

A meeting of the: **Audit and Standards Committee**
will be held on: **Tuesday 18 February 2025**
at: **10.00am**
in: **The Council Chamber, City Hall, Plater Way, Sunderland,
SR1 3AA**

to consider the following

AGENDA

	Page No
1. Apologies To record any apologies for absence and the attendance of any substitute members.	
2. Declarations of Interest Members of the committee are required to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest, in accordance with the Authority's Code of Conduct for Members .	
3. Minutes To confirm as a correct record the minutes of the previous meeting held on 17 September 2024.	3 - 6
4. Internal Audit Quarterly Update To consider a quarterly update on internal audit work, and progress against the 2024/25 Internal Audit Plan.	7 - 10
5. Review of the Effectiveness of the Audit and Standards Committee Arrangements To consider and note the approach to completing its annual review of effectiveness.	11 - 18
6. Final Statements of Accounts 2023-24 for former North East Combined Authority and North of Tyne Combined Authority To review the 2023/24 Audited Statements of Accounts, including Narrative Reports and Annual Governance Statements, for the former North East Combined Authority and North of Tyne Combined Authority.	19 - 361

Continued overleaf

7. **Audit Completion Report and Auditor's Annual Reports 2022/23 for former North East Combined Authority and North of Tyne Combined Authority** To follow
To consider the External Auditor's Audit Completion Reports and Annual Reports 2023/24 in relation to the former North East Combined Authority and North of Tyne Combined Authority.
8. **Strengthening the Standards and Conduct Framework for Local Authorities** To follow
An overview of the existing standards arrangements across the region and an update on the government's consultation on possible changes to the standards regime.
9. **Next Meeting**
To note that the next meeting is scheduled to be held on Tuesday 8 April 2025 at 10.00am in County Hall, Durham.

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Audit and Standards Committee

17 September 2024

(10.00am)

Meeting held in: The Reception Room, Town Hall, South Shields

Minutes

Present: Dave Willis OBE(Chair)
Councillor Caroline Ball
Councillor Tracy Dodds
Councillor Louise Fenwick
Councillor Colin Ferguson
Councillor John Harrison
Councillor Michael Hartnack
Councillor David Herbert
Councillor Frank Lott
Councillor Ian Patterson
Councillor Julie Simpson
Councillor Mark Swinburn

In attendance: Eric Richards (Independent Person - Standards)

ASC9/9/24 Apologies for Absence and Substitutes

Apologies for absence were received from:

Councillor Alex Watson

Councillor Mark Mitchell (Councillor Colin Ferguson attended the meeting as substitute.)

Councillor Ken Dawes

ASC10/9/24 Declarations of Interest

There were no declarations of interest.

ASC11/9/24 Minutes

Resolved that the minutes of the previous meeting held on 9 July 2024 be confirmed as a correct record and signed by the Chair.

ASC12/9/24 Internal Audit Strategic Audit Plan 2024/25

The Committee were presented with a proposed Internal Audit Plan for 2024/25. The Chief Internal Auditor was required to develop a risk-based plan to explain how planned assurance delivery

linked to organisational objectives and priorities, how internal audit resource requirements had been assessed and the need to ensure resources were sufficient to support an annual evidence-based opinion. The Plan, and its subsequent delivery, would allow the Committee to obtain assurances over the work of internal audit and the impact it had on the organisation.

The Plan covered the period to the end of March 2025. The Plan had been developed following a risk assessment undertaken by the Chief Internal Auditor in consultation with the Authority's senior management. As this was year one of the new organisation, it was considered that internal audit resources should be focussed on some of the key areas which cut across all areas of the Authority and support its operations. As such a significant element of the Plan was dedicated to review overarching reviews of key financial systems, performance management and programme and project management. However, it also reflected requirements to complete mandatory activity such as grant certification and to support participation in the National Fraud Initiative (NFI).

As the Plan was risk based, it was likely some flexibility would be required to enable it to respond to changing and emerging risks and there was a small element of resource dedicated to this. The Plan would be kept under review throughout the year and any changes would be agreed with the Director of Finance and Investment and reported to the Audit and Standards Committee accordingly.

Resolved that the Internal Audit Plan 2024/25 be approved.

ASC13/9/24 Risk Management Framework and Strategic Risks

The Committee were presented with a proposed Risk Management Framework. The Framework would govern the way in which the Authority identified and managed its risks and opportunities, supporting the requirements of the Single Assurance Framework and delivery of its strategic objectives. It documented the processes to be used in the identification and management of risks within the Authority, the key roles and responsibilities, the levels of risk (project, programme, corporate programme and project, directorate and strategic) and the relevant reporting lines. A draft framework had previously been reviewed by the Committee (see minute ASC6/9/24) and its feedback had been incorporated into the final version. This was to be presented to the Cabinet at its meeting on 17 September 2024 for approval.

In accordance with the Framework, work had been undertaken across the Authority to identify, assess, score and develop action plans for the strategic risks. This initial exercise had identified 7 strategic risks and details of these risks and controls were presented to the Committee for review. The strategic risks would also be considered by the Cabinet at its meeting on 17 September 2024. The Committee and Cabinet would receive a further report on strategic risks at their meetings planned for March/April 2025 and on a 6 monthly basis following this.

In examining the framework and the strategic risks the Committee considered in more detail:

- a) the process followed in identifying and assessing the strategic risks;
- b) the role of senior leaders and managers in determining the Authority's appetite for risk;
- c) how the framework made provision for intangible risks associated with the acts of external parties such as changes in Government policy and budgets;
- d) the timescales and processes for identifying and reporting risks associated with external delivery partners;
- e) the assessment of the risk that the Authority's Net Zero ambitions may not be achieved and the reasons why the risk was rated as Amber;
- f) the Authority's approach to ensuring there was integration between different policy areas which was underpinned by its Strategic Portfolio Plans and the Single Assurance Framework;
- g) the risks associated with the scale and funding of the transport programme (rated as red) and transport operations (rated as amber) which the Committee agreed were the right levels at this moment in time;

- h) the role and capacity of the Overview and Scrutiny Committee to monitor and challenge delivery of the transport programme;
- i) the relationship between the Risk Management Framework and longer term strategic planning processes to ensure that the Authority's strategic objectives could be sustainably delivered; and
- j) the assessment of risk in relation to cyber security.

Resolved that:

1. the North East CA Risk Management Framework be endorsed and the Cabinet be recommended to approve it; and
2. the current strategic risks, scoring and proposed management actions be noted and it be reported to Cabinet that the risks have been reviewed by the Committee.

ASC14/9/24 Audit Strategy Memorandum for the period ending 6 May 2024

The Committee were presented with the External Auditor's Audit Strategy Memoranda for the 2023/24 accounts. There were two separate reports, one in relation to the former North East Combined Authority (NECA) and another in relation to the North of Tyne Combined Authority (NTCA). The Memoranda summarised the External Auditor's proposed approach to the audit of the two authorities for the period ending 6 May 2024. They highlighted significant audit risks and areas of key judgements and provided details of the audit team. The documents also summarised considerations and conclusions around the External Auditor's independence and formed the basis for a discussion around audit approach.

The Committee received confirmation that if any issues were to arise following the conclusion of the audits these would be addressed as part of the next audit. Members also considered the current state of the local external audit market and a significant increase in fees. It was noted that the significant risks identified for each audit were identical but that the outcomes from each audit could be very different.

Resolved that the External Auditor's Audit Strategy Memoranda for the 2023/24 North East Combined Authority and North of Tyne Combined Authority accounts be noted.

ASC15/9/24 External Audit – Local Audit Reset and Implications Presentation

The Committee received a presentation from the External Auditor in relation to the Government's proposals to address the backlog in completing local audits. The approach involved:

- a) a reset of the system and the setting in law of backstop dates by which audited accounts must be published. The backstop dates would apply only to the audit opinion and not the reporting on VFM arrangements.
- b) Recovery. Backstop dates would be set over a number of years to allow assurance to be rebuilt over multiple audit cycles; and
- c) Reform. Addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

The proposed backstop dates were:

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

To meet the backstop dates, auditors would be required to issue an opinion based on the work they had been able to complete. An audit opinion could be either unmodified, modified and qualified (where specific issues existed, but overall statements were accurate), modified and adverse (where there were significant misstatements; financials are not reliable) or disclaimed,

when there was insufficient evidence to form an opinion. The proposed backstop date was likely to result in significant numbers of modifications or disclaimers of the audit opinion.

The Committee considered the capacity and commitment of the Authority's finance team and the External Auditor to complete the 2023/24 audit before the backstop date on 28 February 2024 without a disclaimed opinion. In the longer term a statutory backstop date in November was welcomed as it would drive the process to a conclusion and allow the Authority to progress preparations of its next budget. Members considered the risks of the backstop arrangements and disclaimed opinions for local government generally at a time of intense financial pressures.

The Chair thanked the External Auditor for the presentation and the Committee noted the Government's proposals to address the backlog in completing local audits.

ASC16/9/24 Appointment of External Auditor

(At this point the External Auditor left the meeting.)

The North East CA was required to appoint a local auditor. The Cabinet at its meeting on 17 September 2024 were due to consider two options for progressing the appointment, either (a) to carry out a procurement exercise to appoint a new local auditor, or (b) 'opt-in' to the national scheme for appointing local auditors operated by Public Sector Audit Appointments Ltd ("PSAA Ltd"). Given the time which would be involved in carrying out a procurement exercise at this stage it was proposed to follow the PSAA Ltd route to secure the appointment of a new local auditor as expeditiously as possible. PSAA Ltd. would appoint a local auditor for the North East CA, set the fee level for the contract and manage the contract with the appointed audit firm. Given the significant challenges and lack of capacity in the local audit market and the need to maintain a high quality of external audit provision, there was a strong case that this option would also produce better outcomes and would be less burdensome for the CA.

Resolved that the Cabinet be recommended to opt-in to the national scheme for appointing local auditors operated by Public Sector Audit Appointments Ltd ("PSAA Ltd").

ASC17/9/24 Standards Update

In determining its work programme at its previous meeting, the Committee had suggested that it review the adequacy and appropriateness of the standards regime in view of the new Government's wish to improve standards. It was reported that since the General Election in May 2024, the current government's approach to this issue was yet to be established. The issue had been discussed amongst monitoring officers across the region and any developments in this respect would be reported to this Committee.

In noting the current situation, members reiterated their desire to review the effectiveness of existing standards regimes across the region with a view to influencing and shaping any proposals by the Government to change the legislative framework.

Resolved that the Committee give consideration to reviewing the effectiveness of existing standards regimes across the region at a future meeting.

Subject: Internal Audit Quarterly Update

Report of: Ian Pattison, Chief Internal Auditor

Report Summary

This report provides Audit and Standards Committee (ASC) with a quarterly update on internal audit work, and progress against the 2024/25 Internal Audit Plan (the Plan). It was highlighted to ASC at its meeting in September 2024 that majority of the plan would be completed towards the end of the financial year to reflect the developing nature of the organisation.

Recommendations

The Audit and Standards Committee is recommended to consider and note progress against the 2024/25 internal audit plan.

1. Background and Summary of Progress

- 1.1 The 2024/25 Internal Audit Plan (the Plan) was approved by ASC in September 2024. This was established following a detailed risk assessment and focusses on key overarching areas but also covers mandatory requirements such as grant certification and support for participation in the National Fraud Initiative (NFI).
- 1.2 The table below sets out the agreed areas of work within the Plan and provides a short update on the current status.

Assignment	Status	Comments
Grant Certification and Counter Fraud		
Grant Work	In Progress	Work to date has included coordination and certification of the following grants: <ul style="list-style-type: none"> • Local Transport Plan • Traffic Signal Obsolescence
NFI Data Matching Exercise	In Progress	All data was provided to specification requirements and deadline. Matches in relation to payroll and trade creditors have been provided and are currently being reviewed.
Key Financial Systems Health Check	In Progress	Internal Audit are currently reviewing a self-assessment against key controls completed by officers.

Assurance Audits		
Project and Programme Management	In Progress	This is being delivered as advisory programme assurance activity and supporting the ongoing organisational review of its current processes.
Performance Management	Not Yet Started	This work was scheduled late in the year to allow for development of the performance management framework.
Other areas (not directly attributable to corporate risks)		
Advice, Guidance and Contingency	In Progress	Ad-hoc work providing ad-hoc general advice and guidance as requested.
Audit Support Activities		
Audit Support Activity	In Progress	This covers the necessary activity to support delivery of internal audit services and covers areas such as internal audit planning, follow up of internal audit recommendations (including those made for predecessor organisations) and preparation for implementation of new Internal Audit Standards from 1 April 2025.
Audit and Standards Committee	In Progress	Attendance and reporting to Audit and Standards Committee meetings and workshops.

2. Potential Impact on Objectives

- 2.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 2.2 Audit and Standards Committee is a key component of the Authority's governance framework. It is an important source of assurance about the Authority's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.
- 2.3 The work of Internal Audit and the Audit and Standards Committee has a remit across the vision, policies, and priorities of the North East CA.

3. Key Risks

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

4. Financial and Other Resources Implications

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

5. Legal Implications

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

6. Equalities Implications

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

7. Consultation and Engagement

- 7.1 There has been no consultation or engagement undertaken directly in respect of this report.
- 7.2 Senior management and the Audit and Standards Committee were consulted as part of agreeing the Internal Audit plan for 2024/25. There are no requirements or expectations to undertake external consultation or engagement in relation to the matters in this report.

8. Appendices

None

9. Background Papers

[The North East Combined Authority Internal Audit Plan 2024/25, September 2024](#)
[The North East Combined Authority Constitution, May 2024](#)
[Public Sector Internal Audit Standards Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)

10. Contact Officers

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11. Glossary

Not applicable

12. Sign-off

1) Chief Executive: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes
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Subject: Approach to Review of Effectiveness of Audit and Standards Committee Arrangements

**Report of: Dave Willis OBE, Chair of Audit and Standards Committee
Ian Pattison, Chief Internal Auditor**

Report Summary

The report sets out the approach and timescale to delivering the annual review of effectiveness for the Audit and Standards (ASC) Committee.

Recommendations

Audit and Standards Committee is recommended to consider and note the approach to completing its annual review of effectiveness.

1. Background Information and Assessment Approach

Background

- 1.1 Audit Committees – Practical Guidance for Local Authorities and Police, published in October 2022 by the Chartered Institute of Public Finance and Accountancy (CIPFA), sets out good practice guidance covering the role, functions, and operation of Audit Committees and includes a template for self-assessment against good practice. CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022 sets out the principles CIPFA recommend committees operating in local government follow and also that the Committee's annual report should include the results of a performance assessment in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 1.2 Whilst as a Combined Authority the prevailing legislation for Audit Committees is the Cities and Local Government Devolution Act 2016 and the subsequent Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017, the principles within the CIPFA good practice are relevant to the operation of Audit and Standards Committee.

Assessment Approach

- 1.3 As this is the first annual review of the effectiveness of ASC, following discussion with the Chair, it was determined that a desktop review would be undertaken for the current year. This approach includes the following:
 - a. The Chair, in conjunction with key officers, will complete a draft self-assessment against CIPFA's Good Practice Toolkit (**Appendix A**) by the end of February 2025.
 - b. The draft self-assessment will be circulated to ASC members in early March for consideration and comment.

- c. An updated draft, reflecting feedback and comments, will be presented to ASC for group discussion and agreement at its meeting in April 2025.

2. Potential Impact on Objectives

- 2.1 The North East CA's corporate plan sets out its strategic objectives and priorities. The work of Audit and Standards Committee contributes to the overall achievement of these objectives and priorities.

3. Key Risks

- 3.1 There are no key risks identified within, or arising from, this report. The report proposes an approach for the review of the effectiveness of the Audit and Standards Committee with the aim of identifying areas for improvement.

4. Financial and Other Resources Implications

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

5. Legal Implications

- 5.1 There are no direct legal implications arising from this report, but it does consider conformance with the Cities and Local Government Devolution Act 2016, and subsequent Combined Authorities (Overview and Scrutiny Committee, Access to Information and Audit Committee) Order 2017 in respect of the appointment of an Audit Committee and sets out the functions of an Audit Committee.

6. Equalities Implications

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

7. Consultation and Engagement

- 7.1 The Independent Chair of Audit and Standards Committee was consulted on the approach to the review of effectiveness. Consultation around the draft review will be undertaken with members of Audit and Standards Committee.

8. Appendices

Appendix 1: CIPFA Audit and Standards Committee Arrangements Checklist Template

9. Background Papers

- (a) [The Cities and Local Government Devolution Act 2016](#)
- (b) [The Combined Authorities \(Overview and Scrutiny Committees, Access to Information and Audit Committees\) Order 2017](#)
- (c) [The Accounts and Audit Regulations 2015, as amended June 2022](#)
- (d) Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2022
- (e) [North East Combined Authority Constitution, May 2024](#)

10. Contact Officers

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Marc Oldham, Group Assurance Manager at North Tyneside Council
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11. Glossary

Not applicable

12. Sign-off

1) Chief Executive: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes
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Audit Committee Arrangements: Self-Assessment of Good Practice – Template

(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

“Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of Answers		0	1	2	3	5	
Audit Committee Purpose and Governance							
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?						
2	Does the audit committee report directly to the governing body (PCC and chief constable / full council / fire authority etc)						
3	Has the audit committee maintained its advisory role by not taking on any decision-making powers?						

4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement? Additionally, as a Combined Authority does the terms of reference set out the purpose of the Committee in accordance with the Cities and Local Government Devolution Act 2016 and The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017						
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?						
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?						
7	Does the governing body hold the audit committee to account for its performance at least annually?						
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:						
	• Compliance with the CIPFA position statement 2022						
	• Results of the annual evaluation, development work undertaken and planned improvements						
• How it has fulfilled its terms of reference and the key issues escalated in the year?							
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement and, additionally as a Combined Authority, requirements for Audit Committees within the Cities and Local Government Devolution Act 2016 and The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as follows:						
	Governance arrangements						
	Risk management arrangements						

	Internal control arrangements, including <ul style="list-style-type: none"> Financial management Value for money Ethics and standards Counter fraud and corruption 						
	Annual governance statement						
	Financial reporting						
	Assurance framework						
	Internal Audit						
	External Audit						
10	Over the last year, has adequate consideration been given to all core areas?						
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?						
12	Has the committee met privately with the external auditors and head of internal audit in the last year?						
Membership and Support							
13	Has the committee been established in accordance with the 2022 guidance and, additionally as a Combined Authority, requirements for Audit Committees within the Cities and Local Government Devolution Act 2016 and The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as follows? <ul style="list-style-type: none"> Separation from executive A size that is not unwieldy and avoids use of substitutes 						

	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation. 						
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?						
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?						
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?						
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?						
18	Is adequate secretariat and administrative support provided to the committee?						
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?						
Effectiveness of the Committee							
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?						
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?						
22	Are meetings effective with a good level of discussion and engagement from all the members?						

23	Has the committee maintained a non-political approach to discussions throughout?						
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?						
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?						
26	Do audit committee recommendations have traction with those in leadership roles?						
27	Has the committee evaluated whether and how it is adding value to the organisation?						
28	Does the committee have an action plan to improve any areas of weakness?						
29	Has this assessment been undertaken collaboratively with the audit committee members?						
	Subtotal Score						
	Total Score (max score is 200 – 40 questions multiplied by 5)						

Audit and Standards Committee

18 February 2025

Subject: Final Statements of Accounts 2023-24 for former North East Combined Authority and North of Tyne Combined Authority
Report of: Director of Finance and Investment

Report Summary

The purpose of this report is to present Audit and Standards Committee with the 2023/24 audited Statements of Accounts for the former North East Combined Authority (former NECA) and North of Tyne Combined Authority (NTCA).

At its meeting on 28 January 2025, Cabinet approved a delegation to the Director of Finance and Investment in consultation with the Mayor and Chief Executive to agree any final amendments or changes to the 2023/24 Statements of Accounts for former NECA and NTCA, the Narrative Statements and Annual Governance Statements arising from the completion of the external audits and, after taking into account the views of the Audit and Standards Committee, to approve the same.

Recommendations

The Audit and Standards Committee is requested to review the 2023/24 Audited Statements of Accounts, including Narrative Reports and Annual Governance Statements, for the former NECA and NTCA and recommend them to the Director of Finance and Investment for approval.

1. Statements of Accounts and Audit

- 1.1 The former NECA and NTCA Statements of Accounts set out the financial performance of the authorities for the extended financial period ending 6 May 2024 and their financial positions at that date. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statements 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 Statements 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 North East Mayoral Combined Authority (Establishment and Functions) Order 2024, which provided for the abolition of the two previous combined authorities and the creation of the North East Mayoral Combined Authority (North East CA). The Order determined that, in relation to the financial year beginning on 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. 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 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 2024.
- 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.

1.4 The Group Accounts include the financial results and position of Nexus. Because Nexus's financial year ended on 31 March 2024, adjustments were made for material differences between the 6 May 2024 and 31 March 2024 positions. Those adjustments were in relation to pension liabilities and short term investments balances. Based on analysis of financial information provided by Nexus, Management are satisfied that no further adjustments are required to present a materially accurate position for the NECA and NTCA Group.

1.5 Members of the Audit and Standards Committee received a presentation on the draft Statements of Accounts for 2023/24 at a workshop on 19 November 2024. The accounts have since been subject to external audit, and during the course of this work a number of amendments have been made which are reflected in the updated accounts presented here. A schedule of amendments for each Statement of Accounts is included in the Audit Completion Reports elsewhere on this agenda, but are summarised below:

- Further analysis by management of an unreconciled cash position in the NECA accounts following the completion of the draft financial statements identified that some items were included in short term debtors and short term creditors when the cash had in fact been received or paid between 1 April 2024 and 6 May 2024. This was brought to the attention of the external auditor and adjustments have been processed, resulting in no overall change to net assets, reserves, or the income and expenditure position.
- Correction of an overstatement in gross income and gross expenditure in the NTCA accounts, resulting in no impact on the net position.
- Disclosure and presentational adjustments.

1.6 All material items have been adjusted for, and any unadjusted misstatements are immaterial both individually and in aggregate.

1.7 The amendments do not impact on the bottom line position or usable reserves carried forward into the new North East CA from 7 May 2024.

2. Going Concern

2.1 When preparing the annual statement of accounts, the former NECA and NTCA complied with the Code of Practice on Local Authority Accounting 2023/24 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.2 The Code requires that a local authority's statement of accounts is prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means that the Comprehensive Income and Expenditure Statement and the Balance Sheet assume no intention to curtail significantly the scale of the operation.

2.3 An inability to apply the going concern concept can have a fundamental impact on the financial statements. In reality, it would be highly unusual for a local authority to have a going concern problem. There may be cases where part of an authority's operations cease to be viable or affordable. However, this will not give rise to a going concern issue for the authority given that the impact would be restricted to only that part of the operation.

