-	(33)	(33)
Derecognition – disposals	(164)	-	(13)	(177)
Other Adjustments	-	-	-	
At 31 March 2023	**15,799**	**3,871**	**71,059**	**90,729**
At 1 April 2022	(11,838)	(141)	-	(11,979)
Depreciation charge	(509)	(12)	-	(521)
Derecognition – disposals	102	45	-	147
At 31 March 2023	**(12,245)**	**(108)**	**-**	**(12,353)**
Net Book Value				
At 1 April 2022	3,784	1,499	59,039	64,322
At 31 March 2023	**3,554**	**3,763**	**71,059**	**78,376**

G7a: 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.

	2022/23	2023/24 to 6 May 2024
	£000	£000
Net book value (modified historical cost)		
At 1 April	**358,103**	**402,491**
Additions	10	25
Transfer of Assets Under Construction	61,025	22,422
Derecognition	(1,845)	(392)
Depreciation	(16,989)	(18,237)
Impairment	-	-
Other movements in cost	2,187	678
At period end	**402,491**	**406,987**

Reconciliation to Balance Sheet

	31 March 2023	6 May 2024
	£000	£000
Infrastructure assets	402,491	406,987
Other PPE assets	78,376	108,088
Total PPE assets	**480,867**	**515,074**

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

NTCA has estimated a net book value at 6 May 2024 for its structures at £149.117m. 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	59 years
Southbound vehicle tunnel	107 years
Pedestrian and cyclist tunnels	59 years

G8 Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

2022/23 £000		2023/24 to 6 May 2024 £000
	Cost or Valuation	
5,919	Opening Balance	6,849
900	Additions	2,192
33	Transfers from Property, Plant & Equipment	81
(3)	Derecognition – Disposals	(208)
6,849	**Total**	**8,914**
	Amortisation	
(3,263)	Opening Balance	(3,648)
-	Derecognition – Disposals	143
(385)	Amortisation provided during the period	(463)
(3,648)	**Total**	**(3,968)**
3,201	**Net Book Value at period end**	**4,945**

G9 Financial Instruments

Financial Assets

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

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000
Amortised cost	-		34,726	32,708	231,806	298,546	19,592	29,559
Total Financial Assets	-		**34,726**	**32,708**	**231,806**	**298,546**	**19,592**	**29,559**
Non-financial Assets	-		-		-		2,209	10,286
Total	-		**34,726**		**231,806**		**21,801**	**39,845**

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 the Group'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 Combined Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to Combined Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000	31 March 2023 £000	6 May 2024 £000
Amortised cost	(75,858)	(67,013)	-	-	(1,033)	(884)	(9,774)	(25,617)
Total Financial Liabilities	**(75,858)**	**(67,013)**	-	**-**	**(1,033)**	**(884)**	**(9,774)**	**(25,617)**
Non-financial Liabilities	-		-	-	-		(50,129)	(65,925)
Total	**(75,858)**	**(67,013)**	-	**-**	**(1,033)**		**(59,903)**	**(91,542)**

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

Income, Expense, Gains and Losses

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

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 6 May 2024, using the following method and assumptions:

- Loans borrowed by the Combined Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate 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 2023/24 the fair values are shown in the table below are split by their level in the fair value hierarchy:

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

- Level 2 – fair value is calculated from inputs other than quoted prices that are

31 March 2023				6 May 2024		
Financial Liabilities at amortised cost £000	**Financial assets measured at amortised cost £000**	**Total £000**		**Financial Liabilities at amortised cost £000**	**Financial assets measured at amortised cost £000**	**Total £000**
5,568	-	5,568	Interest expense	6,363	-	6,363
5,568	**-**	**5,568**	**Total expense in Surplus on Provision of Services**	**6,363**	-	**6,363**
	(4,454)	(4,454)	Investment Income	(15,031)	-	(15,031)
	(4,454)	**(4,454)**	**Total income in Surplus on Provision of Services**	**(15,031)**	**-**	**(15,031)**
5,568	**(4,454)**	**1,114**	**Net (gain)/loss for the year**	**(8,668)**	**-**	**(8,668)**

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 2023		6 May 2024	
	Level	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial liabilities at amortised cost	2	(76,888)	(73,894)	(67,897)	(52,667)
Total		**(76,888)**	**(73,984)**	**(67,897)**	**(52,667)**
Financial Assets at amortised cost					
Held to Maturity investments	2	231,806	231,806	298,546	298,546
Other debtors		54,318	54,318	62,267	62,267
Total		**286,124**	**286,124**	**360,813**	**360,813**

