



Narrative Report for the Year ended 31 March 2020

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 2019/20 and its future financial prospects.

This report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which occurred during the year.
- A summary of the Authority's financial performance during the year ending 31 March 2020 and its financial position at that date.
- A look ahead to 2020/21 and beyond.

The Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2020 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. NECA is also the Accountable Body for the North East Local Enterprise Partnership (North East LEP). Our accounts include all transactions relating to the North East LEP and summary information is highlighted in this report.

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 2020/21, available on the NECA website (www.northeastca.gov.uk) sets out how we will do this looking forward. The Statement of

Accounts accompanying this report look back at our performance over the past year. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

2. What is the North East Combined Authority?

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

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

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

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

NECA continues to work closely with other bodies in the region to secure external funding, including funding for transport; infrastructure; economic development; skills and employment activities.

NECA works closely with the North East LEP and the wider business community to deliver the Strategic Economic Plan for the North East and capitalise on these opportunities. As NECA was the 'Accountable Body' for the North East LEP during 2019/20, all of its financial information is included in the accounts of NECA. From 1 April 2020, this role transferred to the NTCA.

Revenue Financial Summary 2019/20

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 the Table 1 below. Expenditure totalling £109.658m was managed within the revised revenue budget and income received was £113.960m, which resulted in a net surplus of £4.302m. This was in line with forecasts and includes a planned contribution to reserves of £3.402m (including £0.069m interest) to provide match funding for the Metro Fleet replacement.

Table 1: Summary of Revenue Expenditure

	2019/20 Revised Budget	2019/20 Actual	Variance
	£000	£000	£000
Expenditure			
Joint Transport Committee			
- Retained Levy Budget	2,101	1,993	(108)
- Grant to Durham	15,552	15,552	-
- Grant to Nexus	55,667	55,667	-
- Grant to Northumberland	6,094	6,094	-
Tyne Tunnels			
- Contract Payments	21,233	21,123	(110)
- JTC costs	237	424	187
- Financing Costs	6,818	6,588	(230)
Other Transport Activity			
- Transport Strategy Unit	1,325	1,113	(212)
Invest North East England	425	359	(66)
Corporate/Central Budget	690	455	(235)
Mental Health Trailblazer Project and NETA	290	290	-
			-
Total Expenditure	110,432	109,658	(774)
Income			
External Grant Funding	(1,632)	(1,524)	108
Transport Levies	(82,766)	(82,766)	-
Tolls Income	(28,160)	(28,481)	(321)
Interest/Investment Income	(223)	(394)	(171)
Contributions from Constituent Authorities	(371)	(371)	-
Contributions from NELEP	(279)	(206)	73
Other Income	(185)	(218)	(33)
Total Income	(113,616)	(113,960)	(344)
Net Revenue Expenditure to fund from Reserves	(3,184)	(4,302)	(1,118)

This statement provides a comparison of the outturn position with the NECA (including JTC) revised revenue budget for 2019/20, before any allocation of costs and income between the accounts of NECA and NTCA. The purpose of this statement is to give the reader an understanding of overall spending and income for the whole year, in comparison with the revised budget.

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

The **Movement in Reserves Statement** (MIRS, page 4 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Authority's reserves. There has been an increase in reserves from £114.283m at 31 March 2019 to £125.141m at 31 March 2020, mainly due to funds set aside to meet expenditure in future years, such as capital grants received in advance and contribution to earmarked reserves held for Metro Fleet renewal.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £104.772m (£160.531m in 2018/19 – which included Transport activity relating to the NTCA area up to 2 November 2018). This includes all areas of NECA's and the North East LEP's activity. 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 £41.510m (£62.137m in 2018/19 – which included Transport activity relating to the NTCA area up to 2 November 2018). This was funded from a range of sources including the Transport Levy, other contributions from Constituent Authorities, Government Grants, Fees and Charges, and Enterprise Zones Business Rates Income. The net cost was lower than in 2018/19 due mainly to lower levels of capital grants issued in the year (REFCUS) on the Local Growth fund programme and higher levels of Government grants received in advance of expenditure, for example the Transforming Cities Tranche 2 grant received in March 2020 (£9.901m) and not yet applied to fund expenditure.

The balance of usable reserves at the year-end was £55.717m, which is a £8.920m increase on the previous year. This is made up of a number of different elements, most of which are held for specific purposes. The increase is due to the increase in capital grants received which have not yet been applied to fund expenditure (known as the Capital Grants Unapplied reserve) and the increase in earmarked reserves held on behalf of Nexus to fund the local contribution to the Fleet Replacement project and Asset Renewal Programme, as well as an increase in balances held on behalf of the North East LEP including the North East Investment Fund.