- 2.4 Transfers of services under combinations of public sector bodies similarly do not negate the presumption of going concern. In December 2022, the Government and the seven North East Councils agreed a “minded to” devolution deal. In order to establish the new regional Mayoral Combined Authority, the existing combined authorities (NECA and NTCA) were abolished. The statutory order provided appropriate continuity and transitional arrangements so that any acts of the previous combined authorities were 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 North East CA. This ensured that the regional transport arrangements which were previously overseen by the Joint Transport Committee (JTC) and other funding programmes of NECA and NTCA have been maintained by the North East CA without interruption. For this reason it is considered appropriate, in line with the Code of Practice on Local Authority Accounting, for these statements of accounts to be prepared on a going concern basis.
- 2.5 In addition, the North East CA holds significant net assets, including usable reserves, at 7 May 2024, and has set a balanced budget for the current and forthcoming financial year, as well as a medium term financial plan for the period to 2027/28. The authority (through its predecessor organisations) has a history of stable finance and ready access to financial resources in the future, and there are no identified financial, operational or other risks that are reasonably expected to jeopardise the authority’s continuing operation.

3. Annual Governance Statements

- 3.1 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.
- 3.2 The results of this work are contained within the Annual Governance Statements for the two former combined authorities, included here as appendices A and E. In both instances, no significant weaknesses in governance or internal control were highlighted. It is considered that the governance and internal control environments in place during the extended financial period from 1 April 2023 to 6 May 2024 provide reasonable and objective assurance that any significant risks with the potential to impact on the achievement of the authorities’ principal objectives have been identified and actions taken to avoid or mitigate their impact.

4. Potential Impact on Objectives

- 4.1 There are no impacts on objectives arising from this report. Completion and publication of the audited Statements of Accounts allows the North East CA to meet its obligations in relation to the Accounts and Audit Regulations, as successor body to the two previous combined authorities.

5. Key Risks

- 5.1 There are no specific risk implications directly arising from this report. The management of risks has been considered as part of the production of the Annual Governance Statement.

6. Financial and Other Resources Implications

- 6.1 There are no financial implications arising from this report. Audit fees in relation to the audit of the 2023/24 Statements of Accounts have been provided for in the North East CA corporate budget, and details of fees are set out in the Auditor’s reports elsewhere on this agenda.

7. Legal Implications

- 7.1 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 2024, the former NECA accounts were published in November 2024 and the NTCA accounts were published in December 2024.

8. Equalities Implications

8.1 There are no equalities implications arising from this report.

9. Consultation and Engagement

9.1 The draft Statements of Accounts were published on the North East CA 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. There were no enquiries or objections raised.

9.2 The accounts were considered by Cabinet at its meeting on 28 January 2025 when a delegation was agreed to 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.

9.3 The Statements of Accounts have been subject to an external audit by Forvis Mazars, whose report is elsewhere on this agenda.

10. Appendices

- Appendix A Former NECA Annual Governance Statement
- Appendix B Former NECA Narrative Report
- Appendix C Former NECA Statement of Accounts
- Appendix D Former NECA Management Letter of Representation
- Appendix E NTCA Annual Governance Statement
- Appendix F NTCA Narrative Report
- Appendix G NTCA Statement of Accounts
- Appendix H NTCA Management Letter of Representation

11. Background Papers

None

12. Contact Officers

Eleanor Goodman, Interim Head of Finance, Eleanor.goodman@northeast-ca.gov.uk

13. Glossary

- CIPFA Chartered Institute of Public Finance and Accountancy
- NECA Former North East Combined Authority
- North East CA North East Mayoral Combined Authority
- NTCA Former North of Tyne Combined Authority

14. Sign-off

1) Chief Executive: Yes	2) Chief Finance Officer: Yes	3) Monitoring Officer: Yes
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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 for the extended financial period ending 6 May 2024

Section 1	Introduction
Section 2	Scope of Responsibility
Section 3	The Purpose of the Governance Framework
Section 4	The Governance Framework
Section 5	Annual Review of Effectiveness of Governance Framework
Section 6	North East Joint Transport Committee and North of Tyne Combined Authority
Section 7	Significant Weaknesses in Governance and Internal Control
Section 8	Conclusion

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.

It should be noted that the North East Combined Authority was abolished on 6 May 2024 upon the creation of the North East Mayoral Combined Authority, as described more fully in section 6. The rest of this Annual Governance Statement has not been adjusted to reflect this change; rather it covers the period from 1 April 2023 to 6 May 2024 (the period covered by the 2023/24 NECA financial statements).

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 were changed to 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 create 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 6 May 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 and 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 outcomes 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 and taking into account arrangements at Nexus, who form part of the NECA Group Accounts.

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 the extended financial period for 2023/24 ending 6 May 2024 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 Devolution Deal and Election of a Mayor

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils 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 was 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 covers an area which is home to around 2 million people, has the power to make decisions on areas such as transport, skills, housing, finance and economic development. This resulted 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, the election took place on 2 May 2024 to elect a Mayor for the region. The new authority was formed on 7 May 2024.

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 the extended financial period for 2023/24 ending 6 May 2024.

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 systems of internal control have been in place for the extended financial period for 2023/24 ending 6 May 2024 and are operating as planned.

As the former NECA ceased to exist from 6 May 2024, the Annual Governance Statement has been signed by the Head of Paid Service and Mayor of the new North East Combined Authority which is the successor body to the former NECA.

Chief Executive

Mayor of the North East Combined Authority

Full Name: Henry Kippin

Full Name: Kim McGuinness

Signature:

Signature:

Date:

Date:

necca

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 Cooperation 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 provided for the establishment on 7 May 2024 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 provided 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. 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 6 May 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 £131.854m (£108.381m 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 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 debtors balance on 6 May 2024 of £2.719m (£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 £89.305m (£66.212m on 31 March 2023). 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 mainly to an increase in short term creditors arising for grant payments due and a reduction in the net pension asset recognised due to the application of an asset ceiling by the pension fund actuaries in their IAS 19 report.

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.

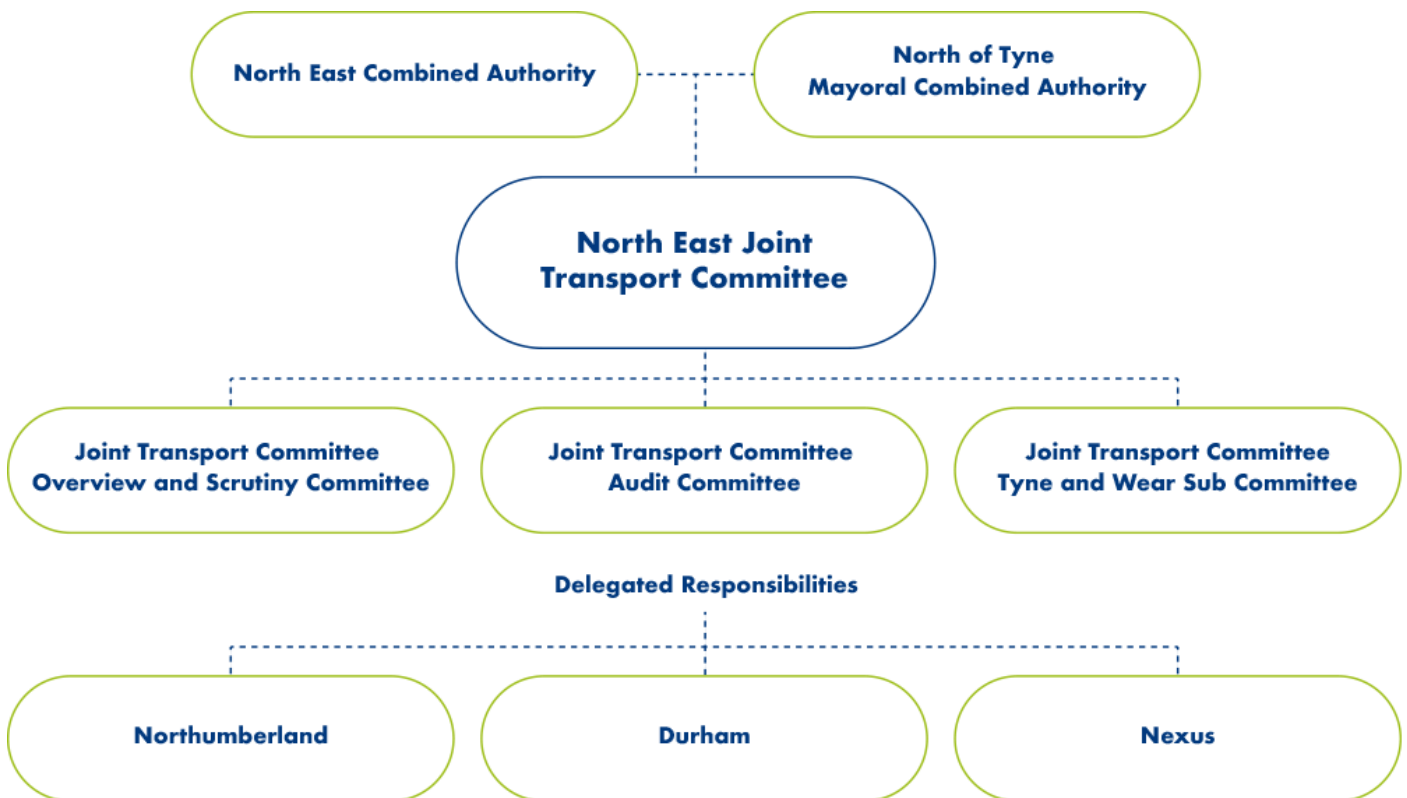
The Nexus accounts are apportioned between NTCA and NECA accounts (after elimination of intra-Group transactions), with the balance sheet information allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 2. The full accounts 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).

- 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 11)

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 81 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 and 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 Metro 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
Interim Head of Finance, North East Combined Authority
Eleanor.goodman@northeast-ca.gov.uk

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Mags Scott, Chief Finance Officer (S73 Officer), North East Combined Authority

Date:



North East Combined Authority

**Statement of Accounts 2023/24
to 6 May 2024**

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

1.0 Statement of Responsibilities for the Statement of Accounts

1.1 The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer's Responsibilities:

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

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

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

The Chief Finance Officer has also:

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

Certification of the Chief Finance Officer

I hereby certify that the Statement of Accounts for the year ended 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:

Mags Scott
Chief Finance Officer

Statement of Approval of the Accounts

The Statement of Accounts for the year 1 April 2023 to 6 May 2024 is approved by the Cabinet of the North East Combined Authority.

Signed:

Date:

Kim McGuinness
Mayor, North East Combined Authority

2.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The Total Comprehensive Income and Expenditure line shows the accounting cost of providing NECA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance. The net increase or decrease before transfers to earmarked reserves shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Note	Usable Reserves				Unusable Reserves	Total Authority Reserves
		General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied	Total Usable Reserves		
		£000	£000	£000	£000		
Balance at 1 April 2022		(8,571)	(11,304)	(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)	1,059	(1,059)	0
Net (Increase)/Decrease before transfers to Earmarked Reserves		(47,969)	-	(16,641)	(64,609)	(7,809)	(72,418)
Transfers (To)/From Earmarked Reserves	21	48,365	(48,365)	-	-	-	-
(Increase)/Decrease in 2022/23		396	(48,365)	(16,641)	(64,609)	(7,809)	(72,418)
Balance at 31 March 2023 carried forward		(8,174)	(59,669)	(77,628)	(145,472)	(72,365)	(217,837)
Total Comprehensive Income and Expenditure		17,289	-	-	17,289	10,410	27,699
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	27,699
Transfers (To)/From Earmarked Reserves	21	(8,576)	8,576	-	0	-	0
(Increase)/Decrease in 2023/24		(3,966)	8,576	14,602	19,212	8,487	27,699
Balance at 6 May 2024		(12,141)	(51,094)	(63,026)	(126,260)	(63,878)	(190,138)

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	2,719
51,321	Cash and Cash Equivalents	16	36,587
207,292	Current Assets		200,784
(1,260)	Short Term Borrowing	12	(1,076)
(66,212)	Short Term Creditors	17	(89,305)
(1,130)	Grants Receipts in Advance	6	(157)
(2,802)	New Tyne Crossing Deferred Income	18	(2,797)
(71,404)	Current Liabilities		(93,335)
(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:

Mags Scott, 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	24,232
(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		(21,317)
(15,682)	Investing Activities	25	17,814
(953)	Financing Activities	26	(11,232)
11,309	Net (Decrease)/Increase in cash and cash equivalents		(14,735)
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		36,587

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 the extended year ending 6 May 2024 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 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 actuaries 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 2024.

- 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.

As a result of the extended accounting period for 2023/24 to 6 May 2024 (13 months and 6 days), and the prior period covering 2022/23 (12 months), care needs to be taken when drawing comparisons between the figures for each financial year.

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	(67,846)				
Closing General Fund Balances	(63,237)				

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)	(16,252)	-	-	(62,938)
Transport - Tyne Tunnels	(2,517)	(1,451)	(40)	-	(4,008)
Cost of services	1,859	(17,994)	590	-	(15,545)
Other Income and Expenditure	(49,829)	-	(160)	(134)	(50,123)
(Surplus)/Deficit on Provision of Services	(47,970)	(17,994)	430	(134)	(65,668)
Opening General Fund Balances	(19,876)				
Closing General Fund Balances	(67,846)				

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				Adjustments between Accounting Basis and Funding Basis Under Statute	2023/24 to 6 May 2024			
General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account (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.

During the period there were no exit packages or termination benefits agreed or paid. (2022/23 nil.)

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	36	66
		-
Total	36	66

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	-	(24,258)	36,799	379
Gateshead	-	(11,695)	1,889	449	-	(12,039)	3,894	1,152
South Tyneside	-	(8,804)	1,375	275	-	(9,124)	1,100	536
Sunderland	-	(15,999)	8,714	1,996	-	(16,732)	4,311	2,586
Remaining JTC Constituent Authorities								
Newcastle	-	(299)	4,941	1,883	-	(941)	7,128	2,670
North Tyneside	-	(10)	6,532	1,403	-	(10)	8,486	3,139
Northumberland	-	(18)	1,456	86	-	(10)	2,566	294
Other Public Bodies								
North of Tyne Combined Authority	-	-	-	-	391	-	2,145	2,141
Nexus	(1,036)	(107)	37,046	4,473	718	(212)	42,166	20,872

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.

Additional processes have been carried out in 2023/24 to ensure all material transactions with related parties to 6 May 2024 have been recorded, since this runs beyond the usual year end of 31 March. All transactions which took place between 1 April 2024 and 6 May 2024 were reviewed and no material transactions other than those with parties already recorded as related parties were found to have taken place.

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	910	3,801	-
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 6 May 2024	3,094	973	4,067	27
Accumulated Depreciation and Impairment				
At 1 April 2023	(1,244)	-	(1,244)	-
Depreciation charge for the Year	(194)	-	(194)	-
At 6 May 2024	(1,438)	-	(1,438)	-
Net Book Value				
At 1 April 2023	1,647	910	2,557	-
At 6 May 2024	1,656	973	2,629	-

At 6 May contractual commitments for the acquisition of Property, Plant and Equipment were nil.

	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	31
Derecognition	-	-
Depreciation	(2,209)	(2,423)
Impairment	-	-
Other movements in cost	(789)	(341)
At 31 March 2023 & 6 May 2024	182,491	179,758

Reconciliation to Balance Sheet

	2022/23	2023/24 to 6 May 2024
	£000	£000
Infrastructure assets	182,491	179,758
Other PPE assets	2,557	2,629
Total PPE assets	185,048	182,387

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 £179.758m. 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	2,344
Total financial assets	-	-	17,049	16,300	152,694	161,478	1,270	2,344
Non-financial assets	-	-	-	-	-	-	2,007	375
Total	-	-	17,049	16,300	152,694	161,478	3,277	2,719

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)	(76,829)
Total financial liabilities	(92,809)	(81,654)	-	-	(1,260)	(1,076)	(7,136)	(76,829)
liabilities	-	-	-	-	-	-	(59,077)	(12,476)
Total	(92,809)	(81,654)	-	-	(1,260)	(1,076)	(66,213)	(89,304)

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:

	Level	31 March 2023		06 May 2024	
		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	36,587
A-	-	-
Total Cash Equivalents	17,058	36,587

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)	(81,105)
	(92,809)	(81,654)
Less than 1 year	(1,260)	(1,076)
Total borrowing	(94,069)	(82,730)

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 £0.992m 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	375
Other local authorities	214	391
Other entities and individuals	1,056	1,953
Total	3,277	2,719

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	212
Cash equivalents	17,058	36,375
Total	51,322	36,587

Note 17: Short Term Creditors

	31 March 2023 £000	06 May 2024 £000
Central government bodies	(2)	(11)
Other local authorities	(6,965)	(12,082)
Other entities and individuals	-	-
- Nexus	(51,448)	(70,686)
- TT2	(998)	(2,681)
- Other	(6,799)	(3,844)
Total	(66,212)	(89,304)

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)	(10,912)
Payable within 16 to 20 years	-	-
Total	(42,030)	(38,881)

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 2023 & 6 May 2024	(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 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 to 6 May 2024 £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)	(540)
Total net pension asset / (liability)	(840)	(870)	5,570	11,890	1,740

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 £1.740m. 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)	(58,176)
Financial Instruments Adjustment Account	35	185
Revaluation Reserve	(4,242)	(4,146)
Pension Reserve	(11,890)	(1,740)
Total	(72,365)	(63,877)

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 £000	2023/24 to 6 May 2024 £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	2,617
Other income that cannot be credited to the General Fund	(2,802)	(3,073)
Revenue expenditure funded from capital under statute	30,416	32,804
Write down of long term debtors	775	745
Adjusting amounts written out of the Revaluation Reserve	(98)	(96)
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(30,122)	(32,811)
Statutory provision for the financing of capital investment	(1,018)	(1,146)
Capital expenditure charged against the General Fund	(200)	(203)
Debt redeemed using capital receipts	(775)	(745)
Balance at year end	(56,268)	(58,176)

Financial Instruments Adjustment Account

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

	2022/23	2023/24 to 6 May 2024
	£000	£000
Opening Balance 1 April	170	35
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(135)	149
Balance at year end	35	185

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	96
Balance at year end	(4,242)	(4,146)

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 year end	(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	22,908
(Increase)/Decrease in Debtors	(519)	2,039
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	24,231
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	(21,317)

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 2024/25 (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 treatment 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.

- **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.

- **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.

- **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.

- **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.

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.

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	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 6 May 2024 and the projected service cost for the year ending 31 March 2025 are set out below.</p> <p>Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £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.</p>

		<p>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption: an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation by £0.58m 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.</p>
		<p>Post retirement mortality assumption: an adjustment to the mortality age rating assumption of -1 year would change the present value of the total obligation to £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.</p>
<p>Property, plant and equipment</p>	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p>	<p>The impact of a change in valuation or useful life would be to affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment in the CIES.</p> <p>These changes do not have an impact on the Authority's General Fund position as funding for such non-cash charges does not come from local authority contributions and grants.</p> <p>Accumulated depreciation totalled around £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</p>

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
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Note 30: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the extended year-end of 6 May 2024. 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 2023/24, 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.

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.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary’s Department as the Local Government Pension Scheme actuary assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, NECA is unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits, or if it can be reliably estimated. As a result, NECA does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements. NECA will keep this issue under review.

9. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

10. Fair Value Measurement

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

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

11. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

Financial Assets

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

- Amortised Cost – assets held within a business model with the sole objective of collecting contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through other comprehensive income (FVOCI) – assets held within a business model with the objective to either sell the asset or collect contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

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

- An equity instrument can be elected into FVOCI rather than FVPL if it is not held for trading.
- Any financial asset can be designated as measured as FVPL if this removes any deemed inconsistency in measurement by treating assets based upon the above classification.

Amortised Cost

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

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

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

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 the year end, divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

14. 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 is 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 2023/24. (2022/23: nil)

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 2023/24 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 2023/24 accounts, NECA has 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.

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 6 May 2024 which provide information about conditions existing at 6 May 2024, 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 6 May 2024 which do not relate to conditions at 6 May 2024 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

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				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)	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)	22,246
16,309	(20,317)	(4,008)	Transport - Tyne Tunnels		21,070	(25,923)	(4,853)
176,552	(175,058)	1,495	Cost of Services		202,625	(98,783)	103,842
10,846	(8,797)	2,049	Financing and Investment Income and Expenditure	G03	12,472	(21,318)	(8,846)
-	(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				(25,881)
-	-	(1,773)	Taxation of Group Entities		-	-	(796)
		(131,909)	Group Surplus				(26,676)
		(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				46,001
		(211,006)	Total Comprehensive Income and Expenditure				19,325

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	11,608
62,096	Cash and Cash Equivalents	G10	42,843
480	Inventories		514
227,654	Current Assets		216,443
(1,257)	Short Term Borrowing	G8	(1,076)
(44,027)	Short Term Creditors	G11	(63,054)
(1,130)	Grants Receipts in Advance		(157)
(2,802)	New Tyne Crossing Deferred Income		(2,797)
(49,216)	Current Liabilities		(67,084)
(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 82 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: Mags Scott, 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	60,148
(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	(10,825)
(20,874)	Investing Activities	G17	(51,570)
(3,222)	Financing Activities	G18	(8,192)
13,449	Net (Decrease)/Increase in cash and cash equivalents		(70,588)
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	42,843

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.

As a result of the extended accounting period for 2023/24 to 6 May 2024 (13 months and 6 days), and the prior period covering 2022/23 (12 months), care needs to be taken when drawing comparisons between the figures for each financial year.