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

G10 Short Term Debtors

31 March 2023 £000		6 May 2024 £000
8,751	Central Government Bodies	20,216
12,048	Other Local Authorities	10,056
21	NHS Bodies	1
982	Other Entities and Individuals	9,573
21,802	**Total**	**39,846**

G11 Cash and Cash Equivalents

31 March 2023 £000		6 May 2024 £000
31,553	Cash	17,248
22,389	Short term deposits	27,552
53,943	**Total**	**44,800**

G12 Short Term Creditors

31 March 2023 £000		6 May 2024 £000
(3,276)	Central Government Bodies	(3,177)
(22,961)	Other Local Authorities	(33,628)
(33,665)	Other Entities and Individuals	(54,738)
(59,902)	**Total**	**(91,542)**

G13 Defined Benefit Pension Schemes

NTCA and Nexus participate in the Tyne & Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme, meaning that the authorities and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash must be generated to meet actual pension payments as they eventually fall due.

Consolidated Pension Liability

The Group pension liability of £0.672m (£29.414m asset in 2022/23) is the sum of the NTCA and Nexus net pension liability.

Transactions relating to post-employment Benefits

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

Comprehensive Income & Expenditure Statement	LGPS		Discretionary Benefits	
	2022/23 £000	2023/24 to 6 May 2024 £000	2022/23 £000	2023/24 to 6 May 2024 £000
Cost of Services				
Current Service Costs	10,664	5,454	-	-
Past Service Costs	-	-	-	-
Settlement Costs	16	-	-	-
Exceptional loss on transfer of pension liability loss	-	-	-	-
Financing and Investment Income and Expenditure				
Interest Cost	5,706	6,926	22	68

Expected Return on Scheme Assets	(5,028)	(8,524)	-	-
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**11,358**	**3,856**	**22**	**68**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (excluding the amount included in the net interest expense)	(6,674)	(1,498)	-	-
Remeasurement of the net Defined Benefit Liability	(59,120)	(425)	(13)	(72)
Adjustment loss/(gain) due to surplus restriction	-	29,592	-	-
Total Amount recognised in Other Comprehensive Income & Expenditure	**(65,794)**	**27,669**	**(13)**	**(72)**
Total amount recognised in the CIES	**(54,436)**	**31,525**	**9**	**(5)**

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

Reconciliation of the Fair Value of the Scheme Assets

	LGPS		**Discretionary Benefits**	
	2022/23 £000	**2023/24 to 6 May 2024**	**2022/23 £000**	**2023/24 to 6 May 2024**

Opening fair value of scheme assets	**198,025**	**195,943**	**-**	**-**
Interest Income	5,357	10,147	-	-
Remeasurement gain on plan assets	(6,040)	4,253	-	-
Employer contributions	2,117	3,357	-	113
Contributions by scheme participants	1,858	2,249	-	-
Net Benefits paid out	(5,374)	(7,092)	-	(113)
Net decrease in assets from Stadler Transfer	-	-	-	-
Settlements	-	-	-	-
Closing fair value of scheme assets	**195,943**	**208,856**	**-**	**-**

Reconciliation of present value of the scheme liabilities

	LGPS		**Discretionary Benefits**	
	2022/23 £000	**2023/24 to 6 May 2024**	**2022/23 £000**	**2023/24 to 6 May 2024**
Opening balance at 1 April	**(224,259)**	**(165,740)**	**(897)**	**(787)**
Current Service Cost	(10,664)	(5,454)	-	-
Interest Cost	(6,037)	(8,481)	(22)	(68)
Contributions by participants	(1,858)	(2,249)	-	-
Remeasurement of the Net Defined Liability	71,718	11,322	13	70
Net benefits paid	5,374	7,092	113	113
Past service costs	(16)	-	-	-
Net increase in liabilities from NEMOL transfer	-	-	-	-
Settlements	-	-	-	-
Closing balance	**(165,740)**	**(163,509)**	**(787)**	**(672)**

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	2022/23 £000	2023/24 to 6 May 2024 £000
Fair Value of LGPS Assets	**195,943**	**208,856**
Present value of LGPS liabilities		
- LGPS liabilities	(165,741)	(163,509)
Deficit on funded defined benefit scheme	**(30,202)**	**45,346**
Discretionary benefits	787	(672)
Unrecognised asset (asset ceiling)	-	(45,346)
Total Surplus	**(29,415)**	**(672)**

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

	NTCA	Nexus
Active members	95%	40%
Deferred pensioners	4%	11%
Pensioners	1%	49%

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years for NTCA and 17.4 years for Nexus.