3. Capital Investment

Capital investment (including Nexus as part of the NECA Group) during the year totalled £99.462m. Expenditure consisted of capital expenditure on the Authority's own assets, capital expenditure via capital grants to third parties and long-term capital loans to third parties. An analysis of capital investment by programme are shown in the following table.

Table 2: Capital Expenditure by Programme

	2019/20 Revised	2019/20 Actual	2019/20 Variance
	£000	£000	£000
Transforming Cities Fund Tranche 1	9,102	6,129	(2,973)
Go Ultra Low	1,083	699	(384)
Metro Asset Renewal Plan	31,088	28,496	(2,592)
Metro Fleet Replacement	30,200	24,932	(5,268)
Nexus non-Metro	2,292	440	(1,852)
Tyne Tunnels	2,090	2,268	178
Local Transport Plan *	11,539	11,272	(267)
Local Growth Fund *	25,280	23,594	(1,686)
North East Investment Fund	1,632	1,632	-
Total Funding	114,306	99,462	(14,844)

* Amounts shown in these lines are net of LTP and LGF funded expenditure included within the Metro Asset Renewal Plan and Tyne Tunnels to avoid double-counting.

The largest area of capital expenditure is in relation to Transport, reflecting the NECA's responsibilities as the accountable body for the North East Joint Transport Committee. Capital expenditure on Economic Assets and Infrastructure and Economic Development comprises Local Growth Fund and the North East Investment Fund activity which is reported in NECA's role as accountable body for the LEP.

A summary of how this capital investment was financed is shown in the following table:

Table 3: Capital Funding 2019/20

	2019/20 Actual	2019/20
	£000	%
Local Growth Fund Grant	28,629	28.8%
Local Transport Plan Grant	13,921	14.0%
Metro Capital Grant	23,149	23.3%
Metro Fleet Grant	21,600	21.7%
Transforming Cities Fund Grant	6,129	6.2%
Other Capital Grants	699	0.7%
North East Investment Fund	1,632	1.6%
Reserves	3,703	3.7%
Total Funding	99,462	100.0%

4. Treasury Management

The Balance Sheet on page 6 of the accounts shows external borrowing of £96.370m at the end of the year, which is split between short term borrowing (£1.298m) and long term borrowing (£95.072m), after the allocation of part of the transport borrowing to NTCA accounts. This is a small increase compared to the previous year due to new PWLB borrowing taken out during the year to fund Enterprise Zones activity. The average rate of interest on external borrowing for the year was 4.3%, which is comparable with the previous year.

The Balance Sheet also shows short term external investments of £58.236m in the NECA accounts at the end of the year compared to £65.281m at the end of the previous year. The total of investments included £21.168m of investments held on behalf of Nexus, with a further £16.969m cash equivalents. The increase in the combined total of short-term investments and cash equivalents in 2019/20 (£75.205m) compared to the previous year (£69.182m) is primarily due to the receipt of more grants in advance and the growth in reserves, such as the Metro fleet replacement reserve and NEIF funds.

5. Debtors

The Balance Sheet on page 6 of the accounts shows a short-term debtors balance at 31 March 2020 of £8.899m (£11.926m at 31 March 2019). These balances mainly relate to interest and principal repayments due within 12 months on loans issued and business rates income from enterprise zones and are analysed in more detail in Note 14 on page 31 in the accounts.

6. Creditors

Short term creditors at 31 March 2020 were £39.984m (£51.118m at 31 March 2019). These balances are analysed in more detail in Note 17 on page 31 in the accounts. The main reason for the decrease is the balances owed to Nexus for short term investments and cash equivalents placed on their behalf (£48m total creditor of which £26.739m is shown in the NECA accounts).

7. 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 £2.82m at 31 March 2020, compared with £8.78m at 31 March 2019. The reduction in year is due to market conditions at 31 March 2020 and the impact on asset values. For accounting purposes this surplus is restricted to nil on the NECA balance sheet. NECA gets a benefit from the surplus in the form of savings on employers' pension contributions for current employees, which has enabled significant savings on the revenue budget particularly in relation to the North East LEP.

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 2019/20. At the end of the year there was an unfunded liability of £0.84m (£0.9m at 31 March 2019) and this is disclosed on the Balance Sheet.

The deficit as at 31 March 2020 takes into account the national judgements on McCloud and Guaranteed Minimum Pensions (GMP). The actuarial valuation is influenced by a number of economic factors and this includes the potential impact of Brexit. Note 19 to the accounts on page 33 provides further analysis and disclosure of the Pension Fund liability.

Net Assets

Net assets in the NECA accounts have increased from £114.283m at 31 March 2019 to £125.141m at 31 March 2020. The increase in total net assets is due to an increase in fixed assets and short-term investments/cash equivalents due to the receipt of additional capital grants (e.g. Transforming Cities grant) and other amounts held in earmarked reserves to fund activity in future years.

8. Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note G01 on page 77.