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					Service Concession Assets included in PPE £000
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment (excluding Infrastructure Assets) £000		
Cost or Valuation						
At 1 April 2023	20,430	87,942	4,784	113,156	-	
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	19,986	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)	-	(191)	(15,699)	-	
Net Book Value						
At 1 April 2023	5,052	87,942	4,592	97,586	-	
At 6 May 2024	4,478	124,359	4,468	133,305	-	

	2022/23				
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment (excluding Infrastructure Assets) £000	Service Concession Assets included in PPE £000
Cost or Valuation					
At 1 April 2022	19,672	73,237	2,061	94,970	-
Additions	1	92,572	-	92,573	-
Reclassifications from Assets Under Construction	957	(77,811)	2,729	(74,125)	-
Transfers between categories	-	(41)	(6)	(47)	-
Derecognition - Disposals	(200)	(15)		(215)	-
Revaluation Recognised in Revaluation Reserve	-	-		-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other Adjustments					-
At 31 March 2023	20,431	87,942	4,784	113,156	-
Accumulated Depreciation and Impairment					
At 1 April 2022	(14,882)	-	(181)	(15,063)	-
Depreciation charge	(622)	-	(13)	(635)	-
Derecognition - Disposals	125	-	2	127	-
At 31 March 2023	(15,379)	-	(192)	(15,571)	-
Net Book Value					
At 1 April 2022	4,791	73,237	1,880	79,908	-
At 31 March 2023	5,052	87,942	4,592	97,586	-

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 2023 & 6 May 2024	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	133,305
Total PPE assets	588,320	627,611

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 2023 & 6 May 2024	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	2,344
Total financial assets	1	1	-	-	152,694	161,478	10,377	2,344
Non-financial assets	-	-	-	-	-	-	2,007	9,264
Total	1	1	-	-	152,694	161,478	12,384	11,608

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	(50,579)
Total financial liabilities	(92,809)	(81,654)	-	-	(1,257)	(1,076)	15,050	(50,579)
Non-financial liabilities	-	-	-	-	-	-	(59,077)	(12,476)
Total	(92,809)	(81,654)	-	-	(1,257)	(1,076)	(44,027)	(63,054)

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		06 May 2024	
		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
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	6,825
Other local authorities	550	3,469
NHS bodies	25	1
Other entities and individuals	3,974	1,313
Total	12,382	11,608

Note G10: Cash and Cash Equivalents

	31 March 2023 £000	6 May 2024 £000
Cash	34,936	10,313
Short-term deposits with financial institutions	27,160	32,530
Total	62,096	42,843

Note G11: Short Term Creditors

	31 March 2023 £000	6 May 2024 £000
Central government bodies	(3,806)	(3,640)
Other local authorities	(10,598)	(13,150)
Other entities and individuals	(29,623)	(46,262)
Total	(44,027)	(63,053)

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 Asset

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	(1,834)	(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)	(225,249)	(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)	5,063	-	-
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	293,857	-	-

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	293,857
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)	(1,769)	(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 2023	(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	51,109
Increase/(Decrease) in Debtors	(15,872)	(12,517)
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)	(2,907)
	43,020	60,148
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	(10,825)

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)	3,758
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.

Independent auditor's report to the Members of the North East Combined Authority as successor body of the North East Combined Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of the North East Combined Authority ('the Authority') and its subsidiaries ('the Group') for the period ended 6 May 2024, which comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 6th May 2024 and of the Authority's and the Group's expenditure and income for the period then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for Opinion

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

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

We draw attention to note 01.a (North East Mayoral Combined Authority), note 28 (critical judgements in applying accounting policies) note 30.1 (accounting policies, general principles) and note 31 (events after the balance sheet date) of the financial statements, which highlight that as a result of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, the North East Combined Authority’s functions transferred to the new North East Mayoral Combined Authority from 7 May 2024. These notes further disclose that as services continued to be provided by another public sector entity, the financial statements have been prepared on a going concern basis.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, other than the issue highlighted above in the Emphasis of Matter paragraph, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other Information

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

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

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing whether or not it is appropriate for the Authority and the Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

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

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

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

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

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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

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

Matters on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 6 May 2024.

We have nothing to report in these respects.

Responsibilities of the Authority

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

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

[Signature]

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

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

North East Combined Authority
The Lumen
St James Boulevard
Newcastle Upon Tyne
NE4 5BZ

Address to:
Gavin Barker
Audit Director
Forvis Mazars LLP

Dear Mr Barker

North East Combined Authority - Audit for Period Ended 6 May 2024

This representation letter is provided in connection with your audit of the financial statements of North East Combined Authority (the Authority and Group) for the period ended 6 May 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

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

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at current and fair value

I confirm that the methods, significant assumptions and the data used by the Authority and Group in making the accounting estimates, including those measured at current and fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

I confirm:

- that the significant judgments made in making the accounting estimates have taken into account all relevant information of which management is aware;
- the consistency and appropriateness in the selection or application of the methods, assumptions and data used by management in making the accounting estimates;
- that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, when relevant to the accounting estimates and disclosures;
- that disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework;
- that appropriate specialised skills or expertise has been applied in making the accounting estimates; and
- that no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been

disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code and applicable law.

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:

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

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

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Authority and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

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

Charges on assets

All the Authority and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Authority and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Authority and Group's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Authority and Group, including the impact of mitigation measures and uncertainties, and that the financial statements fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the financial statements fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Authority and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Specific representation

Estimation techniques for the period ended 6 May 2024

In preparing the financial statements to the period ended 6 May 2024, I have taken all reasonable steps to ensure that the Authority and Group financial statements are materially fairly stated. I am not aware of any transactions, balances or disclosures that could be materially misstated as a result of the approach adopted.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority and Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Authority and Group's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any

other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully

Mags Scott

Director of Finance and Investment

[Date]

Appendix

Schedule of unadjusted misstatements

Unadjusted misstatements – the Authority as Single Entity

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Debtors			892	
	CR Income		(892)		
NECA have not recognised any levy for the 6 days in May. We note that the Levy is monthly and as such NECA should have recognised 6 days in May 2024. We performed a recalculation based on the April levy figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.					
	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	DR Expenditure	579			
	CR Short Term Creditors				(579)
NECA have not recognised any Transport Tyne & Wear expenditure for the 6 days in May. We note that the expenditure is monthly and as such NECA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.					
	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	DR Expenditure	273			
	CR Short Term Creditors				(273)

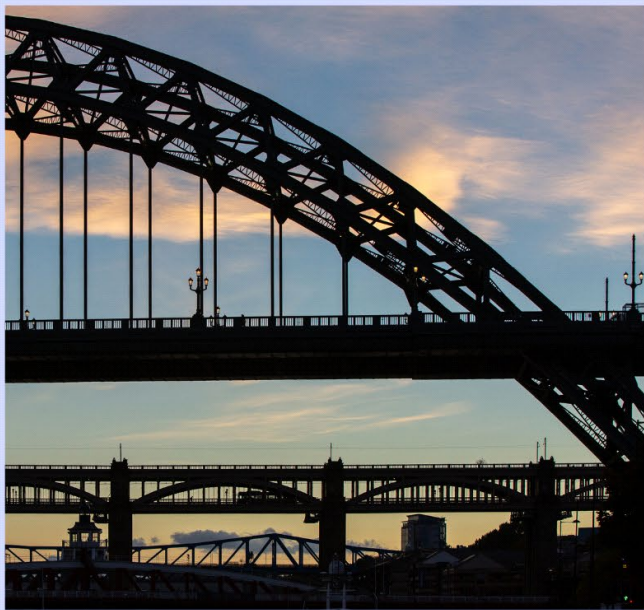
	NECA have not recognised any Transport Durham expenditure for the 6 days in May. We note that the expenditure is monthly and as such NECA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.				
	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	DR Income	333			
	CR Short Term Debtors				(333)
	Reflecting the net extrapolated error due to the Quarter 1 LTP grant for April, May and June being entirely accounted for in the 2023/2024 fiscal year, instead of being allocated between the 2023/2024 and 2024/2025 financial periods. This demonstrates that the impact was not material.				
	Aggregate effect of unadjusted misstatements	1,185	(892)	892	(1,185)

Group Unadjusted misstatements

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Aggregate unadjusted misstatements from previous page also impact on the Group position	1,185	(892)	892	(1,185)
4	DR Net Pension Assets			957	
	CR Remeasurement of Net defined Pension Liability		(957)		
	The auditors review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during the Pension Fund auditor's audit of the pension fund. The Group share of the pension fund assets misstatement is £957k. This is an estimate and is designed to demonstrate that the impact of this is not material.				
	Aggregate effect of unadjusted misstatements	1,185	(1,849)	1,849	(1,185)



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 the extended financial year ending 6 May 2024, including how they are reviewed annually to ensure they remain effective.

It should be noted that the North of Tyne Combined Authority was abolished on 6 May 2024 upon the creation of the North East Mayoral Combined Authority, as described more fully in section 6. The rest of this Annual Governance Statement has not been adjusted to reflect this change; rather it covers the period from 1 April 2023 to 6 May 2024 (the period covered by the 2023/24 North of Tyne Combined Authority financial statements).

## 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.

| <b><u>Principles of Good Governance</u></b>                                                                          |                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>A.</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | <b>E.</b> Developing the entity’s capacity, including the capability of its leadership and the individuals within it |
| <b>B.</b> Ensuring openness and comprehensive stakeholder engagement                                                 | <b>F.</b> Managing risks and performance through robust internal control and strong public financial management      |
| <b>C.</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits                     | <b>G.</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability      |



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

| <b>The Governance Framework</b>                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                             |
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| <b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                             |
| <b><i>The Authority's Commitment of Good Governance</i></b>                                                          | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b><i>Where you can see Governance in action</i></b>                                                                        |
| <b>Behaving with Integrity</b>                                                                                       | <p>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.</p> <p>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.</p> <p>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.</p> <p>A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> | <p>2023-2027 Budget Proposals</p> <p>Working Together: Our Corporate Plan 2023-2024</p> <p>Gifts and Hospitality Policy</p> |

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|                                                          | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                   |
| <p>Demonstrating Strong Commitment to Ethical Values</p> | <p>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.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> <p>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.</p> <p>Our Freedom of Information Scheme is published on our website</p> <p>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</p> <p>The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.</p> | <p>The Constitution is available on the NTCA website.</p> <p>Cabinet Rules of Procedure (“Standing Orders”) can be found at <u>part 3.1</u> of the Constitution</p> <p>Codes of Conduct can be found at <u>Part 5.2</u> of the Constitution</p> <p>Freedom of Information Scheme</p> <p>Whistleblowing Policy</p> |

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|                                   | <p>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.</p> <p>We work with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work which are outlined in our Corporate Plan.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>Transparency Policies</p> <p>Working Together: Our Corporate Plan 2023-2024</p> |
| <p>Respecting the Rule of Law</p> | <p>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.</p> <p>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.</p> <p>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).</p> <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer.</p> <p>The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.</p> | <p>Constitution 2.9 – Scheme of Delegations</p>                                    |



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|                                                     | <p>(IEB), the Housing and Land Board (HLB), and the Voluntary, Community and Social Enterprise Group (VCSE)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> | <p>Overview and Scrutiny Annual Report 2023/24 and Decision Review</p> <p>North East Joint Transport Committee</p> <p>Opportunity for All – North of Tyne Strategic Skills Plan</p> |
| <p>Engaging stakeholders effectively, including</p> | <p>Meetings, agendas and minutes are accessible via the website. All meetings are held in public (other than where consideration of confidential or exempt information).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>NTCA website</p>                                                                                                                                                                 |

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| <p>individual citizens and service users</p> | <p>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.</p> <p>Our Freedom of Information Scheme is published on our website.</p> <p>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.</p> <p>We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.</p> <p>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.</p> <p>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.</p> <p>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</p> | <p>Forward Plan</p> <p>Freedom of Information Scheme</p> <p>VCSE Stakeholder Engagement Group Annual Report 2023/24</p> <p>Social Media House Rules</p> <p>Transparency Information</p> <p>Devolved Adult Education Budget – mid year update</p> <p>Skills Bootcamps update</p> |
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|  | <p>are included i.e. digital, logistics, technical and engineering and shows over 340 employers are engaged in the Bootcamps.</p> <p>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</p> | <p>The Open the door a little wider report presents the findings from the three events.</p> |
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| <b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                              |
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| <b><i>The Authority's Commitment to Good Governance</i></b>                                      | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b><i>Where you can see Governance in action</i></b>                                                                                                         |
| <p>Defining Outcomes</p>                                                                         | <p>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.</p> <p>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.</p> <p>We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.</p> | <p>Working Together: Our Corporate Plan 2023-2024</p> <p>Strategic Economic Plan</p> <p>UK's Industrial Strategy</p> <p>Significant Partnership Register</p> |



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| <p>Sustainable, Economic, Social and Environmental Benefits</p> | <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p> | <p>Zero carbon, Zero poverty: Our 5 point plan</p> <p>Annual update on NTCA's performance against its Equality Objectives</p> <p>Social Value Policy</p> <p>Good Work Pledge Article</p> |
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|  | <p>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.</p> <p>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.</p> <p>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</p> <p>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.</p> <p>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</p> | <p>Adult Education Budget mid-year update</p> <p>Inclusive Economy Board Annual Report 2023/24</p> <p>Housing and Land Board Annual Report 2023/24</p> <p>Children North East to lead on Poverty Truth Commission</p> <p>Education Improvement and Child Poverty Prevention Report</p> <p>Poverty Truth Commission</p> |
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|  | <p>commission and the projects developed by each of its working groups.</p> <p>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.</p> | Crowdfund North of Tyne |
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| D. Determining the interventions necessary to optimise the achievement of the intended outcomes |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                |
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| <i>The Authority's Commitment to Good Governance</i>                                            | <i>How the Authority meets these principles</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <i>Where you can see Governance in action</i>                                                  |
| Determining Interventions                                                                       | <p>Cabinet regularly receive Budget Monitoring Reports.</p> <p>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.</p> <p>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.</p> | <p>Cabinet Reports</p> <p>Constitution (Part 1.2)</p> <p>Annual Report and Decision Review</p> |

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|                                             | 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**

| <b><i>The Authority's Commitment to Good Governance</i></b>                      | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                           | <b><i>Where you can see Governance in action</i></b>                                                                           |
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| 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 ( <a href="http://northoftyne-ca.gov.uk">northoftyne-ca.gov.uk</a> ) |
| 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.                                                                                                                                                                                                                     |                                                                                                                                |

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|  | <p>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.</p> <p>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 &amp; Safety Executive to ensure all our staff work safely at home.</p> |  |
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| <b>F. Managing risks and performance through robust internal control and strong public financial management</b> |                                                                                                                                                                                                                                                                                                                                                            |                                                                        |
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| <b><i>The Authority’s Commitment to Good Governance</i></b>                                                     | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                     | <b><i>Where you can see Governance in action</i></b>                   |
| 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 |

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|                                 | 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 | <p>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.</p> <p>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.</p> <p>There are regular meetings between the Mayor and the Chair and Vice Chair of Overview and Scrutiny Committee.</p> | <p>Adoption of Cabinet-Scrutiny Protocol</p> <p>Overview and Scrutiny Annual Report 2023/24 and Decision Review</p> |
| Robust Internal Control         | <p>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.</p> <p>The Authority regularly reviews policies relating to records management, data quality, data protection and information security.</p> <p>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.</p>                                                                                                                      | <p>Data Protection and Confidentiality Strategy</p> <p>Audit and Standards Committee</p>                            |

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|                                           | <p>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.</p> <p>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.</p> | <p>Internal Audit reports to Audit &amp; Standards Committee</p> |
| <p>Managing Data</p>                      | <p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continued during the financial year ending 6 May 2024.</p> <p>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.</p>                                                                                                                                                                                                                                                  | <p>Freedom of Information Scheme</p>                             |
| <p>Strong Public Financial Management</p> | <p>The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for the financial year ending 6 May 2024 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.</p>                                                                                                                                                                                                                                                                                                                                                              |                                                                  |

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

| <i>The Authority's Commitment to Good Governance</i> | <i>How the Authority meets these principles</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <i>Where you can see Governance in action</i>                                                                                     |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Implementing Good Practice in Transparency           | <p>Mayor's Question Time – Mayor Driscoll hosted regular themed online Mayor's question time, welcoming questions and comments on key issues.</p> <p>We publish details of delegated decisions on our website.</p> <p>We publish NTCA's £500+ spend monthly</p>                                                                                                                                                                                                                                                   | <p>How can devolution help us get to net zero</p> <p>Delegated decisions website.</p> <p>2023/24 Transparency Spend Documents</p> |
| Implementing Good Practices in Reporting             | <p>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.</p> <p>Internal Audit compliance with Public Sector Internal Audit Standards</p> <p>Production of the Authority's Annual Report and Accounts</p>                                                                                                                                                                             | <p>Review of Audit and Standards Committee Arrangements</p>                                                                       |
| Assurance and Effective Accountability               | <p>The Assurance Framework explains the arrangements for NTCA to:</p> <ul style="list-style-type: none"> <li>• Demonstrate that arrangements are in place to ensure accountable and transparent decision-making</li> <li>• Appraise projects and allocate funding; and</li> <li>• Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes</li> </ul> <p>The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks,</p> |                                                                                                                                   |



|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | <p>issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals.</p> <p>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.</p> <p>The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations.</p> <p>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.</p> |  |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

## 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 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 was 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 covers an area which is home to around 2 million people, has the power to make decisions on areas such as transport, skills, housing, finance and economic development. This resulted 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, the election took place on 2 May 2024 to elect a Mayor for the region. The new authority was formed on 7 May 2024.

The North of Tyne Combined Authority had a strong track record on governance, accountability and transparency measures having successfully passed the Gateway Review, and 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 the extended financial year ending 6 May 2024.

## Section 8: Conclusion

We consider the governance and internal control environment operating during the extended financial year to 6 May 2024, 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 to the year ended 6 May 2024 are in place and operating as planned.

As the North of Tyne Combined Authority ceased to exist from 6 May 2024, the Annual Governance Statement has been signed by the Head of Paid Service and Mayor of the new North East Combined Authority which is the successor body to the North of Tyne Combined Authority.

**Mayor of the North East Combined Authority**

**Full Name: Kim McGuinness**

**Chief Executive (Head of Paid Service)**

**Full Name: Henry Kippin**

**Signature:**

**Date:**

**Signature:**

**Date:**

# 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 provided 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 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 also provided 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 was a Mayoral Combined Authority. It had 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](http://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 chaired the NTCA Cabinet and had a number of specific powers and financial resources. Decisions by the Elected Mayor and/or Cabinet were 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).

NTCA had 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.

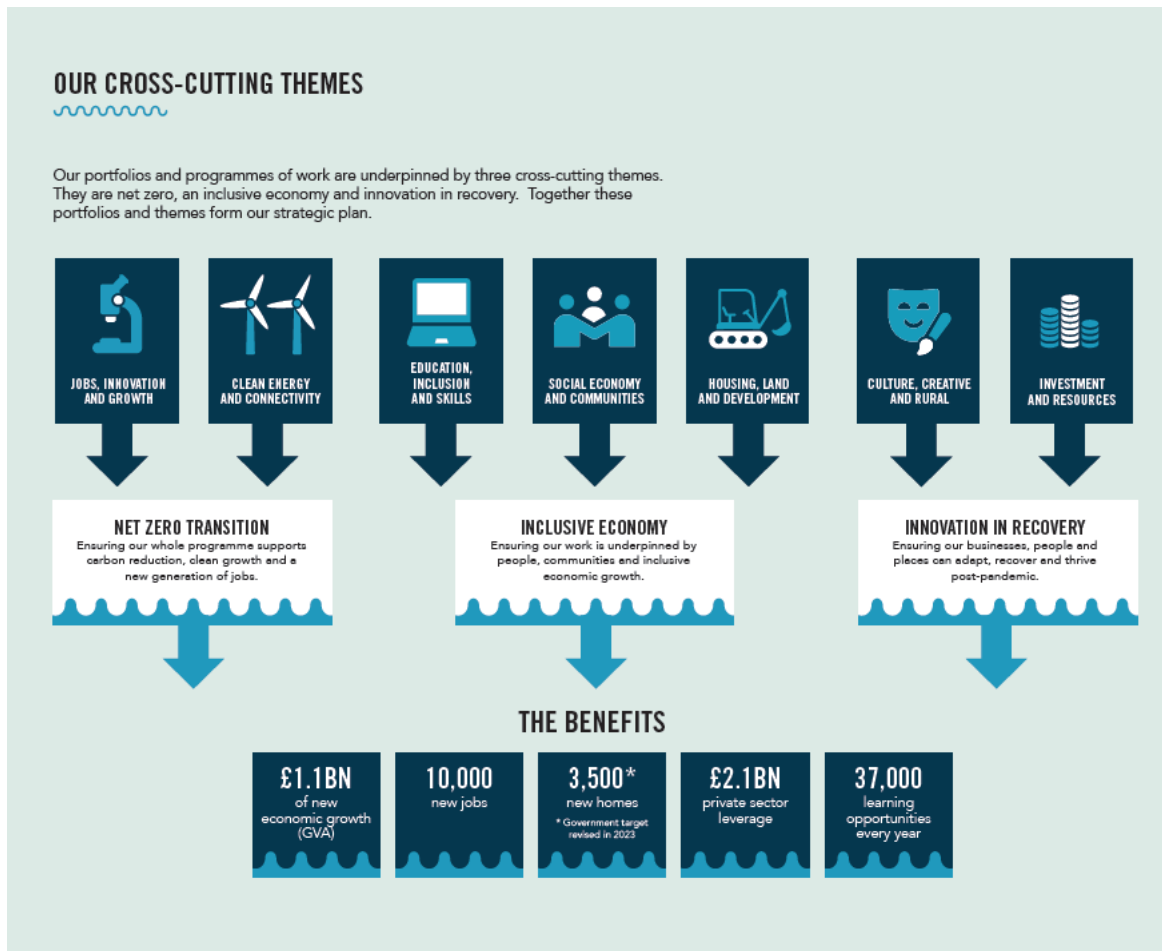
The North of Tyne Combined Authority (NTCA) was established on the 2 November 2018 as a legal body led by an Elected Mayor. The North of Tyne Combined Authority manages a range of powers on housing, transport, infrastructure, skills, and employment. Decisions are made locally to benefit our local economy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

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

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



## Funding, Investment and Resources

The foundation of NTCA investment was a £600m fully devolved investment fund, which delivers £20m per year over a thirty-year period. The purpose of the fund was 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 was 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 covered 'business', 'people' and 'place' elements as well as providing flexibility for NTCA to pursue strategic opportunities as they arose. A small proportion was used to enable the Combined Authority to realise and effectively manage project delivery.