The liabilities show the underlying commitments that the Combined Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £163.509m has an impact on the net worth of the Combined Authority recorded on the balance sheet, resulting in a positive pension balance of £0.672m. However, statutory arrangements for funding the deficit mean that the financial position of the Combined Authority remains healthy:

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

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

- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2024 is £0.875m for NTCA and £4.290m for Nexus (of which £1.926m is attributed to NTCA).

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 6 May 2024.

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

NTCA	**Local Government**	
	31 March 2023	**6 May 2024**
Mortality assumptions:		
Pensioner member aged 65 at accounting date (male)	21.6	21.0
Pensioner member aged 65 at accounting date (female)	24.6	24.2
Active member aged 45 at accounting date (male)	22.9	22.3
Active member aged 45 at accounting date (female)	26.1	25.6
Rate for discounting scheme liabilities:	% per annum	% per annum
Rate for discounting scheme liabilities	4.60	5.10
Rate of inflation – Consumer Price Index	2.60	2.70
Rate of increase in pensions	2.60	2.70
Pensions accounts revaluation rate	2.60	2.70
Rate of increase in salaries	4.10	4.20

Nexus	**LGPS**		**Discretionary Benefits**	
	2022/23	**2023/24 to 6 May 2024**	**2022/23**	**2023/24 to 6 May 2024**
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	21.6	21.0	21.8	21.0
Women	24.6	24.2	25.0	24.2
Longevity at 65 for future pensioners				
Men	22.9	22.3	n/a	n/a
Women	26.1	25.6	n/a	n/a
Discount rates:	%p.a.		%p.a.	
Rate for discounting scheme liabilities	4.7	5.1	4.7	5.1
Rate of inflation – Consumer Price Index	2.7	2.7	2.7	2.7
Rate of increase in pensions	2.7	2.7	2.7	2.7
Pension accounts revaluation rate	2.7	2.7	n/a	n/a
Rate of increase in salaries	3.7	4.2	n/a	n/a

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

	31 March 2023	Asset Split 6 May 2024 %		
	% Total	Quoted	Unquoted	Total
Equities	51.2	40.1	11.1	51.2
Property	10.5	0.0	9.9	9.9
Government Bonds	1.3	1.2	0.0	1.2
Corporate Bonds	19.5	18.9	0.0	18.9
Multi Asset Credit	4.5	4.5	0.0	4.5
Cash	1.8	0.8	0.0	0.8
Other*	11.2	0.0	13.5	13.5
Total Assets	100.0	65.5	34.5	100

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

Actual Return on Assets	**Local Government**	
	2022/23 £000	**2023/24 to 6 May 2024 £000**
Interest Income on Assets	5,357	9,475
Remeasurement gain on assets	(7,006)	3,597
Actual Return on Assets	**(1,649)**	**13,072**

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity of unfunded benefits has not been included on materiality grounds.

Discount rate assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to discount rate			
Present value of total obligation (£M)	328.78	334.13	339.81
% change in present value of total obligation	-1.6%		1.7%
Projected service cost (£M)	7.91	8.27	8.64
Approximate % change in projected service cost	-4.4%		4.5%

Rate of general increase in salaries	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to salary increase rate			
Present value of total obligation (£M)	334.80	334.13	333.46
% change in present value of total obligation	0.2%		-0.2%
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 assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to pension increase rate			
Present value of total obligation	339.14	334.13	329.45
% change in present value of total obligation	1.5%		1.4%
Projected service cost (£M)	8.64	8.27	7.91
Approximate % change in projected service cost	4.5%		-4.4%

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	342.48	334.13	325.78
% change in present value of total obligation	2.5%		-2.5%
Projected service cost (£M)	8.58	8.27	7.96
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.

G14 Deferred Tax Liability

The movement for the year comprises:

	2022/23 £000	2023/24 to 6 May 2024 £000
Capital Allowances	(298)	(569)
Roll over relief on capital gains	(118)	-
Tax effect of losses	(1,030)	1,217
Other timing differences	(3)	5
Total	(1,449)	654

The balance at the year-end comprises:

	31 March 2023 £000	6 May 2024 £000
Excess of capital allowances over depreciation	1,479	2,051
Roll over relief on capital gains	436	437
Tax effect of losses	(1,214)	(2,435)
Other timing differences	(49)	(54)
Total	652	-

G15 Usable Reserves

	31 March 2023 £000	6 May 2024 £000
General Fund Balance	(34,675)	(41,240)
Earmarked Reserves	(134,597)	(133,470)
Capital Grants Unapplied	(76,174)	(120,925)
Capital Receipts Reserve	(471)	-
Total Usable Reserves	**(245,917)**	**(295,635)**

G16 Unusable Reserves

	31 March 2023 £000	6 May 2024 £000
Revaluation Reserve	(4,572)	(4,420)
Capital Adjustment Account	(400,249)	(441,821)
Financial Instruments Adjustment Account	(1,836)	(1,019)
Accumulated Absences Account	202	61
Pension Reserve	(29,414)	672
Total Unusable Reserves	**(435,869)**	**(446,529)**

The Financial Instruments Adjustment Account and Accumulated Absences Account relate to

NTCA only and can be found in Note 24 of the single entity accounts.