Over £90m of this initial tranche had been committed by the year end 2023/24 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 NTCA devolution deal was 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 represented 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          |
| <b>Total</b>           | <b>29.873</b>                         | <b>27.406</b>                          | <b>(2.467)</b> |

**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        |
| <b>Total</b>          | <b>88.238</b>       | <b>66.049</b>                          | <b>22.189</b> |

\*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       |
|---------------------------------------------------|-----------------|---------------------------------------|-----------------|----------------|
|                                                   | £m              | £m                                    | £m              | £m             |
| <b>Expenditure</b>                                |                 |                                       |                 |                |
| 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          |
| <b>Gross Expenditure</b>                          | <b>38.484</b>   | <b>42.242</b>                         | <b>43.845</b>   | <b>1.603</b>   |
| <b>Income</b>                                     |                 |                                       |                 |                |
| 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          |
| <b>Gross Income</b>                               | <b>(38.484)</b> | <b>(42.242)</b>                       | <b>(48.484)</b> | <b>(6.242)</b> |
| <b>Net (Income)/Expenditure</b>                   | <b>0</b>        | <b>0</b>                              | <b>(5.187)</b>  | <b>(5.187)</b> |
| <b>Contribution to Strategic Capacity Reserve</b> |                 |                                       |                 | <b>(5.187)</b> |

## 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**

| Portfolio                       | Original Approved Allocation | Revised Allocation | Total spent to May 6 2024 | Future Years Commitments Profile |               |              |              |              |
|---------------------------------|------------------------------|--------------------|---------------------------|----------------------------------|---------------|--------------|--------------|--------------|
|                                 |                              |                    |                           | 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                            |               |              |              |              |
| <b>Total</b>                    | <b>154.245</b>               | <b>151.487</b>     | <b>85.807</b>             | <b>42.438</b>                    | <b>13.612</b> | <b>5.621</b> | <b>2.539</b> | <b>1.470</b> |

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<br>£ million | 2021/22<br>£ million | 2022/23<br>£ million | 2023/24<br>£ million | 2024/25<br>£ million<br>(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<br>Northumberland              |                      | 0.010                |                      |                      |                                    |
| CCZ – North Tyneside                          |                      |                      | 0.142                | 0.657                |                                    |
| Energy Central Learning Hub<br>(ECLH)         |                      |                      |                      | 1.000                |                                    |
| Northumberland Line<br>Newsham Bridge         |                      |                      |                      | 5.000                |                                    |
| Berwick CCZ                                   |                      |                      |                      | 0.100                |                                    |
| North Bank of the Tyne EZ<br>Phase 1          |                      | 0.110                | 0.372                | 0.317                |                                    |
| North Bank of the Tyne EZ<br>Phase 2          |                      |                      |                      | 1.000                | 2.444                              |
| Bates Clean Energy Terminal                   |                      | 0.752                | 1.457                | 0.113                |                                    |
| Clean Energy Park, Howdon<br>Yard and Quay    |                      |                      | 2.791                | 0.038                |                                    |
| Technology Development<br>Centre              |                      |                      |                      | 1.000                | 1.000                              |
| NEP1 Battle Wharf                             |                      |                      | 0.508                | 0.741                |                                    |
| Northumbria Healthcare<br>Laundry Facility    |                      |                      | 0.082                |                      |                                    |
| Neptune & Swans Energy<br>Parks Enabling Work |                      |                      |                      | 0.141                |                                    |
| <b>Total</b>                                  | <b>0.335</b>         | <b>2.854</b>         | <b>8.713</b>         | <b>10.349</b>        | <b>3.444</b>                       |

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                        |
|                                                         | <b>15.350</b> | <b>14.736</b> | <b>0.614</b>             |

### 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<br>Forecast | 2025/26<br>Forecast | Total         |
|--------------------------------------------------|--------------|--------------|---------------|--------------|---------------------|---------------------|---------------|
|                                                  | £ million    | £ million    | £ million     | £ million    | £ million           | £ million           | £ million     |
| <b>Initial Funding Profile</b>                   | 4.854        | 8.100        | 6.700         | 3.100        | 1.100               | 0.000               | 23.854        |
| <b>Extended Funding Profile</b>                  | 0.000        | 0.000        | 4.753         | 2.674        | 0.524               | 0.000               | 7.951         |
| <b>Devo Deal Funding Profile</b>                 | 0.000        | 0.000        | 0.000         | 0.000        | 8.704               | 8.704               | 17.409        |
| <b>Combined Funding Profile</b>                  | <b>4.854</b> | <b>8.100</b> | <b>11.453</b> | <b>5.774</b> | <b>10.328</b>       | <b>8.704</b>        | <b>49.205</b> |
| <b>Annual spend as at end of 31 March</b>        | 0.636        | 3.228        | 1.046         | <b>3.417</b> | <b>22.950</b>       | <b>17,928</b>       | <b>49.205</b> |
| <b>Annual spend and cumulative to 6 May 2024</b> | <b>0.636</b> | <b>3.228</b> | <b>1.046</b>  | <b>4.148</b> |                     |                     | <b>9.058</b>  |

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 promoters 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.

i

**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         |
| <b>Total UKSPF and Rural England Prosperity Fund</b> | <b>38.082</b>    | <b>12.046</b> | <b>1.648</b>            | <b>0.155</b> | <b>6.146</b>    | <b>0.460</b> | <b>30.288</b>    | <b>11.471</b> |

### 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           | <b>0.140</b>            |
| <b>Total UKSPF Multiply</b>         | <b>4.128</b>     | <b>1.214</b>  | <b>1.413</b>    | <b>1.474</b>            |
| UKSPF Multiply Funding              | (4.128)          | (1.214)       | (1.413)         | (1.474)                 |
| <b>Net UK SPF Multiply Position</b> | <b>0.000</b>     | <b>0.000</b>  | <b>0.000</b>    | <b>0.000</b>            |

### 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**

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

### **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**

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

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          |
| <b>Total</b>                              | <b>24.535</b>              | <b>27.062</b>   | <b>2.527</b>   |
| <b>AEB Funding</b>                        | <b>(24.535)</b>            | <b>(27.062)</b> | <b>(2.527)</b> |
| 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 2023/24 outturn position on Wave 3 Bootcamps.

**Table 12: Bootcamps Wave 3 2023/24 Outturn**

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

### 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<br>2023/24 | Budget<br>extended to<br>6 May 2024<br>2023/24 | Outturn<br>Position 6<br>May 2024<br>2023/24 | Variance<br>2023/24 |
|------------------------------|-------------------|------------------------------------------------|----------------------------------------------|---------------------|
|                              | £m                | £m                                             | £m                                           | £m                  |
| <b>Expenditure</b>           |                   |                                                |                                              |                     |
| 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)             |
|                              | <b>13.782</b>     | <b>14.315</b>                                  | <b>12.491</b>                                | <b>(1.824)</b>      |
| <b>Income</b>                |                   |                                                |                                              |                     |
| 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                        | <b>(13.782)</b>   | <b>(14.315)</b>                                | <b>(12.735)</b>                              | <b>1.580</b>        |
| 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**

|                                        | <b>£m</b>     |
|----------------------------------------|---------------|
| <b>Opening balance on NEIF Reserve</b> | <b>12.156</b> |
| 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)       |
| <b>Closing Balance</b>                 | <b>1.595</b>  |

## 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**

|                                        | <b>2022/23<br/>Actual</b> | <b>2023-24<br/>Outturn</b> | <b>2023-24 Adj<br/>to 6 May 24</b> | <b>2023-24<br/>Outturn @<br/>6 May 24</b> |
|----------------------------------------|---------------------------|----------------------------|------------------------------------|-------------------------------------------|
|                                        | <b>£000</b>               | <b>£000</b>                | <b>£000</b>                        | <b>£000</b>                               |
| <b>ROUND 1 EZ SCHEMES</b>              |                           |                            |                                    |                                           |
| 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                                  |
| <b>ROUND 2 EZ SCHEMES</b>              |                           |                            |                                    |                                           |
| 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           |
| <b>TOTAL BRGI</b>                   | <b>7,146.56</b> | <b>8,305.57</b>  | <b>905.91</b>    | <b>9,211.48</b>  |
| Interest                            | 53.30           | 270.00           | 26.63            | 296.63           |
| <b>Total Income</b>                 | <b>7,199.87</b> | <b>8,575.57</b>  | <b>932.54</b>    | <b>9,508.11</b>  |
| <b>Expenditure</b>                  |                 |                  |                  |                  |
| 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           |
| <b>Total Costs</b>                  | <b>3,148.68</b> | <b>4,524.32</b>  | <b>569.88</b>    | <b>5,094.20</b>  |
| <b>Annual Surplus</b>               | <b>4,051.18</b> | <b>4,051.25</b>  | <b>362.66</b>    | <b>4,413.91</b>  |
| <b>Cumulative Surplus</b>           | <b>8,619.78</b> | <b>12,671.03</b> | <b>13,034.69</b> | <b>13,033.69</b> |
| Variance to balance sheet           | 17.00           |                  |                  | 17.00            |
| <b>Residual Surplus balance</b>     | <b>8,636.78</b> | <b>11,482.02</b> | <b>1,132.47</b>  | <b>13,050.69</b> |

|                                              |                 |                 |               |                |
|----------------------------------------------|-----------------|-----------------|---------------|----------------|
| <b>Less – Use of Surplus</b>                 |                 |                 |               |                |
| 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)     |
| <b>Residual Surplus Balance</b>              | <b>7,430.77</b> | <b>9,303.90</b> | <b>917.65</b> | <b>9451.73</b> |

### 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)**

| <b>Note that, due to the size of INEE, all numbers are presented in £ (not £m as other tables)</b> |                                |                                              |                        |                 |
|----------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------|------------------------|-----------------|
|                                                                                                    | <b>2023/24 Original Budget</b> | <b>2023/24 Extended Budget to May 6 2024</b> | <b>2023/24 Outturn</b> | <b>Variance</b> |
| <b>Expenditure</b>                                                                                 | <b>£</b>                       | <b>£</b>                                     | <b>£</b>               | <b>£</b>        |
| 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)         |
| <b>Gross Expenditure</b>                                                                           | <b>460,000</b>                 | <b>504,457</b>                               | <b>408,692</b>         | <b>(95,765)</b> |
| <b>Income</b>                                                                                      |                                |                                              |                        |                 |
| 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           |
| <b>Gross Income</b>                                                                                | <b>(460,000)</b>               | <b>(504,457)</b>                             | <b>(408,692)</b>       | <b>95,765</b>   |

## 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

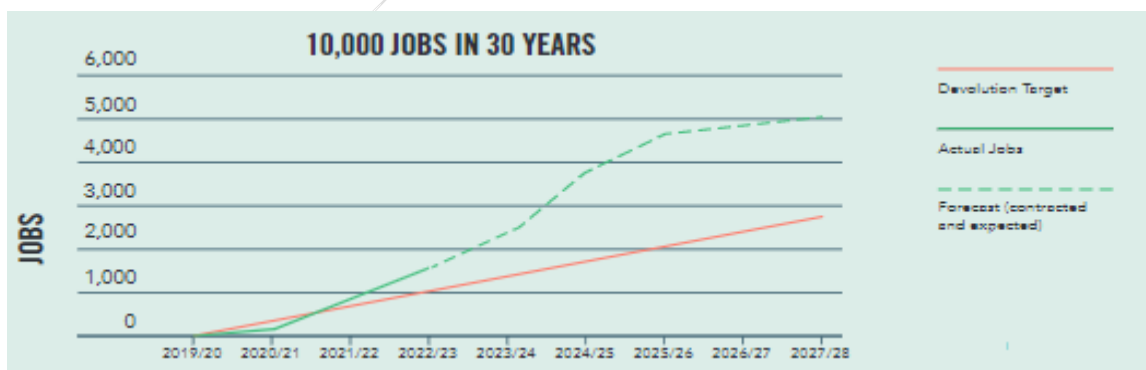
### Adult Education Budget (AEB) non-financial performance

#### 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.

|                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>JOB, INNOVATION AND GROWTH</b></p>      | <ul style="list-style-type: none"> <li>• A Green New Deal Fund which will deliver game-changing investment in green jobs</li> <li>• Bold investment in our digital economy, supporting jobs, growth and inclusion</li> <li>• Investment to secure our recovery from Covid through economic and public service innovation</li> </ul>                  |
|  <p><b>CLEAN ENERGY AND CONNECTIVITY</b></p>   | <ul style="list-style-type: none"> <li>• Multi-million pound investments into offshore wind infrastructure and supply chains</li> <li>• Connecting rural communities to super-fast broadband</li> <li>• Ensuring the Northumberland train line investment creates a corridor of jobs, skills and prosperity</li> </ul>                               |
|  <p><b>EDUCATION, INCLUSION AND SKILLS</b></p> | <ul style="list-style-type: none"> <li>• Delivering great adult education that supports learners back into work and opportunity</li> <li>• Shaping the skills of the future in partnership with our employers, colleges and providers</li> <li>• Delivering targeted, bespoke interventions to help young and vulnerable people into work</li> </ul> |
|  <p><b>SOCIAL ECONOMY AND COMMUNITIES</b></p>  | <ul style="list-style-type: none"> <li>• Creating real opportunities for citizens to influence policy and shape our net zero goals</li> <li>• Helping more employers to create opportunities for 'Good Work'</li> <li>• Becoming the exemplar Combined Authority in support of new zero investment and transition to a green economy</li> </ul>      |
|  <p><b>HOUSING, LAND AND DEVELOPMENT</b></p> | <ul style="list-style-type: none"> <li>• Delivering more new homes through investing in brownfield sites</li> <li>• Delivering a sustainable housing and infrastructure plan to underpin our places</li> <li>• Investing in critical regeneration priorities and our capacity to reduce carbon from housing</li> </ul>                               |
|  <p><b>CULTURE, CREATIVE AND RURAL</b></p>   | <ul style="list-style-type: none"> <li>• Investing in the future of our creative sector through our Culture and Creative Innovation Fund</li> <li>• Delivering a pipeline of major events to bring people together and help our places recover</li> <li>• Investing in innovation and connectivity to support our rural SMEs</li> </ul>              |

### 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<br>Population | Proportion |
|----------------------------|-----------------------------|------------|
|                            | People                      | Proportion |
| <b>NECA</b>                |                             |            |
| - Gateshead                | 196,154                     |            |
| - South Tyneside           | 147,915                     |            |
| - Sunderland               | 274,211                     |            |
|                            | <b>618,280</b>              | 0.54924    |
| <b>NTCA</b>                |                             |            |
| - Newcastle                | 298,264                     |            |
| - North Tyneside           | 209,151                     |            |
|                            | <b>507,415</b>              | 0.45076    |
|                            |                             |            |
| <b>Tyne and Wear Total</b> | <b>1,125,695</b>            |            |

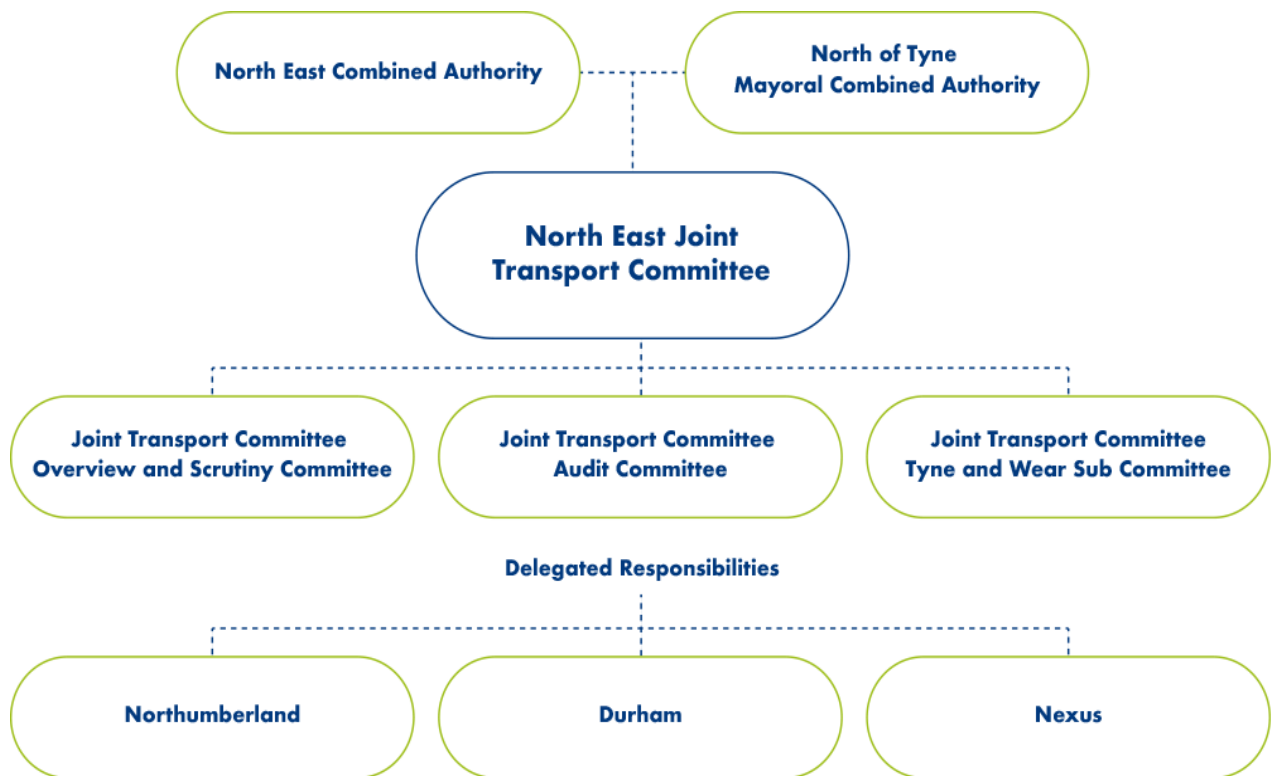
## The Joint Transport Committee

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.

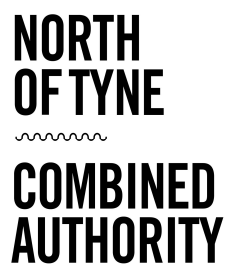
**Table 16: Change in Staffing numbers during 2023/24**

|         | <b>Corporate Employees at the year end</b> | <b>North East LEP Employees at year end</b> | <b>Invest North East Employees at year end</b> | <b>Total NTCA Employees at year end</b> |
|---------|--------------------------------------------|---------------------------------------------|------------------------------------------------|-----------------------------------------|
| 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.

**Mags Scott**  
**Director of Finance and Investment (S73 Officer)**



# **North of Tyne Combined Authority**

## **Draft Statement of Accounts**

**For the period 1 April 2023 to 6 May  
2024**

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# 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.

## 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.

**Certification of the Chief Finance Officer**

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 6 May 2024.

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Mags Scott, Chief Finance Officer (Section 73 Officer)**

**Statement of Approval of the Accounts**

The Statement of Accounts for the year 1 April 2023 to 6 May 2024 is approved by the Cabinet of the North East Combined Authority

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Kim McGuinness, Mayor of the North East Combined Authority**



## 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 | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Useable Reserves | Unusable Reserves Note 25 | Total Reserves |
|------------------------------------------------------------------------|------|----------------------|--------------------|--------------------------|--------------------------|------------------------|---------------------------|----------------|
|                                                                        |      | £000                 | £000               | £000                     | £000                     | £000                   | £000                      | £000           |
| <b>Balance at 31 March 2022</b>                                        |      | (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)           | -                        | -                        | -                      | -                         | -              |
| <b>Balance at 31 March 2023 carried forward</b>                        |      | (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              | -                        | -                        | -                      | -                         | -              |
| <b>Balance at 6 May 2024</b>                                           |      | (13,425)             | (133,46)           | -                        | (120,92)                 | (267,818)              | (85,817)                  | (353,63)       |

## 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<br>£000 | Gross Inc<br>£000 | Net Exp<br>£000 |                                                        | Note                  | Gross Exp<br>£000 | Gross Inc<br>£000 | Net Exp<br>£000 |
| 29,449            | (3,357)           | 26,092          | Investment Fund                                        |                       | 21,099            | (1,535)           | 19,564          |
| 12,230            | (13,848)          | (1,618)         | Corporate Costs                                        |                       | 38,986            | (53,457)          | (14,471)        |
| 20,420            | (26,409)          | (5,989)         | Adult Education Budget                                 |                       | 19,768            | (24,915)          | (5,147)         |
| 80,727            | (100,387)         | (19,660)        | Joint Transport Committee Costs                        |                       | 94,580            | (40,484)          | 54,096          |
| 513               | (301)             | 212             | Invest North East                                      |                       | 563               | (325)             | 238             |
| 32,425            | (13,410)          | 19,015          | Local Enterprise Partnership                           |                       | 21,845            | (18,305)          | 3,540           |
| <b>175,764</b>    | <b>(157,712)</b>  | <b>18,052</b>   | <b>Cost of Services</b>                                |                       | <b>196,843</b>    | <b>(139,021)</b>  | <b>57,820</b>   |
|                   |                   |                 | 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)       |
| <b>180,607</b>    | <b>(240,468)</b>  | <b>(59,861)</b> | <b>(Surplus)/ Deficit on Provision of Services</b>     |                       | <b>203,083</b>    | <b>(255,538)</b>  | <b>(52,458)</b> |
|                   |                   | <b>(6,674)</b>  | <b>Other Comprehensive Income &amp; Expenditure</b>    |                       |                   |                   | <b>592</b>      |
|                   |                   | <b>(66,535)</b> | <b>Total Comprehensive Income &amp; Expenditure</b>    |                       |                   |                   | <b>(51,866)</b> |

## 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<br>2023<br>£000 |                              | Note | 6 May<br>2024<br>£000 |
|--------------------------|------------------------------|------|-----------------------|
| 151,250                  | Property, Plant & Equipment  | 13   | 149,683               |
| 626                      | Pension Asset                | 21   | -                     |
| 48,661                   | Long Term Debtors            | 17   | 46,086                |
| <b>200,537</b>           | <b>Long Term Assets</b>      |      | <b>195,769</b>        |
| 231,806                  | Short Term Investments       | 14   | 298,546               |
| 14,353                   | Short Term Debtors           | 16   | 14,405                |
| 45,136                   | Cash & Cash Equivalents      | 18   | 41,397                |
| <b>291,295</b>           | <b>Current Assets</b>        |      | <b>354,348</b>        |
| (1,030)                  | Short Term Borrowing         | 14   | (883)                 |
| (78,035)                 | Short Term Creditors         | 19   | (96,672)              |
| (787)                    | Grants Receipts in Advance   | 8    | (5)                   |
| (2,290)                  | Public Private Partnerships  | 20   | (2,295)               |
| <b>(82,142)</b>          | <b>Current Liabilities</b>   |      | <b>(99,855)</b>       |
| (32,063)                 | Public Private Partnerships  | 20   | (29,613)              |
| (75,858)                 | Long Term Borrowing          | 15   | (67,013)              |
| <b>(107,921)</b>         | <b>Long Term Liabilities</b> |      | <b>(96,626)</b>       |
| <b>301,769</b>           | <b>Net Assets</b>            |      | <b>353,635</b>        |
|                          | <b>Financed By:</b>          |      |                       |
| (217,788)                | Useable Reserves             | 22   | (267,818)             |
| (83,981)                 | Unusable Reserves            | 24   | (85,817)              |
| <b>(301,769)</b>         | <b>Total Reserves</b>        |      | <b>(353,635)</b>      |

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: \_\_\_\_\_

**Mags Scott, 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<br>£000 |                                                                                                                                       | Note | 2023/24 to<br>6 May 2024<br>£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   | 24,657                           |
| (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)                         |
| <b>(8,649)</b>  | <b>Net cash flows from Operating Activities</b>                                                                                       |      | 23,436                           |
| 38,605          | Investing Activities                                                                                                                  | 27   | (15,059)                         |
| (19,714)        | Financing Activities                                                                                                                  | 28   | (12,115)                         |
| <b>10,242</b>   | <b>Net (Decrease)/Increase in cash and cash equivalents</b>                                                                           |      | (3,738)                          |
| 34,894          | Cash and cash equivalents at the beginning of the reporting period                                                                    | 18   | 45,135                           |
| <b>45,136</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>                                                                   |      | <b>41,398</b>                    |

## 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.

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## 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.

As a result of the extended accounting period for 2023/24 to 6 May 2024 (13 months and 6 days), and the prior period covering 2022/23 (12 months), care needs to be taken when drawing comparisons between the figures for each financial year.

## 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.<br>Chargeable<br>to General<br>Fund | Adjs'. for<br>Capital<br>Purposes | Pension<br>Adjs | Other Adjs   | Net Exp.<br>in CIES |
|----------------------------------------|----------------------------------------------|-----------------------------------|-----------------|--------------|---------------------|
|                                        | £000s                                        | £000s                             | £000s           | £000s        | £000s               |
| Investment Fund                        | 19,564                                       | -                                 | -               | -            | 19,564              |
| 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                                          | -                                 | 3               | -            | 238                 |
| Local Enterprise Partnership           | 3,546                                        | -                                 | 36              | (42)         | 3,540               |
| <b>Net Cost of Services</b>            | <b>45,702</b>                                | <b>10,036</b>                     | <b>91</b>       | <b>1,991</b> | <b>57,820</b>       |
| Other Income & Expenditure             | (73,807)                                     | (37,231)                          | (57)            | 817          | (110,278)           |
| <b>Surplus on Provision of Service</b> | <b>(28,10)</b>                               | <b>(27,195)</b>                   | <b>34</b>       | <b>2,808</b> | <b>(52,458)</b>     |

|                                          | 2023/24  |
|------------------------------------------|----------|
| 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.<br>Chargeable<br>to General<br>Fund | Adjs'. for<br>Capital<br>Purposes | Pension<br>Adjs | Other Adjs   | Net Exp.<br>in<br>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           | 159          | 19,015                 |
| <b>Net Cost of Services</b>             | <b>31,258</b>                                | <b>(15,623)</b>                   | <b>2,216</b>    | <b>201</b>   | <b>18,052</b>          |
| Other Income & Expenditure              | (68,288)                                     | (12,726)                          | (201)           | 3,302        | (77,913)               |
| <b>Surplus on Provision of Service</b>  | <b>(37,030)</b>                              | <b>(28,349)</b>                   | <b>2,015</b>    | <b>3,503</b> | <b>(59,861)</b>        |
| 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.

North of Tyne Combined Authority Statement of Accounts for the period 1 April 2023 to 6 May 2024

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute 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         |                                                                                             | 2023/24 to 6 May 2024 |                            |                 |
|-----------------|---------------------------------------------------------------------------------------------|-----------------------|----------------------------|-----------------|
| Total           |                                                                                             | Cost of Services      | Other Income & Expenditure | Total           |
| £000            |                                                                                             | £000                  | £000                       | £000            |
| 7,501           | Employee benefit expenses                                                                   | 11,164                | -                          | 11,164          |
| 114,759         | Other Service Expenses                                                                      | 128,580               | -                          | 128,580         |
| 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           |
| <b>180,608</b>  | <b>Total Expenditure</b>                                                                    | <b>196,841</b>        | <b>6,239</b>               | <b>203,082</b>  |
| (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                                                         | (126,068)             | (45,230)                   | (171,298)       |
| (7,425)         | Other Income                                                                                | (4,976)               | -                          | (4,976)         |
| (240,469)       | <b>Total Income</b>                                                                         | (157,120)             | (98,419)                   | (255,539)       |
| <b>(59,861)</b> | <b>(Surplus)/Deficit on the provision of services</b>                                       | <b>39,721</b>         | <b>(92,180)</b>            | <b>(52,459)</b> |

\*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 Restated

##### 2023/24 to 6 May 2024

| General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves | General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves |
|--------------|--------------------------|--------------------------|-------------------|--------------|--------------------------|--------------------------|-------------------|
| £000         | £000                     | £000                     | £000              | £000         | £000                     | £000                     | £000              |

##### Adjustments primarily involving the Capital Adjustment Account

|          |   |   |          |                                                               |          |   |   |          |
|----------|---|---|----------|---------------------------------------------------------------|----------|---|---|----------|
| (1,938)  | - | - | 1,938    | Reversal of items debited or credited to the CIES             | (2,147)  | - | - | 2,147    |
| 2,290    | - | - | (2,290)  | Charges for depreciation and impairment of non-current assets | 2,522    | - | - | (2,522)  |
| 32,836   | - | - | (32,836) | Other income that cannot be credited to the General Fund      | 6,696    | - | - | (6,696)  |
| (51,528) | - | - | 51,528   | Capital Grants and contributions applied                      | (54,215) | - | - | 54,215   |
| 832      | - | - | (832)    | Revenue expenditure funded from capital under statute         | 941      | - | - | (941)    |
| 8,773    | - | - | (8,773)  | <u>Insertion of items not debited or credited to the CIES</u> | 25,130   | - | - | (25,130) |
| 164      | - | - | (164)    | Statutory provision for the financing of capital investment   |          |   |   |          |
|          |   |   |          | Application of reserves to finance Capital Expenditure        |          |   |   |          |
|          |   |   |          | 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 Restated

## 2023/24 to 6 May 2024

| General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves |
|--------------|--------------------------|--------------------------|-------------------|
| £000         | £000                     | £000                     | £000              |

| General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves |
|--------------|--------------------------|--------------------------|-------------------|
| £000         | £000                     | £000                     | £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)           |
| <b>31,062</b> | <b>-</b> | <b>(17,704)</b> | <b>(13,358)</b> | <b>Total Adjustments</b>                                                               | <b>46,708</b> | <b>471</b> | <b>(44,751)</b> | <b>(2,428)</b> |

## 5. Leasing

The Combined Authority entered into a short-term building lease on the 10<sup>th</sup> 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:

|                  | 31<br>March<br>2023<br>£000s | 6 May<br>2024<br>£000s |
|------------------|------------------------------|------------------------|
| Due Year 1       | 154                          | 156                    |
| Due Year 2-5     | 417                          | 261                    |
| Due after Year 5 | 0                            | 0                      |
| <b>Total</b>     | <b>571</b>                   | <b>417</b>             |

## 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<br>£000 | 2023/24<br>to 6<br>May<br>2024<br>£000 |
|----------------------------------------|------|-----------------|----------------------------------------|
| Interest payable and similar charges   |      | 4,740           | 6,239                                  |
| Interest on defined benefit liability  | 21   | 104             | (57)                                   |
| Interest receivable and similar income |      | (4,262)         | (12,909)                               |
| <b>Total</b>                           |      | <b>582</b>      | <b>(6,727)</b>                         |

## 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<br>£000 | 2023/24<br>to 6 May<br>2024<br>£000 |
|----------------------------------|-----------------|-------------------------------------|
| Transport Levy                   | (35,702)        | (40,321)                            |
| Non-ringfenced Government Grants | (20,000)        | (2,000)                             |
| Non-Specific Capital Grants      | (22,793)        | (61,230)                            |
| <b>Total</b>                     | <b>(78,495)</b> | <b>(103,551)</b>                    |

## 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:

|                                                    | <b>31 March<br/>2023<br/>£000</b> | <b>6 May<br/>2024<br/>£000</b> |
|----------------------------------------------------|-----------------------------------|--------------------------------|
| <u>Capital Receipts in Advance</u>                 |                                   |                                |
| NECA Office for Low Emission Vehicles              | (23)                              | (5)                            |
| Other Grants                                       | (764)                             | -                              |
| <b>Total</b>                                       | <b>(787)</b>                      | <b>(5)</b>                     |
| <br>                                               |                                   |                                |
| Shown as Short-Term Liability on the Balance Sheet | (787)                             | (5)                            |
| <b>Total</b>                                       | <b>(787)</b>                      | <b>(5)</b>                     |

The following grants were credited to the net cost of service within the Comprehensive Income and Expenditure Statement during the year:

|                                                 | <b>2022/23<br/>£000</b> | <b>2023/24<br/>to 6 May<br/>2024<br/>£000</b> |
|-------------------------------------------------|-------------------------|-----------------------------------------------|
| Adult Education Budget                          | (26,138)                | (24,915)                                      |
| 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)           |
| <b>Total</b>                                                | <b>(128,400)</b> | <b>(91,034)</b> |

## 9. Members' Allowances

|              | 2022/23   | 2023/24<br>to 6 May<br>2024 |
|--------------|-----------|-----------------------------|
|              | £000      | £000                        |
| Allowances   | 67        | 74                          |
| <b>Total</b> | <b>67</b> | <b>74</b>                   |

## 10. Officers' Remuneration

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

| 2022/23                           |                               |               |                                                                                                | 2023/24 to 6 May 2024             |                               |               |
|-----------------------------------|-------------------------------|---------------|------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------|---------------|
| Salary, Fees & Allowances<br>£000 | Pension Contributions<br>£000 | Total<br>£000 |                                                                                                | Salary, Fees & Allowances<br>£000 | Pension Contributions<br>£000 | Total<br>£000 |
| 155                               | 7                             | 162           | Chief Executive (LEP)<br>Helen Golightly                                                       | 271                               | 24                            | 295           |
| 154                               | 8                             | 162           | Head of Paid Service/NTCA<br>Chief Executive (Formerly<br>Managing Director)**<br>Henry Kippin | 171                               | 26                            | 197           |
| 163                               | 8                             | 171           | Director of Policy and<br>Performance<br>Ruth Redfern (to July 2023)                           | 38                                | 6                             | 44            |
| 66                                | 1                             | 67            | Innovation Director (LEP)                                                                      | -                                 | -                             | -             |
| 73                                | 4                             | 77            | Director Invest North East                                                                     | 83                                | 13                            | 96            |
| 73                                | 4                             | 77            | Skills Director (LEP)                                                                          | 83                                | 12                            | 95            |
| 74                                | 4                             | 78            | Strategy & Policy Director<br>(LEP) (to April 2023)                                            | 5                                 | 1                             | 6             |
| 73                                | 4                             | 77            | Business Growth Director<br>(LEP)                                                              | 83                                | 12                            | 95            |
| 135                               | -                             | 135           | Managing Director of<br>Transport Operations*                                                  | 153                               | -                             | 153           |
| <b>966</b>                        | <b>40</b>                     | <b>1,006</b>  | <b>Total</b>                                                                                   | <b>887</b>                        | <b>94</b>                     | <b>981</b>    |

\* 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 7<sup>th</sup> 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<br>£000 | Expenses<br>£000 | Total<br>£000 |                                                                                                        | Payment for agreed days<br>£000 | Expenses<br>£000 | Total<br>£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           |
| <b>111</b>                      | <b>-</b>         | <b>111</b>    | <b>Total</b>                                                                                           | <b>362</b>                      | <b>-</b>         | <b>362</b>    |

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 package 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 |
| £                          |                                       |                       |                                       |                       |                                                      |                       |                                               |                       |
| <b>0-20,000</b>            | 4                                     | -                     | 1                                     | -                     | 5                                                    | -                     | 13                                            | -                     |
| <b>20,001-40,000</b>       | 1                                     | -                     | -                                     | -                     | 1                                                    | -                     | 21                                            | -                     |
| <b>40,001-60,000</b>       | -                                     | -                     | -                                     | -                     | -                                                    | -                     | -                                             | -                     |
| <b>60,001-80,000</b>       | -                                     | -                     | -                                     | -                     | -                                                    | -                     | -                                             | -                     |
| <b>80,001-100,000</b>      | -                                     | 1                     | -                                     | -                     | -                                                    | 1                     | -                                             | 97                    |
| <b>100,001-150,000</b>     | -                                     | -                     | -                                     | -                     | -                                                    | -                     | -                                             | -                     |
| <b>Total</b>               | <b>5</b>                              | <b>5</b>              | <b>1</b>                              | <b>1</b>              | <b>6</b>                                             | <b>6</b>              | <b>34</b>                                     | <b>97</b>             |

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<br>£000 | 2023/24 to 6 May 2024<br>£000 |
|-----------------------------------------------------------------------------------------|-----------------|-------------------------------|
| Fees payable to the appointed Auditor under the Local Audit and Accountability Act 2014 | 28              | 88                            |

## 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     |
|             |          |             |          | <b>NTCA<br/>Constituent<br/>Authorities</b> |                       |          |             |          |
| (69)        | (36,565) | 14,062      | 2,961    | Newcastle                                   | (939)                 | (40,743) | 17,786      | 4,417    |
| (69)        | (23,895) | 11,700      | 432      | North Tyneside                              | (419)                 | (27,495) | 11,120      | 5,579    |
| (424)       | (6,909)  | 4,531       | 997      | Northumberland                              | (942)                 | (7,207)  | 5,618       | 5,652    |
|             |          |             |          | <b>NECA<br/>Constituent<br/>Authorities</b> |                       |          |             |          |
| (322)       | (3,720)  | 3,609       | 694      | Durham                                      | (583)                 | (5,704)  | 19,889      | 553      |
| (489)       | (362)    | 1,786       | 391      | Gateshead                                   | (292)                 | (6,963)  | 3,408       | 1,687    |
| (32)        | (115)    | 1,760       | 282      | South Tyneside                              | (192)                 | (98)     | 2,010       | 786      |
| (30)        | (109)    | 11,397      | 1,623    | Sunderland                                  | (2,259)               | (94)     | 9,573       | 5,426    |
|             |          |             |          | <b>Other Public<br/>Bodies</b>              |                       |          |             |          |
| (84)        | -        | 36,041      | 32       | NECA                                        | (459)                 | -        | 40,593      | 429      |
| (846)       | (87)     | 30,288      | 3,657    | Nexus                                       | (589)                 | (174)    | 34,605      | 17,129   |

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

| <b>2023/24 to 6 May 2024</b>                                              |                                      |                                                  |
|---------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------|
| <b>Vehicles, Plant,<br/>Furniture &amp;<br/>Equipment</b>                 | <b>Assets Under<br/>Construction</b> | <b>Total Property,<br/>Plant &amp; Equipment</b> |
| <b>£000</b>                                                               | <b>£000</b>                          | <b>£000</b>                                      |
| <b>Cost or Valuation</b>                                                  |                                      |                                                  |
| <b>At 1 April 2023</b>                                                    | 2,359                                | 772                                              |
| Additions                                                                 | 76                                   | 141                                              |
| Reclassification from Assets Under Construction                           | 112                                  | (112)                                            |
| Impairment recognised in the Surplus/Deficit on the Provision of Services | -                                    | -                                                |
| Other Adjustments                                                         | (20)                                 | 23                                               |
| <b>At 6 May 2024</b>                                                      | <b>2,527</b>                         | <b>824</b>                                       |
| <b>Accumulated Depreciation and Impairment</b>                            |                                      |                                                  |
| <b>At 1 April 2023</b>                                                    | (996)                                | -                                                |
| Depreciation charge for the period                                        | (159)                                | -                                                |
| <b>At 6 May 2024</b>                                                      | <b>(1,155)</b>                       | <b>-</b>                                         |
| <b>Net Book Value</b>                                                     |                                      |                                                  |
| <b>At 1 April 2023</b>                                                    | 1,363                                | 772                                              |
| <b>At 6 May 2024</b>                                                      | <b>1,372</b>                         | <b>824</b>                                       |

**2022/23**

|                                                                                 | Vehicles, Plant,<br>Furniture &<br>Equipment<br>£000 | Assets<br>Under<br>Construction<br>£000 | Total Property,<br>Plant &<br>Equipment<br>£000 |
|---------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------|-------------------------------------------------|
| <b>Cost or Valuation</b>                                                        |                                                      |                                         |                                                 |
| At 1 April 2022                                                                 | 2,359                                                | 624                                     | 2,983                                           |
| Additions                                                                       | -                                                    | 148                                     | 148                                             |
| Reclassification                                                                | -                                                    | -                                       | -                                               |
| Impairment recognised in the<br>Surplus/Deficit on the Provision of<br>Services | -                                                    | -                                       | -                                               |
| Other adjustments                                                               | -                                                    | -                                       | -                                               |
| <b>At 31 March 2023</b>                                                         | <b>2,359</b>                                         | <b>772</b>                              | <b>3,131</b>                                    |
| <b>Accumulated Depreciation &amp;<br/>Impairments</b>                           |                                                      |                                         |                                                 |
| At 1 April 2022                                                                 | (863)                                                | -                                       | (863)                                           |
| Depreciation charge                                                             | (133)                                                | -                                       | (133)                                           |
| <b>At 31 March 2023</b>                                                         | <b>(996)</b>                                         | <b>-</b>                                | <b>(996)</b>                                    |
| <b>Net Book Value</b>                                                           |                                                      |                                         |                                                 |
| At 1 April 2022                                                                 | 1,497                                                | 624                                     | 2,121                                           |
| <b>At 31 March 2023</b>                                                         | <b>1,363</b>                                         | <b>772</b>                              | <b>2,135</b>                                    |

**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<br>May 2024 |
|--------------------------------------------------|----------------|--------------------------|
|                                                  | £000           | £000                     |
| <b>Net book value (modified historical cost)</b> |                |                          |
| <b>At 1 April</b>                                | <b>150,123</b> | <b>149,117</b>           |
| Additions                                        | 10             | 25                       |
| Derecognition                                    | -              | -                        |
| Depreciation                                     | (1,806)        | (1,988)                  |
| Impairment                                       | -              | -                        |
| Other movements in cost                          | 790            | 334                      |
| <b>At financial year end</b>                     | <b>149,117</b> | <b>147,666</b>           |

#### Reconciliation to Balance Sheet

|                         | 31 March<br>2023 | 6 May 2024     |
|-------------------------|------------------|----------------|
|                         | £000             | £000           |
| Infrastructure assets   | 149,117          | 147,488        |
| Other PPE assets        | 2,135            | 2,196          |
| <b>Total PPE assets</b> | <b>151,252</b>   | <b>149,684</b> |

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 £147.666m (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<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 |
| Amortised cost                | -                     | -                  | 48,661                | 46,086             | 231,806               | 298,546            | 12,131                | 13,783             |
| <b>Total Financial Assets</b> | -                     | -                  | <b>48,661</b>         | <b>46,086</b>      | <b>231,806</b>        | <b>298,546</b>     | <b>12,131</b>         | <b>13,783</b>      |
| Non-financial Assets          | -                     | -                  | -                     | -                  | -                     | -                  | 2,222                 | 621                |
| <b>Total</b>                  | -                     | -                  | <b>48,661</b>         | <b>46,086</b>      | <b>231,806</b>        | <b>298,546</b>     | <b>14,353</b>         | <b>14,404</b>      |

### 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<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 |
| Amortised cost                     | (75,858)              | (67,013)           | -                     | -                  | (1,030)               | (883)              | (27,915)              | (83,465)           |
| <b>Total financial liabilities</b> | <b>(75,858)</b>       | <b>(67,013)</b>    | <b>-</b>              | <b>-</b>           | <b>(1,030)</b>        | <b>(883)</b>       | <b>(27,915)</b>       | <b>(83,465)</b>    |
| Non-financial liabilities          | -                     | -                  | -                     | -                  | -                     | -                  | (50,121)              | (13,207)           |
| <b>Total</b>                       | <b>(75,858)</b>       | <b>(67,013)</b>    | <b>-</b>              | <b>-</b>           | <b>(1,030)</b>        | <b>(883)</b>       | <b>(78,036)</b>       | <b>(96,672)</b>    |

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 | Financial Assets at Amortised Cost | Total          |                                                                  | Financial Liabilities at Amortised Cost | Financial Assets at Amortised Cost | Total           |
| £000                                    | £000                               | £000           |                                                                  | £000                                    | £000                               | £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)            |
| <b>3,240</b>                            | <b>1,604</b>                       | <b>4,844</b>   | <b>Total expense in Surplus on the Provision of Services</b>     | <b>6,239</b>                            | <b>(57)</b>                        | <b>6,182</b>    |
| -                                       | (2,721)                            | (2,721)        | Investment Income                                                | -                                       | (13,602)                           | (13,602)        |
| -                                       | (1,541)                            | (1,541)        | Movement on Soft Loan Adjustment                                 | -                                       | (694)                              | (694)           |
| -                                       | <b>(4,262)</b>                     | <b>(4,262)</b> | <b>Total Income on Surplus on Provision of Services</b>          | -                                       | <b>(14,296)</b>                    | <b>(14,296)</b> |
| <b>3,240</b>                            | <b>(2,658)</b>                     | <b>582</b>     | <b>Net gain/(loss) for the year</b>                              | <b>6,239</b>                            | <b>(14,353)</b>                    | <b>(8,114)</b>  |



## 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.
- 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 p proprietary model for Bermudan cancellable swaps; borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

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

|                                              | Level | 31 March 2023           |                    | 6 May 2024              |                    |
|----------------------------------------------|-------|-------------------------|--------------------|-------------------------|--------------------|
|                                              |       | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Financial liabilities held at amortised cost | 2     | (76,888)                | (73,984)           | (88,308)                | (73,079)           |
| <b>Total</b>                                 |       | <b>(76,888)</b>         | <b>(73,984)</b>    | <b>(88,308)</b>         | <b>(73,079)</b>    |
| <b>Financial Assets at amortised cost</b>    |       |                         |                    |                         |                    |
| Held to Maturity Investments                 | 2     | 231,806                 | 231,806            | 298,546                 | 298,546            |
| Nexus loan debtor                            | 2     | 13,935                  | 13,537             | 13,377                  | 13,377             |
| Other loan debtors                           | 3     | 34,183                  | 34,183             | 44,889                  | 44,889             |
| <b>Total Financial Assets</b>                |       | <b>279,924</b>          | <b>279,526</b>     | <b>356,812</b>          | <b>356,812</b>     |

### 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<br>£000 |
|----------------------------------------------------------------|--------------------|
| AAA                                                            | 41,398             |
| <b>Total Cash Equivalents</b>                                  | <b>41,398</b>      |
| 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 <sup>1</sup> | 6,761              |
| <b>Total Short-Term Investments</b>                            | <b>298,545</b>     |

<sup>1</sup>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:

|                        | <b>31 March<br/>2023<br/>£000</b> | <b>6 May 2024<br/>£000</b> |
|------------------------|-----------------------------------|----------------------------|
| Between 1 and 2 years  | (299)                             | (301)                      |
| Between 2 and 5 years  | (451)                             | (150)                      |
| Between 5 and 10 years | -                                 | -                          |
| More than 10 years     | (75,108)                          | (66,261)                   |
|                        | <b>(75,858)</b>                   | <b>(66,712)</b>            |
| Less than 1 year       | <b>(1,030)</b>                    | <b>(573)</b>               |
| <b>Total Borrowing</b> | <b>(76,888)</b>                   | <b>(67,286)</b>            |