Revaluation Reserve

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

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

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

	£000
Balance at 1 April 2022	(4,603)
Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account	31
Revaluation gain recognised in Revaluation Reserve	-
Balance at 31 March 2023	**(4,572)**
Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account	61
Revaluation gain recognised in Revaluation Reserve	90
Balance at 6 May 2024	**(4,420)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	£000
Balance at 1 April 2022	**(329,276)**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation & impairment of non-current assets	17,239
Amounts of non-current assets written off on disposal or sale	1,865
Other income that cannot be credited to the General Fund	(2,290)
Revenue expenditure funded from capital under statute	50,986
Write down of long-term debtors	2,349
Adjusting amounts written out of the Revaluation Reserve	**(47)**
Capital financing applied in the year:	
Capital grants & contributions credited to the CIES that have been applied to capital financing	(139,144)
Statutory provision for the financing of capital investment charged against the General Fund	(832)
Use of Capital Receipts to fund capital expenditure	1,154
Capital expenditure charged against the General Fund	(1,633)
Debt redeemed using capital receipts	(633)
Transfer to and from Reserves	13
Balance at 31 March 2023	**(400,249)**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation & impairment of non-current assets	18,628
Amounts of non-current assets written off on disposal or sale	496
Other income that cannot be credited to the General Fund	(2,522)
Revenue expenditure funded from capital under statute	54,215
Write down of long-term debtors	3,185
Adjusting amounts written out of the Revaluation Reserve	**(61)**
Capital financing applied in the year:	
Capital grants & contributions credited to the CIES that have been applied to capital financing	(86,243)
Statutory provision for the financing of capital investment charged against the General Fund	(941)
Use of Capital Receipts to fund capital expenditure	(25,918)

Capital expenditure charged against the General Fund	(2,411)
Debt redeemed using capital receipts	
	(441,821)

Pension Reserve

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

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

	£000
Balance at 1 April 2022	**27,125**
Remeasurements of the net defined benefit liability	(65,807)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	11,398
Employer's pension contributions and direct payments to pensioners	(2,234)
Interest expense on net defined asset	104
Balance at 31 March 2023	**(29,414)**

Balance at 1 April 2023	**(29,414)**
Remeasurements of the net defined benefit asset	29,822
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	3,499
Employer's pension contributions and direct payments to pensioners	(3,236)
Balance at 6 May 2024	**672**

G17 Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing Activities

2022/23 £000		2023/24 to 6 May 2024 £000
116,487	Surplus on the provision of services	**90,181**
	Adjustments to Surplus on Provision of Services for Non-Cash Movements:	
17,745	Depreciation, Impairment and Amortisation	19,136
2,025	Loss/(Gain) on disposal of non-current assets	775
29,204	Increase in Creditors	58,036
(28,802)	Increase in Debtors	(24,225)
17	Decrease/(Increase) in Inventories	(28)
9,148	Movement in Pension Liability	406
(3,657)	Other non-cash items charged to the surplus on the provision of services	(3,339)
25,681	**Adjustments for items included in the net surplus on the provision of services that are investing and financing activities:**	**50,761**
(143,847)	Capital grants credited to surplus on provision of services	(107,519)
877	Other adjustments for items that are financing or investing activities	(3,106)
(803)	**Net cash flow from operating activities**	**30,316**

The cash flows for operating activities include the following items:

2022/23 £000		2023/24 to 6 May 2024 £000
3,045	Interest Received	12,387
(1,553)	Interest Paid	(5,952)

G18 Cash Flow Statement – Investing Activities

2022/23 £000		2023/24 to 6 May 2024 £000
(77,363)	Purchase of property, plant and equipment, investment property and intangible assets	(55,208)
	Capital grants received	108,278
(292,072)	Purchase of short-term and long-term investments	(1,507,884)
286,810	Proceeds from short-term and long-term investments	1,428,135
117,648	Other receipts from investing activities	(3,160)
35,023	**Net cash flows from investing activities**	**(29,839)**