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:

|                                                                         | <b>31 March<br/>2023<br/>£000</b> | <b>6 May 2024<br/>£000</b> |
|-------------------------------------------------------------------------|-----------------------------------|----------------------------|
| Increase in interest payable on variable rate borrowing                 | (1,500)                           | -                          |
| Increase/(decrease) in interest receivable on variable rate investments | (693)                             | (558)                      |
| <b>Impact on the Surplus on Provision for Services</b>                  | <b>(2,193)</b>                    | <b>(558)</b>               |

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 £7.815m 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<br>2023<br>£000 | 6 May<br>2024<br>£000 |
|--------------------------------|--------------------------|-----------------------|
| Central Government Bodies      | 3,982                    | 5,528                 |
| Other local authorities        | 8,439                    | 5,062                 |
| NHS Bodies                     | -                        | -                     |
| Other Entities and Individuals | 1,933                    | 4,085                 |
| <b>Total</b>                   | <b>14,354</b>            | <b>14,405</b>         |

## 17. Long Term Debtors

|                                    | 31 March<br>2023<br>£000 | 6 May<br>2024<br>£000 |
|------------------------------------|--------------------------|-----------------------|
| Local Enterprise Partnership Loans | 34,726                   | 32,709                |
| Nexus borrowing                    | 13,935                   | 13,377                |
| <b>Total</b>                       | <b>48,661</b>            | <b>46,086</b>         |

## 18. Cash and Cash Equivalents

|                                     | 31 March<br>2023<br>£000 | 6 May<br>2024<br>£000 |
|-------------------------------------|--------------------------|-----------------------|
| Cash held by the Combined Authority | 31,004                   | 9,346                 |
| Cash equivalents                    | 14,132                   | 32,052                |
| <b>Total</b>                        | <b>45,136</b>            | <b>41,398</b>         |

## 19. Short Term Creditors

|                                | 31 March<br>2023<br>£000 | 6 May<br>2024<br>£000 |
|--------------------------------|--------------------------|-----------------------|
| Central Government Bodies      | (201)                    | (167)                 |
| Other Local Authorities        | (22,330)                 | (26,037)              |
| Other Entities and Individuals | (55,504)                 | (70,468)              |
| <b>Total</b>                   | <b>(78,035)</b>          | <b>(96,672)</b>       |

## 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 £70.789m (31 March 2023 £76.384m), of which £38.881m is shown in the NECA accounts with the remaining £31.909m being shown in the NTCA Balance sheet. The table below shows an analysis of the Combined Authority's deferred income balances.

| <b>Deferred Income Release</b> |                              |
|--------------------------------|------------------------------|
| <b>2022/23</b>                 | <b>2023/24 to 6 May 2024</b> |
| <b>£000</b>                    | <b>£000</b>                  |
| Payable in 2024/25             | (2,290)                      |
| Payable within 2 to 5 years    | (9,161)                      |
| Payable within 6 to 10 years   | (11,451)                     |
| Payable within 11 to 15 years  | (11,451)                     |
| Payable within 16 to 20 years  | -                            |
| <b>Total</b>                   | <b>(31,909)</b>              |

### Payments

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

## 21. Defined Benefits Pension Scheme

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

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

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

### Amounts recognised in Profit and Loss and Other Comprehensive Income

| Comprehensive Income & Expenditure Statement                                                 | LGPS            |                                     |
|----------------------------------------------------------------------------------------------|-----------------|-------------------------------------|
|                                                                                              | 2022/23<br>£000 | 2023/24<br>to 6 May<br>2024<br>£000 |
| <b>Cost of Services</b>                                                                      |                 |                                     |
| Current Service Costs                                                                        | 2,200           | 1,181                               |
| Past Service Costs                                                                           | 16              |                                     |
| Settlement Costs                                                                             | -               |                                     |
| <b>Financing and Investment Income and Expenditure</b>                                       |                 |                                     |
| Interest on net defined benefit asset                                                        | 104             | (57)                                |
| Interest on unrecognised asset                                                               | -               | 5                                   |
| <b>Total Post Employment Benefit Charged to the Surplus on the Provision of Services</b>     | <b>2,320</b>    | <b>1,129</b>                        |
| 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                                 |
| Adjustment loss (gain) due to restriction of surplus                                         | -               | 2,100                               |
| <b>Total Amount recognised in Other Comprehensive Income &amp; Expenditure</b>               | <b>(6,674)</b>  | <b>587</b>                          |
| <b>Total amount recognised in the CIES</b>                                                   | <b>(4,354)</b>  | <b>1,716</b>                        |



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<br>£000 | 2023/24<br>to 6 May<br>2024<br>£000 |
| <b>Opening fair value of scheme assets</b> | <b>11,831</b>   | <b>12,408</b>                       |
| 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                                | -               | -                                   |
| <b>Closing fair value of scheme assets</b> | <b>12,408</b>   | <b>15,003</b>                       |

### Reconciliation of present value of the scheme liabilities

|                                                           | LGPS            |                                     |
|-----------------------------------------------------------|-----------------|-------------------------------------|
|                                                           | 2022/23<br>£000 | 2023/24<br>to 6 May<br>2024<br>£000 |
| <b>Opening balance at 1 April</b>                         | <b>15,864</b>   | <b>11,782</b>                       |
| 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                                               | -               | -                                   |
| <b>Closing balance at 31 March</b>                        | <b>11,782</b>   | <b>12,898</b>                       |

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<br>£000 | 2023/24<br>to 6 May<br>2024<br>£000 |
|-----------------------------------------------------------|-----------------|-------------------------------------|
| <b>Fair Value of LGPS Assets</b>                          | 12,408          | 15,003                              |
| Present value of LGPS liabilities                         |                 |                                     |
| - Funded Defined Benefit Obligation                       | (11,782)        | (12,898)                            |
| <b>Surplus/(Deficit) on funded defined benefit scheme</b> | <b>626</b>      | <b>2,105</b>                        |
| Unrecognised Asset                                        | -               | (2,105)                             |
| <b>Total Asset/(Liability) shown on Balance Sheet</b>     | <b>626</b>      | <b>-</b>                            |

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

|                     | <b>NTCA</b> |
|---------------------|-------------|
| 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 7 May 2024 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 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  |
| <b>Mortality assumptions:</b>                        |                  |             |
| 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        |
| <b>Rate for discounting scheme liabilities:</b>      | % 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<br>£000  | 2023/24 to<br>6 May 2024<br>£000 |
| Interest Income on Assets           | 329              | 672                              |
| Remeasurement gain (loss) on assets | (413)            | 245                              |
| <b>Actual Return on Assets</b>      | <b>(84)</b>      | <b>917</b>                       |

## 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.

|                                                | +0.1%<br>per<br>annum | Base<br>Figure | -0.1%<br>per<br>annum |
|------------------------------------------------|-----------------------|----------------|-----------------------|
| <b>Discount rate assumption</b>                |                       |                |                       |
| <b>Adjustment to discount rate</b>             |                       |                |                       |
| Present value of total obligation (£M)         | 12.588                | 12.898         | 13.220                |
| % change in present value of total obligation  | (2.4%)                |                | 2.4%                  |
| Projected service cost (£M)                    | 0.940                 | 1.033          | 1.084                 |
| Approximate % change in projected service cost | (4.7%)                |                | 4.9%                  |

|                                                | +0.1%<br>per<br>annum | Base<br>Figure | -0.1%<br>per<br>annum |
|------------------------------------------------|-----------------------|----------------|-----------------------|
| <b>Rate of general increase in salaries</b>    |                       |                |                       |
| <b>Adjustment to salary increase rate</b>      |                       |                |                       |
| 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)                    | 1.033                 | 1.033          | 1.033                 |
| Approximate % change in projected service cost | 0.0%                  |                | 0.0%                  |

|                                                                                                                                         | +0.1%<br>per<br>annum | Base<br>Figure | -0.1%<br>per<br>annum |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------|-----------------------|
| <b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption</b> |                       |                |                       |
| <b>Adjustment to pension increase rate</b>                                                                                              |                       |                |                       |
| Present value of total obligation                                                                                                       | 13.169                | 12.898         | 12.640                |
| % change in present value of total obligation                                                                                           | 2.0%                  |                | (2.0)%                |
| Projected service cost (£M)                                                                                                             | 1.084                 | 1.033          | 0.984                 |
| Approximate % change in projected service cost                                                                                          | 4.9%                  |                | (4.7)%                |

| Post retirement mortality assumption                   | -1 year | Base Figure | +1 year |
|--------------------------------------------------------|---------|-------------|---------|
| <b>Adjustment to mortality age rating assumption *</b> |         |             |         |
| 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)                            | 1.072   | 1.033       | 0.994   |
| 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<br>2023<br>£000 | 6 May<br>2024<br>£000 |
|----------------------------------|------|--------------------------|-----------------------|
| General Fund Balance             | 23   | (6,544)                  | (13,425)              |
| Earmarked Reserves               | 23   | (134,599)                | (133,469)             |
| Capital Receipts Reserve         |      | (471)                    | -                     |
| Capital Grants Unapplied Reserve |      | (76,174)                 | (120,924)             |
| <b>Total Usable Reserves</b>     |      | <b>(217,788)</b>         | <b>(267,818)</b>      |

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<br>1 April<br>2022<br>£000 | Transfers<br>out<br>2022/23<br>£000 | Transfers<br>in<br>2022/23<br>£000 | Balance<br>1 April<br>2023<br>£000 | Transfers<br>out<br>2023/24<br>£000 | Transfers<br>in<br>2023/24<br>£000 | Balance<br>6 May<br>2024<br>£000 |
|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------------------------------|----------------------------------|
| <b>General Fund Balances</b>        | <b>(7,065)</b>                     | <b>1,333</b>                        | <b>(812)</b>                       | <b>(6,544)</b>                     | <b>-</b>                            | <b>(6,879)</b>                     | <b>(13,423)</b>                  |
| <u>General Fund Reserves</u>        |                                    |                                     |                                    |                                    |                                     |                                    |                                  |
| 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                          | (10,394)                           | 2,963                               | -                                  | (7,431)                            | -                                   | (1,670)                            | (9,101)                          |
| UK Social Prosperity Fund Reserve   | -                                  | -                                   | (3,950)                            | (3,950)                            | -                                   | (3,816)                            | (7,766)                          |
| Metro Fleet Replacement             | (4,520)                            | -                                   | (89)                               | (4,584)                            | 98                                  | (331)                              | (4,817)                          |
| Metro Reinvigoration Res            | (3,834)                            | -                                   | (71)                               | (3,905)                            | 79                                  | (265)                              | (4,091)                          |
| 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)                              | (398)                            |
| 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                                 | -                                  | (981)                            |
| 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 of Tyne Combined Authority Statement of Accounts for the period 1 April 2023 to 6 May 2024

|                                                 |                  |               |                 |                  |               |                 |                  |
|-------------------------------------------------|------------------|---------------|-----------------|------------------|---------------|-----------------|------------------|
| 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           | -               | (115)            |
| <b>Total Earmarked Reserves</b>                 | <b>(105,278)</b> | <b>47,256</b> | <b>(76,576)</b> | <b>(134,599)</b> | <b>64,139</b> | <b>(63,007)</b> | <b>(133,468)</b> |
| <b>Total General Fund Balances and Reserves</b> | <b>(112,343)</b> | <b>48,589</b> | <b>(77,388)</b> | <b>(141,143)</b> | <b>64,136</b> | <b>(70,111)</b> | <b>(147,117)</b> |

## 24. Unusable Reserves

|                                          | <b>31 March<br/>2023<br/>£000</b> | <b>6 May<br/>2024<br/>£000</b> |
|------------------------------------------|-----------------------------------|--------------------------------|
| Capital Adjustment Account               | (78,255)                          | (81,456)                       |
| Financial Instruments Adjustment Account | (1,836)                           | (1,019)                        |
| Revaluation Reserve                      | (3,466)                           | (3,402)                        |
| Accumulated Absences Account             | 202                               | 61                             |
| Pension Reserve                          | (626)                             | -                              |
| <b>Total Unusable Reserves</b>           | <b>(83,981)</b>                   | <b>(85,816)</b>                |

### 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.



|                                                                                                 | <b>2022/23</b>  | <b>2023/24 to<br/>6 May<br/>2024</b> |
|-------------------------------------------------------------------------------------------------|-----------------|--------------------------------------|
|                                                                                                 | <b>£000</b>     | <b>£000</b>                          |
| <b>Opening Balance 1 April</b>                                                                  | (67,877)        | (78,255)                             |
| <b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>       |                 |                                      |
| 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)                                 |
| <b>Capital financing applied in the year:</b>                                                   |                 |                                      |
| 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)                                |
| <b>Closing Balance</b>                                                                          | <b>(78,255)</b> | <b>(81,457)</b>                      |

### 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.

|                                                                                                                                              | <b>2022/23</b> | <b>2023/24 to<br/>6 May<br/>2024</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------------|
|                                                                                                                                              | <b>£000</b>    | <b>£000</b>                          |
| <b>Balance at 1 April</b>                                                                                                                    | <b>3,544</b>   | <b>(1,836)</b>                       |
| 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                                  |
| <b>Closing balance</b>                                                                                                                       | <b>(1,836)</b> | <b>(1,019)</b>                       |



## 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.

|                                                                                                                           | <b>2022/23</b> | <b>2023/24</b>       |
|---------------------------------------------------------------------------------------------------------------------------|----------------|----------------------|
|                                                                                                                           | <b>£000</b>    | <b>to 6 May 2024</b> |
|                                                                                                                           |                | <b>£000</b>          |
| <b>Balance at 1 April</b>                                                                                                 | (3,513)        | (3,466)              |
| Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account | 47             | 64                   |
| <b>Closing balance</b>                                                                                                    | <b>(3,466)</b> | <b>(3,402)</b>       |

## 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.

|                                                                                                                                                                               | <b>2022/23</b> | <b>2023/24</b>       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------|
|                                                                                                                                                                               | <b>£000</b>    | <b>to 6 May 2024</b> |
|                                                                                                                                                                               |                | <b>£000</b>          |
| <b>Balance at 1 April</b>                                                                                                                                                     | 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)                |
| <b>Closing Balance</b>                                                                                                                                                        | <b>202</b>     | <b>61</b>            |

## 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.

|                                                                                                                               | <b>2022/23<br/>£000</b> | <b>2023/24<br/>to 6 May<br/>2024<br/>£000</b> |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------|
| <b>Balance at 1 April</b>                                                                                                     | 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)                                          |
| <b>Closing Balance</b>                                                                                                        | <b>(626)</b>            | <b>-</b>                                      |

## 25. Capital Expenditure and Capital Financing

|                                                                                        | 2022/23<br>£000 | 2023/24 to<br>6 May<br>2024<br>£000 |
|----------------------------------------------------------------------------------------|-----------------|-------------------------------------|
| <b>Opening Capital Financing Requirement</b>                                           | <b>79,951</b>   | <b>78,434</b>                       |
| <b>Capital Investment</b>                                                              |                 |                                     |
| Property, Plant and Equipment                                                          | 158             | 217                                 |
| Capital Loans                                                                          | 11,643          | 4,023                               |
| Revenue Expenditure Funded from Capital Under Statute                                  | 50,986          | 54,215                              |
| <b>Sources of Finance</b>                                                              |                 |                                     |
| Government Grants and Other Contributions                                              | (61,685)        | (31,682)                            |
| Capital Receipts                                                                       | (1,787)         | (2,411)                             |
| <b>Sums set aside from revenue</b>                                                     |                 |                                     |
| Use of reserves                                                                        | -               | (24,964)                            |
| Direct Revenue Contributions                                                           | -               | (166)                               |
| Minimum Revenue Provision                                                              | (832)           | (941)                               |
| Additional Voluntary Provision                                                         | -               | -                                   |
| <b>Closing Capital Financing Requirement</b>                                           | <b>78,434</b>   | <b>76,725</b>                       |
| Decrease in underlying need to borrow (unsupported by Government financial assistance) | (1,517)         | (1,709)                             |
| <b>Decrease in Capital Financing Requirement</b>                                       | <b>(1,517)</b>  | <b>(1,709)</b>                      |
|                                                                                        |                 |                                     |

## 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<br>£000 | 2023/24<br>to 6 May<br>2024<br>£000 |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------------------|
| Surplus on the provision of services                                                                                              | 59,861          | 52,458                              |
| <b>Adjustments to Surplus on Provision of Services for Non-Cash Movements</b>                                                     |                 |                                     |
| Depreciation and Impairment                                                                                                       | 1,938           | 2,147                               |
| Increase/(Decrease) in Creditors                                                                                                  | 14,969          | 21,837                              |
| (Increase)/Decrease in Debtors                                                                                                    | (16,242)        | 5,864                               |
| Movement in Pension Liability                                                                                                     | 2,015           | -                                   |
| Other non-cash items charged to the surplus on the provision of services                                                          | (2,290)         | (1,708)                             |
|                                                                                                                                   | 390             | 28,139                              |
| <b>Adjustments for items included in the net surplus on the Provision of Services that are investing and financing activities</b> |                 |                                     |
| Capital grants credited to surplus on provision of services                                                                       | (68,900)        | (53,679)                            |
| <b>Net Cash Flow from Operating Activities</b>                                                                                    | <b>(8,649)</b>  | <b>26,918</b>                       |

The cash flows for operating activities include the following items

|                   | 2022/23<br>£000 | 2023/24<br>to 6 May<br>2024<br>£000 |
|-------------------|-----------------|-------------------------------------|
| Interest Received | 1,371           | 12,387                              |
| Interest Paid     | (4,084)         | (5,952)                             |

## 27. Cash Flow Statement – Investing Activities

|                                                                                    | 2022/23<br>£000 | 2023/24 to<br>6 May 2024<br>£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          | 49,783                           |
| <b>Net Cash Flows from Investing Activities</b>                                    | <b>38,605</b>   | <b>(15,014)</b>                  |

## 28. Cash Flow Statement – Financing Activities

|                                                 | 2022/23         | 2023/24<br>to 6<br>May<br>2024 |
|-------------------------------------------------|-----------------|--------------------------------|
|                                                 | £000            | £000                           |
| Repayment of short and long-term borrowing      | (19,714)        | (12,115)                       |
| <b>Net Cash Flows from Financing Activities</b> | <b>(19,714)</b> | <b>(12,115)</b>                |

## 29. Reconciliation of liabilities arising from Financing Activities

|                                                                | 1 April<br>2023 | Financing<br>Cash<br>Flows | Changes which are<br>not financing cash<br>flows |             | 6 May<br>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)           |
| <b>Total Liabilities arising from<br/>Financing Activities</b> | <b>(76,791)</b> | <b>8,992</b>               | <b>-</b>                                         | <b>(97)</b> | <b>(67,896)</b> |

|                                                                | 1 April<br>2022 | Financing<br>Cash<br>Flows | Changes which are<br>not financing cash<br>flows |            | 31<br>March<br>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)             |
| <b>Total Liabilities arising from<br/>Financing Activities</b> | <b>(96,791)</b> | <b>19,908</b>              | <b>-</b>                                         | <b>(5)</b> | <b>(76,888)</b>     |

## 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**: this new standard replaces IAS 17 from 2024/25 (delayed from 2020/21) and establishes a new model for lessees. There is not expected to be any impact on the single entity accounts, however there is an expected impact on the Group Accounts. The standard will affect the Group accounts as it changes the treatment 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.

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.

The standards described in b) to f) are not expected to affect the authority.

## 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 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. | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>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.</p>                                                                                                                                          |
| Fair Value Measurement | Estimation of the fair value measurement depends on a number of complex judgements                                                                                                                                                                                                                                                                                                                               | When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e., Level 1 inputs), their fair value is measured using valuation techniques (e.g., quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets |



|                 |                                   |                                                                                                                                                                                                                                                                                                                                           |
|-----------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 |                                   | and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding discount rates – adjusted for regional factors.                                                                                                                                                          |
| Debtors Arrears | Calculation of bad debt provision | At 31 March 2023, the Combined Authority had a gross balance of £17.056m. A review of significant balances suggested that an impairment of doubtful debts of £2.703m was appropriate leaving a net balance of 14.353m. 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 the period to 6 May 2024.

#### **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 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 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](http://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
  - Unlisted 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.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary’s Department as the Local Government Pension Scheme actuary assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, Nexus is unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits, or if it can be reliably estimated. As a result, the Combined Authority does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements. The Combined Authority will keep this issue under review.

Further details are provided in Note 21 to the accounts.

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

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

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

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

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

## 18. Property, Plant and Equipment

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

### 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.

### De Minimis Levels

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.

### Impairment

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

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

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

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

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

### Depreciation

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

Depreciation 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.

### Disposals

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

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

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

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

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

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

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

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

## **19. Provisions**

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

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

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

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

## **20. Public Private Partnership (PPP) Contracts**

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

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



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

- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing is considered to meet both IFRIC 12 criteria, and therefore the costs are recognised on the Combined Authority's Balance Sheet.

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

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

- In each month a Shadow Toll is paid to the operator, this being a fixed amount per vehicle, adjusted for changes in RPI.
- Throughout the term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls; and
- The Formula Tolls are the initially defined sequence of tolls to be charged to users and collected by NECA. If NECA varies a Real Toll from its corresponding Formula Toll beyond a certain level, the operator is compensated for the effect of this adjustment on demand.

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

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

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

## **21. Reserves**

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

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

Certain reserves are kept 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 6 May which provide information about conditions existing at 6 May, 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 6 May which do not relate to conditions at 6 May 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

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### 3.1 Group Movement in Reserves Statement

|                                                                        | NTCA Usable Reserves | NTCA Unusable Reserves | Total NTCA Reserves | Authority Share of Nexus | Total Group Reserves |
|------------------------------------------------------------------------|----------------------|------------------------|---------------------|--------------------------|----------------------|
|                                                                        | £000                 | £000                   | £000                | £000                     | £000                 |
| <b>Balance at 31 March 2023 carried forward</b>                        | <b>(171,283)</b>     | <b>(63,408)</b>        | <b>(234,691)</b>    | <b>(264,253)</b>         | <b>(498,946)</b>     |
| Total Comprehensive Income & Expenditure                               | (59,861)             | (6,674)                | (66,535)            | (115,762)                | <b>(182,297)</b>     |
| Adjustments between accounting basis & funding basis under regulations | 13,356               | (13,899)               | (543)               | -                        | <b>(543)</b>         |
| (Increase)/decrease in 2022/23                                         | (46,505)             | (20,573)               | <b>(67,078)</b>     | (115,762)                | <b>(182,840)</b>     |
| <b>Balance at 31 March 2023 carried forward</b>                        | <b>(217,788)</b>     | <b>(83,981)</b>        | <b>(301,769)</b>    | <b>(380,015)</b>         | <b>(681,786)</b>     |
| 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)             |
| <b>Balance at 6 May 2024 carried forward</b>                           | <b>(267,818)</b>     | <b>(85,817)</b>        | <b>(353,635)</b>    | <b>(388,528)</b>         | <b>(742,164)</b>     |

## 3.2 Group Comprehensive Income and Expenditure Statement

| 2022/23        |                  |                  | 2023/24 to 6 May 2024                                  |                |                  |                  |                 |
|----------------|------------------|------------------|--------------------------------------------------------|----------------|------------------|------------------|-----------------|
| Gross Exp      | Gross Inc        | Net Exp          |                                                        |                |                  |                  |                 |
| £000           | £000             | £000             |                                                        | £000           | £000             |                  |                 |
| 29,449         | (3,357)          | 26,092           | Investment Fund                                        | 21,099         | (1,535)          | 19,564           |                 |
| 12,230         | (13,848)         | (1,618)          | Corporate Costs                                        | 38,986         | (53,457)         | (14,471)         |                 |
| 20,420         | (26,409)         | (5,989)          | Adult Education Budget                                 | 19,768         | (24,915)         | (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)            | 237              |                 |
| 32,425         | (13,410)         | 19,015           | Local Enterprise Partnership                           | 21,846         | (18,305)         | 3,541            |                 |
| <b>229,050</b> | <b>(199,558)</b> | <b>29,492</b>    | <b>Cost of Services</b>                                | <b>253,820</b> | <b>(178,248)</b> | <b>75,032</b>    |                 |
| 10,599         | (9,485)          | 1,115            | Other operating expenditure                            |                |                  |                  |                 |
| -              | (145,660)        | (145,660)        | Financing & Investment income and expenditure          | G4             | 13,548           | (23,675)         | (10,127)        |
|                |                  |                  | 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             |
| <b>239,662</b> | <b>(354,703)</b> | <b>(115,041)</b> | <b>(Surplus)/ Deficit on Provision of Services</b>     |                | <b>266,953</b>   | <b>(356,480)</b> | <b>(89,527)</b> |
|                |                  | (1,449)          | Taxation credit charge for the year                    | G14            |                  |                  | (654)           |
|                |                  | <b>(116,490)</b> | <b>Group (surplus)/deficit after taxation</b>          |                |                  |                  | <b>(90,181)</b> |
|                |                  | (65,807)         | Re-measurement of the defined benefit liability        | G13            |                  |                  | 29,711          |
|                |                  | -                | Gains on Revaluation of Property                       |                |                  |                  | 90              |
|                |                  | <b>(182,297)</b> | <b>Total Comprehensive Income &amp; Expenditure</b>    |                |                  |                  | <b>(60,380)</b> |

## 3.3 Group Balance Sheet

| 31 March<br>2023<br>£000 |                              | Note | 6 May 2024<br>£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             |
| <b>547,666</b>           | <b>Long Term Assets</b>      |      | <b>552,727</b>     |
| 231,806                  | Short Term Investments       | G9   | 298,546            |
| 21,802                   | Short Term Debtors           | G10  | 21,701             |
| 53,943                   | Cash & Cash Equivalents      | G11  | 46,531             |
| 393                      | Inventories                  |      | 421                |
| <b>307,944</b>           | <b>Current Assets</b>        |      | <b>367,200</b>     |
| (1,033)                  | Short Term Borrowing         | G9   | (884)              |
| (59,902)                 | Short Term Creditors         | G12  | (75,129)           |
| (787)                    | Grants Receipts in Advance   | G6   | (5)                |
| (2,290)                  | Public Private Partnerships  |      | (2,295)            |
| <b>(64,013)</b>          | <b>Current Liabilities</b>   |      | <b>(78,133)</b>    |
| (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            |      | -                  |
| <b>(110,354)</b>         | <b>Long Term Liabilities</b> |      | <b>(99,452)</b>    |
| <b>681,786</b>           | <b>Net Assets</b>            |      | <b>742,162</b>     |
|                          | <b>Financed By:</b>          |      |                    |
| (245,917)                | Useable Reserves             | G15  | (295,634)          |
| (435,869)                | Unusable Reserves            | G16  | (446,528)          |
| <b>(681,786)</b>         | <b>Total Reserves</b>        |      | <b>(742,162)</b>   |

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: \_\_\_\_\_

**Mags Scott, Chief Finance Officer (Section 73 Officer)**

### 3.4 Group Cash Flow Statement

| 2022/23       |                                                                                                                            | Note | 2023/24 to<br>6 May<br>2024<br>£000 |
|---------------|----------------------------------------------------------------------------------------------------------------------------|------|-------------------------------------|
| £000          |                                                                                                                            |      |                                     |
| 116,487       | Surplus on the provision of services                                                                                       | G17  | 90,180                              |
| 25,680        | Adjustments to net surplus on the provision of services for non-cash movements                                             | G17  | 52,492                              |
| (142,970)     | Adjustments for items included in the net surplus on the provision of services that are investing and financing activities | G17  | (110,625)                           |
| <b>(803)</b>  | <b>Net Cash Flows from Operating Activities</b>                                                                            |      | <b>32,047</b>                       |
| 35,023        | Investing Activities                                                                                                       | G18  | (29,839)                            |
| (21,568)      | Financing Activities                                                                                                       | G19  | (9,620)                             |
| <b>12,652</b> | <b>Net Increase/(Decrease) in cash and cash equivalents</b>                                                                |      | <b>(7,412)</b>                      |
| 41,291        | Cash and cash equivalents at the beginning of the reporting period                                                         |      | 53,943                              |
| <b>53,943</b> | <b>Cash and cash equivalents at the end of the reporting period</b>                                                        | G11  | <b>46,531</b>                       |



### 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.

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## G1 Group Accounts

Under paragraph 9.1.17 of the Code of Practice for Local Authority Accounting 2023/24, authorities with interest in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

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

### Deferred Taxation

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

### Property, Plant and Equipment and Intangible Assets

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

#### **Asset**

Freehold buildings  
Short leasehold buildings  
Infrastructure assets  
Plant and Equipment  
Vehicles  
Marine Vessels  
Intangibles

#### **Estimated Useful Life**

40 years  
Over the lease term  
20 to 50 years  
5 to 30 years  
5 to 10 years  
30 years  
5 to 10 years

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

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

Copies of the single entity accounts for Nexus are available at [www.nexus.org.uk](http://www.nexus.org.uk)

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

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.

As a result of the extended accounting period for 2023/24 to 6 May 2024 (13 months and 6 days), and the prior period covering 2022/23 (12 months), care needs to be taken when drawing comparisons between the figures for each financial year.

### **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](http://www.nexus.org.uk).

**G2 Expenditure and Funding Analysis**

| <b>2023/24 to 6 May 2024</b>           | <b>Net Exp Chargeable to General Fund<br/>£000</b> | <b>Adj. for Capital Purposes<br/>£000</b> | <b>Pension Adj.<br/>£000</b> | <b>Other Adj.<br/>£000</b> | <b>Net Exp in CIES<br/>£000</b> |
|----------------------------------------|----------------------------------------------------|-------------------------------------------|------------------------------|----------------------------|---------------------------------|
| 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                            | -                          | 237                             |
| Local Enterprise Partnership           | 3,546                                              | -                                         | 36                           | (42)                       | 3,540                           |
| <b>Net Cost of Services</b>            | <b>62,915</b>                                      | <b>10,036</b>                             | <b>90</b>                    | <b>1,991</b>               | <b>75,032</b>                   |
| Other Income & Expenditure             | (128,088)                                          | (37,231)                                  | (57)                         | 817                        | (164,559)                       |
| <b>Surplus on Provision of Service</b> | <b>(65,173)</b>                                    | <b>(27,195)</b>                           | <b>33</b>                    | <b>2,808</b>               | <b>(89,527)</b>                 |

|                                            |                 |
|--------------------------------------------|-----------------|
| <b>Opening General Fund Balances</b>       | <b>(33,226)</b> |
| Surplus on General Fund Balances in Year   | (60,380)        |
| Transfers to Reserves                      | 2,428           |
| <b>General Fund Balances at 6 May 2024</b> | <b>(91,178)</b> |

| <b>2022/23</b>                         | <b>Net Exp Chargeable to General Fund<br/>£000</b> | <b>Adjs for Capital Purposes<br/>£000</b> | <b>Pension Adjs<br/>£000</b> | <b>Other Adjs<br/>£000</b> | <b>Net Exp in CIES<br/>£000</b> |
|----------------------------------------|----------------------------------------------------|-------------------------------------------|------------------------------|----------------------------|---------------------------------|
| 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                          |
| <b>Net Cost of Services</b>            | <b>110,971</b>                                     | <b>(83,895)</b>                           | <b>2,217</b>                 | <b>202</b>                 | <b>29,495</b>                   |
| Other Income & Expenditure             | (134,908)                                          | (12,726)                                  | (201)                        | 3,303                      | (144,532)                       |
| <b>Surplus on Provision of Service</b> | <b>(23,937)</b>                                    | <b>(96,621)</b>                           | <b>2,016</b>                 | <b>3,505</b>               | <b>(115,037)</b>                |

|                                               |                 |
|-----------------------------------------------|-----------------|
| <b>Opening General Fund Balances</b>          | <b>(26,140)</b> |
| Surplus on General Fund Balances in Year      | (23,937)        |
| Transfers to Reserves                         | 16,851          |
| <b>General Fund Balances at 31 March 2023</b> | <b>(33,226)</b> |

## 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 statute 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<br>£000  |                                                                                             | 2023/24<br>to 6 May<br>2024<br>£000 |
|------------------|---------------------------------------------------------------------------------------------|-------------------------------------|
|                  | <b>Expenditure</b>                                                                          |                                     |
| 26,287           | Employee benefit expenses                                                                   | 32,735                              |
| 150,011          | Other service expenses                                                                      | 142,194                             |
| 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                              |
| <b>239,662</b>   | <b>Total Expenditure</b>                                                                    | <b>266,301</b>                      |
|                  | <b>Income</b>                                                                               |                                     |
| (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                                                         | (236,276)                           |
| (7,208)          | Other Income                                                                                | (4,801)                             |
| <b>(354,703)</b> | <b>Total Income</b>                                                                         | <b>(356,482)</b>                    |
| <b>(115,041)</b> | <b>Surplus on the provision of services</b>                                                 | <b>(90,181)</b>                     |

**G4 Financing and Investment Income and Expenditure**

| 2022/23<br>£000 |                                                  | 2023/24 to<br>6 May<br>2024<br>£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)                            |
| <b>1,115</b>    | <b>Total</b>                                     | <b>(10,127)</b>                     |

**G5 Taxation and Non-Specific Grant Income**

| 2022/23          |                                  | 2023/24<br>to 6 May<br>2024 |
|------------------|----------------------------------|-----------------------------|
| £000             |                                  | £000                        |
| (35,702)         | Transport Levy                   | (37,760)                    |
| (89,958)         | Non-Specific Capital Grants      | (114,797)                   |
| (20,000)         | Non Ringfenced Government Grants | (2,000)                     |
| <b>(145,660)</b> | <b>Total</b>                     | <b>(154,557)</b>            |

**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<br>£000  |                                                         | 2023/24 to<br>6 May 2024<br>£000 |
|------------------|---------------------------------------------------------|----------------------------------|
| (26,138)         | Adult Education Grant                                   | (24,915)                         |
| (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)                          |
| <b>(142,455)</b> | <b>Total</b>                                            | <b>(86,700)</b>                  |

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<br>2023<br>£000 |                                                              | 6 May<br>2024<br>£000 |
|--------------------------|--------------------------------------------------------------|-----------------------|
|                          | <b>Grants Receipts in Advance</b>                            |                       |
| (787)                    | Grants & Contributions (individually under £1m) – Short Term | (5)                   |
| (787)                    | <b>Total</b>                                                 | (5)                   |

## G7 Property, Plant and Equipment (excluding Infrastructure Assets)

**2023/24**

|                                                  | Vehicles, Plant,<br>Furniture &<br>Equipment | Land &<br>Buildings | Assets<br>Under<br>Construction | Total Property,<br>Plant &<br>Equipment |
|--------------------------------------------------|----------------------------------------------|---------------------|---------------------------------|-----------------------------------------|
|                                                  | £000                                         | £000                | £000                            | £000                                    |
| <b>Cost or Valuation</b>                         |                                              |                     |                                 |                                         |
| <b>At 1 April 2023</b>                           | <b>15,799</b>                                | <b>3,871</b>        | <b>71,059</b>                   | <b>90,729</b>                           |
| Additions                                        | 76                                           | -                   | 52,584                          | 52,660                                  |
| Transfers from Assets<br>under Construction      | 172                                          | -                   | (22,594)                        | (22,422)                                |
| Transfers to Intangibles                         | -                                            | -                   | (81)                            | (81)                                    |
| Derecognition – disposals                        | (590)                                        | (13)                | (45)                            | (648)                                   |
| Revaluation recognised in<br>Revaluation Reserve | -                                            | (90)                | -                               | (90)                                    |
| Other Adjustments                                | 375                                          | -                   | 23                              | 398                                     |
| <b>At 6 May 2024</b>                             | <b>15,831</b>                                | <b>3,768</b>        | <b>100,946</b>                  | <b>120,546</b>                          |
| At 1 April 2023                                  | (12,245)                                     | (108)               | -                               | (12,353)                                |
| Depreciation charge                              | (568)                                        | (11)                | -                               | (579)                                   |
| Derecognition – disposals                        | 462                                          | 12                  | -                               | 474                                     |
| <b>At 6 May 2024</b>                             | <b>(12,351)</b>                              | <b>(107)</b>        | <b>-</b>                        | <b>(12,458)</b>                         |
| <b>Net Book Value</b>                            |                                              |                     |                                 |                                         |
| <b>At 1 April 2023</b>                           | <b>3,554</b>                                 | <b>3,763</b>        | <b>71,059</b>                   | <b>78,376</b>                           |
| <b>At 6 May 2024</b>                             | <b>3,480</b>                                 | <b>3,661</b>        | <b>100,946</b>                  | <b>108,088</b>                          |



**2022/23**

|                                             | Vehicles, Plant,<br>Furniture &<br>Equipment | Land &<br>Buildings | Assets<br>Under<br>Construction | Total Property,<br>Plant &<br>Equipment |
|---------------------------------------------|----------------------------------------------|---------------------|---------------------------------|-----------------------------------------|
| Cost or Valuation                           | £000                                         | £000                | £000                            | £000                                    |
| <b>At 1 April 2022</b>                      | <b>15,621</b>                                | <b>1,640</b>        | <b>59,039</b>                   | <b>76,300</b>                           |
| Additions                                   | -                                            | -                   | 75,665                          | 75,665                                  |
| Transfers from Assets<br>under Construction | 342                                          | 2,231               | (63,599)                        | (61,026)                                |
| Transfers to Intangibles                    | -                                            | -                   | (33)                            | (33)                                    |
| Derecognition – disposals                   | (164)                                        | -                   | (13)                            | (177)                                   |
| Other Adjustments                           | -                                            | -                   | -                               | -                                       |
| <b>At 31 March 2023</b>                     | <b>15,799</b>                                | <b>3,871</b>        | <b>71,059</b>                   | <b>90,729</b>                           |
| At 1 April 2022                             | (11,838)                                     | (141)               | -                               | (11,979)                                |
| Depreciation charge                         | (509)                                        | (12)                | -                               | (521)                                   |
| Derecognition – disposals                   | 102                                          | 45                  | -                               | 147                                     |
| <b>At 31 March 2023</b>                     | <b>(12,245)</b>                              | <b>(108)</b>        | <b>-</b>                        | <b>(12,353)</b>                         |
| <b>Net Book Value</b>                       |                                              |                     |                                 |                                         |
| <b>At 1 April 2022</b>                      | <b>3,784</b>                                 | <b>1,499</b>        | <b>59,039</b>                   | <b>64,322</b>                           |
| <b>At 31 March 2023</b>                     | <b>3,554</b>                                 | <b>3,763</b>        | <b>71,059</b>                   | <b>78,376</b>                           |

**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.

Group Statement of Accounts

|                                                  | 2022/23        | 2023/24 to 6<br>May 2024 |
|--------------------------------------------------|----------------|--------------------------|
|                                                  | £000           | £000                     |
| <b>Net book value (modified historical cost)</b> |                |                          |
| <b>At 1 April</b>                                | <b>358,103</b> | <b>402,491</b>           |
| Additions                                        | 10             | 25                       |
| Transfer of Assets Under Construction            | 61,025         | 22,422                   |
| Derecognition                                    | (1,845)        | (392)                    |
| Depreciation                                     | (16,989)       | (18,236)                 |
| Impairment                                       | -              | -                        |
| Other movements in cost                          | 2,187          | 678                      |
| <b>At period end</b>                             | <b>402,491</b> | <b>406,986</b>           |

**Reconciliation to Balance Sheet**

|                         | 31 March 2023  | 6 May 2024     |
|-------------------------|----------------|----------------|
|                         | £000           | £000           |
| Infrastructure assets   | 402,491        | 406,986        |
| Other PPE assets        | 78,376         | 108,088        |
| <b>Total PPE assets</b> | <b>480,867</b> | <b>515,074</b> |

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. 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<br>£000 |                                            | 2023/24<br>to 6 May<br>2024<br>£000 |
|-----------------|--------------------------------------------|-------------------------------------|
|                 | <b>Cost or Valuation</b>                   |                                     |
| 5,919           | Opening Balance                            | 6,849                               |
| 900             | Additions                                  | 2,192                               |
| 33              | Transfers from Property, Plant & Equipment | 81                                  |
| (3)             | Derecognition – Disposals                  | (208)                               |
| <b>6,849</b>    | <b>Total</b>                               | <b>8,914</b>                        |
|                 | <b>Amortisation</b>                        |                                     |
| (3,263)         | Opening Balance                            | (3,648)                             |
| -               | Derecognition – Disposals                  | 143                                 |
| (385)           | Amortisation provided during the period    | (463)                               |
| <b>(3,648)</b>  | <b>Total</b>                               | <b>(3,968)</b>                      |
| <b>3,201</b>    | <b>Net Book Value at period end</b>        | <b>4,945</b>                        |

## 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<br>March<br>2023<br>£000 | 6 May<br>2024<br>£000 | 31<br>March<br>2023<br>£000 | 6 May<br>2024<br>£000 | 31<br>March<br>2023<br>£000 | 6 May<br>2024<br>£000 | 31<br>March<br>2023<br>£000 | 6 May<br>2024<br>£000 |
| Amortised cost                | -                           | -                     | 34,726                      | 32,708                | 231,806                     | 298,546               | 19,592                      | 13,783                |
| <b>Total Financial Assets</b> | -                           | -                     | <b>34,726</b>               | <b>32,708</b>         | <b>231,806</b>              | <b>298,546</b>        | <b>19,592</b>               | <b>13,783</b>         |
| Non-financial Assets          | -                           | -                     | -                           | -                     | -                           | -                     | 2,209                       | 7,919                 |
| <b>Total</b>                  | -                           | -                     | <b>34,726</b>               | -                     | <b>231,806</b>              | -                     | <b>21,801</b>               | <b>21,702</b>         |

## 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<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 | 31 March 2023<br>£000 | 6 May 2024<br>£000 |
| Amortised cost                     | (75,858)              | (67,013)           | -                     | -                  | (1,033)               | (884)              | (9,774)               | (61,921)           |
| <b>Total Financial Liabilities</b> | <b>(75,858)</b>       | <b>(67,013)</b>    | <b>-</b>              | <b>-</b>           | <b>(1,033)</b>        | <b>(884)</b>       | <b>(9,774)</b>        | <b>(61,921)</b>    |
| Non-financial Liabilities          | -                     | -                  | -                     | -                  | -                     | -                  | (50,129)              | (13,207)           |
| <b>Total</b>                       | <b>(75,858)</b>       | <b>-</b>           | <b>-</b>              | <b>-</b>           | <b>(1,033)</b>        | <b>-</b>           | <b>(59,903)</b>       | <b>(75,128)</b>    |

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.

| 31 March 2023                           |                                             |                | 6 May 2024                                               |                                         |                                             |                 |
|-----------------------------------------|---------------------------------------------|----------------|----------------------------------------------------------|-----------------------------------------|---------------------------------------------|-----------------|
| Financial Liabilities at amortised cost | Financial assets measured at amortised cost | Total          |                                                          | Financial Liabilities at amortised cost | Financial assets measured at amortised cost | Total           |
| £000                                    | £000                                        | £000           |                                                          | £000                                    | £000                                        | £000            |
| 5,568                                   | -                                           | 5,568          | Interest expense                                         | 6,363                                   | -                                           | 6,363           |
| <b>5,568</b>                            | -                                           | <b>5,568</b>   | <b>Total expense in Surplus on Provision of Services</b> | <b>6,363</b>                            | -                                           | <b>6,363</b>    |
|                                         | (4,454)                                     | (4,454)        | Investment Income                                        | (15,031)                                | -                                           | (15,031)        |
|                                         | <b>(4,454)</b>                              | <b>(4,454)</b> | <b>Total income in Surplus on Provision of Services</b>  | <b>(15,031)</b>                         | -                                           | <b>(15,031)</b> |
| <b>5,568</b>                            | <b>(4,454)</b>                              | <b>1,114</b>   | <b>Net (gain)/loss for the year</b>                      | <b>(8,668)</b>                          | -                                           | <b>(8,668)</b>  |

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 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<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Financial liabilities at amortised cost   | 2     | (76,888)                | (73,984)           | (67,897)                | (52,667)           |
| <b>Total</b>                              |       | <b>(76,888)</b>         | <b>(73,984)</b>    | <b>(67,897)</b>         | <b>(52,667)</b>    |
| <b>Financial Assets at amortised cost</b> |       |                         |                    |                         |                    |
| Held to Maturity investments              | 2     | 231,806                 | 231,806            | 298,546                 | 298,546            |
| Other debtors                             |       | 34,183                  | 54,318             | 62,267                  | 62,267             |
| <b>Total</b>                              |       | <b>265,989</b>          | <b>265,989</b>     | <b>360,813</b>          | <b>360,813</b>     |

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<br>2023<br>£000 |                                | 6 May<br>2024<br>£000 |
|--------------------------|--------------------------------|-----------------------|
| 8,751                    | Central Government Bodies      | 10,552                |
| 12,048                   | Other Local Authorities        | 7,588                 |
| 21                       | NHS Bodies                     | 1                     |
| 982                      | Other Entities and Individuals | 3,561                 |
| <b>21,802</b>            | <b>Total</b>                   | <b>21,702</b>         |