G19 Cash Flow Statement – Financing Activities

2022/23 £000		2023/24 to 6 May 2024 £000
(20,324)	Repayments of short and long-term borrowing	(12,704)
(1,244)	Other payments and receipts for financing activities	3,084
(21,568)	**Net cash flows from financing activities**	**(9,621)**

G20 Reconciliation of liabilities arising from Financing Activities

	1 April 2023 £000	Financing Cash Flows £000	Changes which are not financing cash flows £000	6 May 2024 £000
Long-term borrowings	(75,858)	8,937	(92)	**(67,013)**
Short-term borrowings	(1,033)	155	(5)	**(883)**
Total liabilities from financing activities	**(76,891)**	**9,092**	**(97)**	**(67,896)**

	1 April 2022 £000	Financing Cash Flows £000	Changes which are not financing cash flows £000	31 March 2023 £000
Long-term borrowings	(75,766)	(92)		**(75,858)**
Short-term borrowings	(21,025)	20,000	(8)	**(1,033)**
Total liabilities from financing activities	**(96,791)**	**19,908**	**(8)**	**(76,891)**

G21 Summary of Capital Expenditure and Sources of Finance

2022/23 £000		2023/24 to 6 May 2024 £000
77,609	**Opening Capital Financing Requirement**	**76,092**
	Capital Investment	
75,675	Property, Plant & Equipment	52,660
-	Capital Loans	4,023
900	Intangible Assets	2,185
50,986	Revenue Expenditure Funded from Capital Under Statute	54,215
	Sources of Finance	
(633)	Capital Receipts	(2,411)
(126,144)	Government Grants and other Contributions	(85,522)
	Sums set aside from Revenue	
(1,469)	Direct Revenue Contributions	(954)
(832)	Minimum Revenue Provision	(941)
-	Use of reserves	(24,964)
-	Additional Voluntary Provision	-
76,092	**Closing Capital Financing Requirement**	**74,383**
(1,517)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,709)

4.0 Supplemental Information

4.1 Glossary of Terms

A

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

Accounting period: the period of time covered by the accounts, normally twelve months commencing on 1 April. For 2023/24, the accounting year was extended to 6 May 2024, the date of the demise of the North of Tyne Combined Authority, prior to the establishment on 7 May 2024 of the North East Mayoral Combined Authority. The end of the accounting period i.e., 6 May 2024 is the balance sheet date.

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

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

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

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

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

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

B

Bad (and doubtful) debts: debts which may be uneconomic to collect or unenforceable in law.

Balances: the reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.

Balance Sheet: a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

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

C

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

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

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

Cash and cash equivalents: this comprise cash in hand, cash overdrawn and short-term investments which are readily convertible into known amounts of cash.

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

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

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

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

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

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

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

Current assets: which will be consumed or cease to have value within the next accounting period, e.g., inventories and debtors.

Current liabilities: amounts that the Authority owes to other bodies and due for payment within 12 months.

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

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

D

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

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

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

E

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

Emoluments: Payments received in cash and benefits for employment.

Estimation Techniques: methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

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

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

External Audit: the independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

F

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

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

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

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

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

G

General Fund: The total services of the Authority.

General Reserves and Balances: monies held by the Authority to deal with unforeseen events that might arise. The Authority must maintain a prudent level of such balances.

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

I

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

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

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

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

L

Leasing: a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright. The two methods are:

- Operating Leases – may generally be described as those which <u>do not</u> provide for the property in the asset to transfer to the Authority, only the rental will be taken into account by the lessee; or

- Finance Leases – are leases that transfer substantially all of the risks and rewards of ownership of the asset to the lessee. The asset is recorded on the lessee's balance sheet.

Levies: similar to precepts, these sums are paid to other bodies. They are items of expenditure on the face of the Comprehensive Income and Expenditure Statement. The body that charges a levy on the Authority is the North East Combined Authority (transport levy).

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

M

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

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

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

N

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

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

P

Private Finance Initiative (PFI): public authority/private sector partnerships designed to procure new major capital investment resources for local authorities.

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

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

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

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

R

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

Remuneration: defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

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.

S

Section 73 Officer: the Council officer designated under Section 73 of the Local Government Act 1972 to take overall responsibility for the financial administration of the Authority.

T

Treasury Management: this is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS): a strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Authority.

U

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

Useable 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.

4.2 Independent Auditor’s report to the Members of North of Tyne Combined Authority and the Group

TO BE INSERTED AFTER THE COMPLETION OF THE AUDIT

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972

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