**G11 Cash and Cash Equivalents**

| 31 March<br>2023<br>£000 |                     | 6 May<br>2024<br>£000 |
|--------------------------|---------------------|-----------------------|
| 31,553                   | Cash                | 17,635                |
| 22,389                   | Short term deposits | 28,897                |
| <b>53,943</b>            | <b>Total</b>        | <b>46,532</b>         |

**G12 Short Term Creditors**

| 31 March<br>2023<br>£000 |                                | 6 May<br>2024<br>£000 |
|--------------------------|--------------------------------|-----------------------|
| (3,276)                  | Central Government Bodies      | (3,146)               |
| (22,961)                 | Other Local Authorities        | (26,914)              |
| (33,665)                 | Other Entities and Individuals | (45,069)              |
| <b>(59,902)</b>          | <b>Total</b>                   | <b>(75,129)</b>       |

**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:

| <b>Comprehensive Income &amp; Expenditure Statement</b>                                      | <b>LGPS</b>     |                              | <b>Discretionary Benefits</b> |                              |
|----------------------------------------------------------------------------------------------|-----------------|------------------------------|-------------------------------|------------------------------|
|                                                                                              | <b>2022/23</b>  | <b>2023/24 to 6 May 2024</b> | <b>2022/23</b>                | <b>2023/24 to 6 May 2024</b> |
|                                                                                              | <b>£000</b>     | <b>£000</b>                  | <b>£000</b>                   | <b>£000</b>                  |
| <b>Cost of Services</b>                                                                      |                 |                              |                               |                              |
| Current Service Costs                                                                        | 10,664          | 5,454                        | -                             | -                            |
| Past Service Costs                                                                           | -               | -                            | -                             | -                            |
| Settlement Costs                                                                             | 16              | -                            | -                             | -                            |
| Exceptional loss on transfer of pension liability loss                                       | -               | -                            | -                             | -                            |
| <b>Financing and Investment Income and Expenditure</b>                                       |                 |                              |                               |                              |
| Interest Cost                                                                                | 5,706           | 6,926                        | 22                            | 68                           |
| Expected Return on Scheme Assets                                                             | (5,028)         | (8,524)                      | -                             | -                            |
| <b>Total Post Employment Benefit Charged to the Surplus on the Provision of Services</b>     | <b>11,358</b>   | <b>3,856</b>                 | <b>22</b>                     | <b>68</b>                    |
| 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                       | -                             | -                            |
| <b>Total Amount recognised in Other Comprehensive Income &amp; Expenditure</b>               | <b>(65,794)</b> | <b>27,669</b>                | <b>(13)</b>                   | <b>(72)</b>                  |
| <b>Total amount recognised in the CIES</b>                                                   | <b>(54,436)</b> | <b>31,525</b>                | <b>9</b>                      | <b>(5)</b>                   |



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<br>£000 | 2023/24<br>to 6<br>May<br>2024 | 2022/23<br>£000        | 2023/24 to<br>6 May<br>2024 |
| <b>Opening fair value of scheme assets</b>   | <b>198,025</b>  | <b>195,942</b>                 | -                      | -                           |
| 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                                  | -               | -                              | -                      | -                           |
| <b>Closing fair value of scheme assets</b>   | <b>195,943</b>  | <b>208,856</b>                 | -                      | -                           |

## Reconciliation of present value of the scheme liabilities

|                                                 | LGPS             |                             | Discretionary Benefits |                          |
|-------------------------------------------------|------------------|-----------------------------|------------------------|--------------------------|
|                                                 | 2022/23<br>£000  | 2023/24<br>to 6 May<br>2024 | 2022/23<br>£000        | 2023/24 to<br>6 May 2024 |
| <b>Opening balance at 1 April</b>               | <b>(224,259)</b> | <b>(165,740)</b>            | <b>(897)</b>           | <b>(787)</b>             |
| 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                                     | -                | -                           | -                      | -                        |
| <b>Closing balance at 31 March</b>              | <b>(165,740)</b> | <b>(163,510)</b>            | <b>(793)</b>           | <b>(672)</b>             |

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

## Fair Value of LGPS Assets

Present value of LGPS liabilities  
- LGPS liabilities

## Deficit on funded defined benefit scheme

Discretionary benefits

Unrecognised asset (asset ceiling)

## Total Surplus

| 2022/23<br>£000 | 2023/24<br>to 6 May<br>2024<br>£000 |
|-----------------|-------------------------------------|
| <b>195,943</b>  | <b>208,856</b>                      |
| (165,741)       | (163,509)                           |
| <b>(30,202)</b> | <b>45,346</b>                       |
| 787             | (672)                               |
| -               | (45,346)                            |
| <b>(29,415)</b> | <b>(672)</b>                        |

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

|                     | <b>NTCA</b> | <b>Nexus</b> |
|---------------------|-------------|--------------|
| 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 2025 is nil for NTCA and £4.760m for Nexus (of which £2.146m 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 31 March 2022.

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

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| NTCA                                                 | Local Government |             |
|------------------------------------------------------|------------------|-------------|
|                                                      | 31 March 2023    | 6 May 2024  |
| <b>Mortality assumptions:</b>                        |                  |             |
| 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        |
| <b>Rate for discounting scheme liabilities:</b>      | % 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 |
| <b>Mortality assumptions:</b>            |         |                       |                        |                       |
| 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                   |
| <b>Discount rates:</b>                   | %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<br>2023 | Asset Split 6 May 2024<br>% |             |            |
|---------------------|------------------|-----------------------------|-------------|------------|
|                     | % 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       |
| <b>Total Assets</b> | <b>100.0</b>     | <b>65.5</b>                 | <b>34.5</b> | <b>100</b> |

\*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<br>Government |                                        |
|--------------------------------|---------------------|----------------------------------------|
|                                | 2022/23<br>£000     | 2023/24<br>to 6<br>May<br>2024<br>£000 |
| Interest Income on Assets      | 5,357               | 9,475                                  |
| Remeasurement gain on assets   | (7,006)             | 3,597                                  |
| <b>Actual Return on Assets</b> | <b>(1,649)</b>      | <b>13,072</b>                          |

### 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.

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| <b>Discount rate assumption</b>                | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Adjustment to discount rate</b>             |                                |                        |                                |
| 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%                           |

| <b>Rate of general increase in salaries</b>    | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Adjustment to salary increase rate</b>      |                                |                        |                                |
| 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%                           |

| <b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption</b> | <b>+0.1%<br/>per<br/>annum</b> | <b>Base<br/>Figure</b> | <b>-0.1%<br/>per<br/>annum</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------|
| <b>Adjustment to pension increase rate</b>                                                                                              |                                |                        |                                |
| 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%                          |

| <b>Post retirement mortality assumption</b>            | <b>-1 year</b> | <b>Base<br/>Figure</b> | <b>+1 year</b> |
|--------------------------------------------------------|----------------|------------------------|----------------|
| <b>Adjustment to mortality age rating assumption *</b> |                |                        |                |
| 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:

|                                   | <b>2022/23<br/>£000</b> | <b>2023/24<br/>to 6 May<br/>2024<br/>£000</b> |
|-----------------------------------|-------------------------|-----------------------------------------------|
| Capital Allowances                | (298)                   | (569)                                         |
| Roll over relief on capital gains | (118)                   | -                                             |
| Tax effect of losses              | (1,030)                 | 1,218                                         |
| Other timing differences          | (3)                     | 5                                             |
| <b>Total</b>                      | <b>(1,449)</b>          | <b>654</b>                                    |

The balance at the year-end comprises:

|                                                | <b>31 March<br/>2023<br/>£000</b> | <b>6 May<br/>2024<br/>£000</b> |
|------------------------------------------------|-----------------------------------|--------------------------------|
| 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)                           |
| <b>Total</b>                                   | <b>652</b>                        | <b>-</b>                       |

**G15 Usable Reserves**

|                              | <b>31 March<br/>2023<br/>£000</b> | <b>6 May<br/>2024<br/>£000</b> |
|------------------------------|-----------------------------------|--------------------------------|
| General Fund Balance         | (34,675)                          | (41,240)                       |
| Earmarked Reserves           | (134,597)                         | (133,470)                      |
| Capital Grants Unapplied     | (76,174)                          | (120,925)                      |
| Capital Receipts Reserve     | (471)                             | -                              |
| <b>Total Usable Reserves</b> | <b>(245,917)</b>                  | <b>(295,635)</b>               |

**G16 Unusable Reserves**

|                                          | <b>31 March<br/>2023<br/>£000</b> | <b>6 May<br/>2024<br/>£000</b> |
|------------------------------------------|-----------------------------------|--------------------------------|
| 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)                          | 671                            |
| <b>Total Unusable Reserves</b>           | <b>(435,869)</b>                  | <b>(446,528)</b>               |

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.

|                                                                                                                             | <b>£000</b>    |
|-----------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>Balance at 1 April 2022</b>                                                                                              | (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                                                                          | -              |
| <b>Balance at 31 March 2023</b>                                                                                             | <b>(4,572)</b> |
| Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account | 61             |
| Revaluation gain recognised in Revaluation Reserve                                                                          | 90             |
| <b>Balance at 6 May 2024</b>                                                                                                | <b>(4,420)</b> |

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.



|                                                                                                 | <b>£000</b>      |
|-------------------------------------------------------------------------------------------------|------------------|
| <b>Balance at 1 April 2022</b>                                                                  | <b>(329,276)</b> |
| 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            |
| <b>Adjusting amounts written out of the Revaluation Reserve</b>                                 | <b>(47)</b>      |
| 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               |
| <b>Balance at 31 March 2023</b>                                                                 | <b>(400,249)</b> |
| 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            |
| <b>Adjusting amounts written out of the Revaluation Reserve</b>                                 | <b>(61)</b>      |
| 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                                                            | (2,411)          |
|                                                                                                 | <b>(441,821)</b> |

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.

|                                                                                                                               |                 |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------|
|                                                                                                                               | <b>£000</b>     |
| <b>Balance at 1 April 2022</b>                                                                                                | <b>27,125</b>   |
| 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             |
| <b>Balance at 31 March 2023</b>                                                                                               | <b>(29,414)</b> |
| <b>Balance at 1 April 2023</b>                                                                                                | <b>(29,414)</b> |
| 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)         |
| <b>Balance at 6 May 2024</b>                                                                                                  | <b>672</b>      |

## 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<br>£000 |                                                                                                                                    | 2023/24 to<br>6 May<br>2024<br>£000 |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 116,487         | Surplus on the provision of services                                                                                               | 90,180                              |
|                 | <b>Adjustments to Surplus on Provision of Services for Non-Cash Movements:</b>                                                     |                                     |
| 17,745          | Depreciation, Impairment and Amortisation                                                                                          | 19,136                              |
| 2,025           | Loss/(Gain) on disposal of non-current assets                                                                                      | 775                                 |
| 29,204          | Increase in Creditors                                                                                                              | 44,570                              |
| (28,802)        | Increase in Debtors                                                                                                                | (9,984)                             |
| 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                                                           | (2,383)                             |
| <b>25,681</b>   | <b>Adjustments for items included in the net surplus on the provision of services that are investing and financing activities:</b> | <b>52,492</b>                       |
| (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)                             |
| <b>(803)</b>    | <b>Net cash flow from operating activities</b>                                                                                     | <b>32,047</b>                       |

The cash flows for operating activities include the following items:

| 2022/23<br>£000 |                   | 2023/24<br>to 6 May<br>2024<br>£000 |
|-----------------|-------------------|-------------------------------------|
| 3,045           | Interest Received | 12,387                              |
| (1,553)         | Interest Paid     | (5,952)                             |

**G18 Cash Flow Statement – Investing Activities**

| 2022/23<br>£000 |                                                                                      | 2023/24 to<br>6 May<br>2024<br>£000 |
|-----------------|--------------------------------------------------------------------------------------|-------------------------------------|
| (77,363)        | Purchase of property, plant and equipment, investment property and intangible assets | (55,208)                            |
| (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)                             |
| <b>35,023</b>   | <b>Net cash flows from investing activities</b>                                      | <b>(29,839)</b>                     |

**G19 Cash Flow Statement – Financing Activities**

| 2022/23<br>£000 |                                                      | 2023/24<br>to 6 May<br>2024<br>£000 |
|-----------------|------------------------------------------------------|-------------------------------------|
| (20,324)        | Repayments of short and long-term borrowing          | (11,950)                            |
| (1,244)         | Other payments and receipts for financing activities | 3,757                               |
| <b>(21,568)</b> | <b>Net cash flows from financing activities</b>      | <b>(8,192)</b>                      |

**G20 Reconciliation of liabilities arising from Financing Activities**

|                                                    | 1 April<br>2023<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which<br>are not financing<br>cash flows<br>£000 | 6 May<br>2024<br>£000 |
|----------------------------------------------------|-------------------------|------------------------------------|----------------------------------------------------------|-----------------------|
| Long-term borrowings                               | (75,858)                | 8,845                              | (92)                                                     | (67,013)              |
| Short-term borrowings                              | (1,033)                 | 147                                | (5)                                                      | (883)                 |
| <b>Total liabilities from financing activities</b> | <b>(76,891)</b>         | <b>8,992</b>                       | <b>(97)</b>                                              | <b>(67,896)</b>       |

|                                                    | 1 April<br>2022<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which<br>are not financing<br>cash flows<br>£000 | 31<br>March<br>2023<br>£000 |
|----------------------------------------------------|-------------------------|------------------------------------|----------------------------------------------------------|-----------------------------|
| Long-term borrowings                               | (75,766)                | (92)                               |                                                          | (75,858)                    |
| Short-term borrowings                              | (21,025)                | 20,000                             | (8)                                                      | (1,033)                     |
| <b>Total liabilities from financing activities</b> | <b>(96,791)</b>         | <b>19,908</b>                      | <b>(8)</b>                                               | <b>(76,891)</b>             |

**G21 Summary of Capital Expenditure and Sources of Finance**

| 2022/23<br>£000 |                                                                                        | 2023/24<br>to 6 May<br>2024<br>£000 |
|-----------------|----------------------------------------------------------------------------------------|-------------------------------------|
| <b>77,609</b>   | <b>Opening Capital Financing Requirement</b>                                           | <b>76,092</b>                       |
|                 | <b>Capital Investment</b>                                                              |                                     |
| 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                              |
|                 | <b>Sources of Finance</b>                                                              |                                     |
| (633)           | Capital Receipts                                                                       | (2,411)                             |
| (126,144)       | Government Grants and other Contributions                                              | (85,522)                            |
|                 | <b>Sums set aside from Revenue</b>                                                     |                                     |
| (1,469)         | Direct Revenue Contributions                                                           | (954)                               |
| (832)           | Minimum Revenue Provision                                                              | (941)                               |
| -               | Use of reserves                                                                        | (24,964)                            |
| -               | Additional Voluntary Provision                                                         | -                                   |
| <b>76,092</b>   | <b>Closing Capital Financing Requirement</b>                                           | <b>74,383</b>                       |
| (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 do not 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 East Combined Authority as successor body of the North of Tyne Combined Authority**

### **Report on the audit of the financial statements**

#### **Opinion on the financial statements**

We have audited the financial statements of the North of Tyne Combined Authority ('the Authority') and its subsidiaries ('the Group') for the period ended 6 May 2024, which comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 6<sup>th</sup> May 2024 and of the Authority's and the Group's expenditure and income for the period then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

#### **Basis for opinion**

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

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

We draw attention to note 1 (narrative explanatory note on devolution)33.1 (accounting policies, general principles) and note 34 (events after the balance sheet date) of the financial statements, which highlight that as a result of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024, the North of Tyne Combined Authority's functions transfer to the new North East Mayoral Combined Authority from 7 May 2024. These notes further disclose that as services continue to be provided by another public sector entity, the financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, other than the issue highlighted above in the Emphasis of Matter paragraph, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## **Other information**

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

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

We have nothing to report in this regard.

## **Responsibilities of the Chief Finance Officer for the financial statements**

As explained more fully in Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing whether or not it is appropriate for the Authority and the Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

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

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

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

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

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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

## **Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception**

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 6 May 2024.

We have nothing to report in this respect.

### **Responsibilities of the Authority**

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



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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

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

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

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

We have nothing to report in these respects.

## **Use of the audit report**

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

## Delay in certification of completion of the audit

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

[Signature]

Gavin Barker  
Key Audit Partner  
For and on behalf of Forvis Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF  
Date:

North East Combined Authority  
The Lumen  
St James Boulevard  
Newcastle Upon Tyne  
NE4 5BZ

Address to:  
Gavin Barker  
Audit Director  
Forvis Mazars LLP

Dear Mr Barker

### **North of Tyne Combined Authority – Audit for Period Ended 6 May 2024**

This representation letter is provided in connection with your audit of the financial statements of the North of Tyne Combined Authority (the Authority and Group) for the period ended 6 May 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

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

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

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

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

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

#### **Accounting records**

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

### **Accounting policies**

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

### **Accounting estimates, including those measured at current and fair value**

I confirm that the methods, significant assumptions and the data used by the Authority and Group in making the accounting estimates, including those measured at current and fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

I confirm:

- that the significant judgments made in making the accounting estimates have taken into account all relevant information of which management is aware;
- the consistency and appropriateness in the selection or application of the methods, assumptions and data used by management in making the accounting estimates;
- that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, when relevant to the accounting estimates and disclosures;
- that disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework;
- that appropriate specialised skills or expertise has been applied in making the accounting estimates; and
- that no subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.

### **Contingencies**

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

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

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

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority and Group have been brought to your attention. All known actual or possible litigation and claims

whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code and applicable law.

### **Laws and regulations**

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

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

### **Fraud and error**

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

I have disclosed to you:

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

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

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Authority and Group's related parties and all related party relationships and transactions of which I am aware.

### **Impairment review**

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

### **Charges on assets**

All the Authority and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### **Future commitments**

The Authority and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Authority and Group's service concession arrangements that you have not been made aware of.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Authority and Group, including the impact of mitigation measures and uncertainties, and that the financial statements fairly reflects that assessment.

### **Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the financial statements fairly reflects that assessment.

### **Brexit**

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the financial statements fairly reflects that assessment.

### **Going concern**

To the best of my knowledge there is nothing to indicate that the Authority and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### **Specific representation**

#### **Estimation techniques for the period ended 6 May 2024**

In preparing the financial statements to the period ended 6 May 2024, I have taken all reasonable steps to ensure that the Authority and Group financial statements are materially fairly stated. I am not aware of any transactions, balances or disclosures that could be materially misstated as a result of the approach adopted.

### **Annual Governance Statement**

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority and Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

### **Narrative Report**

The disclosures within the Narrative Report fairly reflect my understanding of the Authority and Group's financial and operating performance over the period covered by the financial statements.

### **Unadjusted misstatements**

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

**Arrangements to achieve economy, effectiveness and efficiency in Use of Resources**  
**(Value for Money arrangements)**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

**Yours faithfully**

**Mags Scott**

**Director of Finance and Investment**

**[Date]**

## Appendix

### Schedule of unadjusted misstatements

#### Unadjusted misstatements – the Authority as Single Entity

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust.

|                                                                                                                                                                                                                                                                                                                                                       | Details of adjustment   | Comprehensive Income and Expenditure Statement |            | Balance Sheet |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------------------------|------------|---------------|------------|
|                                                                                                                                                                                                                                                                                                                                                       |                         | Dr (£'000)                                     | Cr (£'000) | Dr (£'000)    | Cr (£'000) |
| 1                                                                                                                                                                                                                                                                                                                                                     | DR Debtors              |                                                |            | 515           |            |
|                                                                                                                                                                                                                                                                                                                                                       | CR Income               |                                                | (515)      |               |            |
| NTCA have not recognised any levy for the 6 days in May. We note that the Levy is monthly and as such NTCA should have recognised 6 days in May 2024. We performed a recalculation based on the April levy figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.                              |                         |                                                |            |               |            |
|                                                                                                                                                                                                                                                                                                                                                       | Details of adjustment   | Comprehensive Income and Expenditure Statement |            | Balance Sheet |            |
|                                                                                                                                                                                                                                                                                                                                                       |                         | Dr (£'000)                                     | Cr (£'000) | Dr (£'000)    | Cr (£'000) |
| 2                                                                                                                                                                                                                                                                                                                                                     | DR Expenditure          | 475                                            |            |               |            |
|                                                                                                                                                                                                                                                                                                                                                       | CR Short Term Creditors |                                                |            |               | (475)      |
| NTCA have not recognised any Transport Tyne & Wear expenditure for the 6 days in May. We note that the expenditure is monthly and as such NTCA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material. |                         |                                                |            |               |            |
|                                                                                                                                                                                                                                                                                                                                                       | Details of adjustment   | Comprehensive Income and Expenditure Statement |            | Balance Sheet |            |
|                                                                                                                                                                                                                                                                                                                                                       |                         | Dr (£'000)                                     | Cr (£'000) | Dr (£'000)    | Cr (£'000) |
| 3                                                                                                                                                                                                                                                                                                                                                     | DR Income               | 273                                            |            |               |            |
|                                                                                                                                                                                                                                                                                                                                                       | CR Short Term Debtors   |                                                |            |               | (273)      |



|  |                                                                                                                                                                                                                                                                                               |            |              |            |              |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|------------|--------------|
|  | Reflecting the net extrapolated error due to the Quarter 1 LTP grant for April, May and June being entirely accounted for in the 2023/2024 fiscal year, instead of being allocated between the 2023/2024 and 2024/2025 financial periods. This demonstrates that the impact was not material. |            |              |            |              |
|  | <b>Aggregate effect of unadjusted misstatements</b>                                                                                                                                                                                                                                           | <b>748</b> | <b>(515)</b> | <b>515</b> | <b>(748)</b> |

### Group Unadjusted misstatements

|   | Details of adjustment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Comprehensive Income and Expenditure Statement |                | Balance Sheet |              |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------|---------------|--------------|
|   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Dr (£'000)                                     | Cr (£'000)     | Dr (£'000)    | Cr (£'000)   |
|   | Aggregate unadjusted misstatements from previous page also impact on the Group position                                                                                                                                                                                                                                                                                                                                                                                                                                 | 748                                            | (515)          | 515           | (748)        |
| 4 | DR Net Pension Assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                |                | 680           |              |
|   | CR Remeasurement of Net defined Pension Liability                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                | (680)          |               |              |
|   | The auditors review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during the Pension Fund auditor's audit of the pension fund. The Group share of the pension fund assets misstatement is £957k. This is an estimate and is designed to demonstrate that the impact of this is not material. |                                                |                |               |              |
|   | <b>Aggregate effect of unadjusted misstatements</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>748</b>                                     | <b>(1,195)</b> | <b>1,195</b>  | <b>(748)</b> |