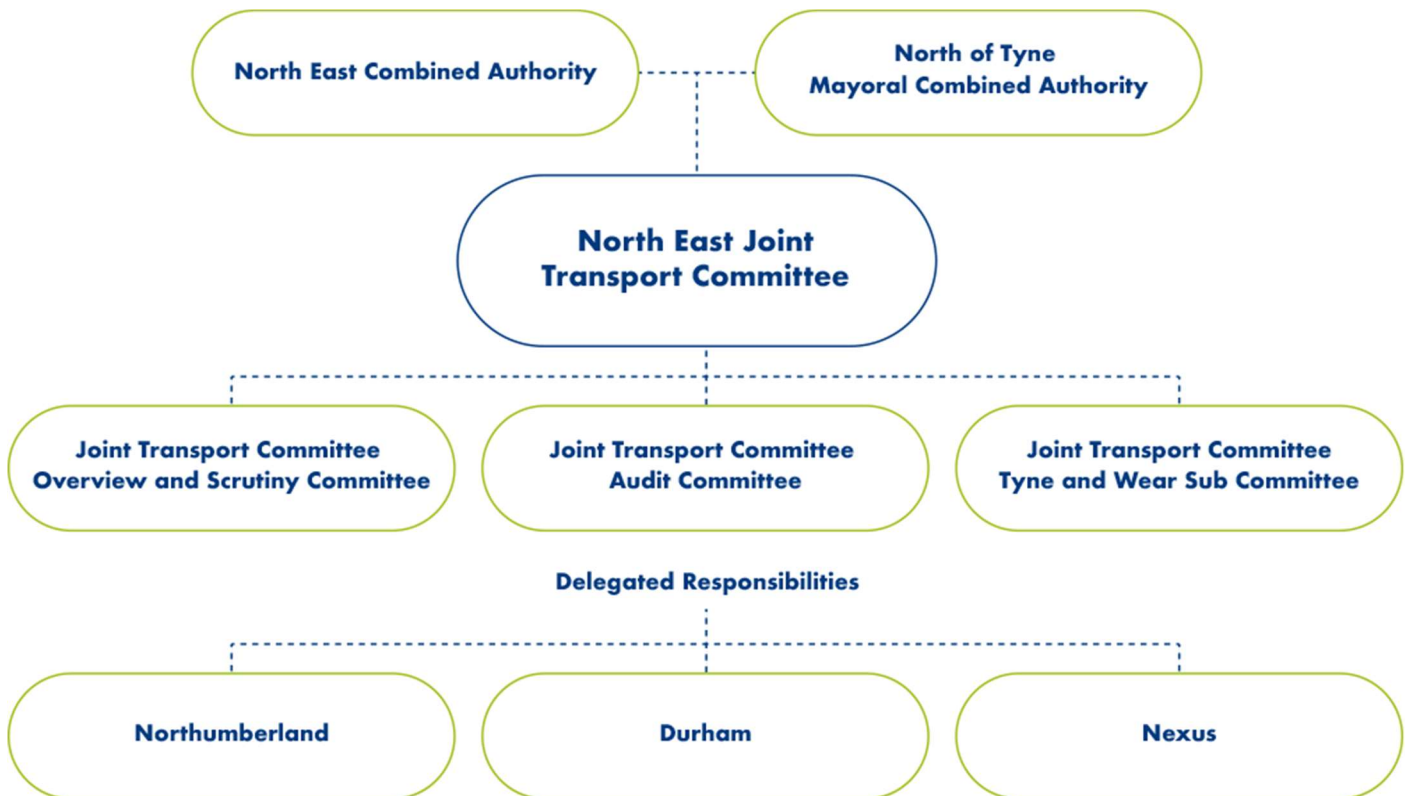
The Nexus accounts are apportioned between NTCA and NECA accounts (after elimination of intra-Group transactions), with the balance sheet information at 31 March 2020 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 4. The full accounts for the Nexus Group and more information about their activity and performance can be obtained from the Nexus website at <https://www.nexus.org.uk>.

9. Accounting for the North East Joint Transport Committee

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

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

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



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

1. Split the revenues between that which relates to NECA and NTCA. In this case, the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).
2. The revenues which relate to Tyne and Wear must be divided into that which relates wholly to the NECA or NTCA area and that which relates to activities now wholly attributable under the preceding two points which requires apportionment.

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

For the 2019/20 accounts the mid-year estimated population published by the Office of National Statistics as at June 2017 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2020 is shown in Table 4 below.

Table 4 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	Mid Year 2017 Population	Proportion
	People	Proportion
NECA		
- Gateshead	202,419	
- South Tyneside	149,555	
- Sunderland	277,249	
	629,223	0.55706
NTCA		
- Newcastle	295,842	
- North Tyneside	204,473	
	500,315	0.44294
Tyne and Wear Total	1,129,538	1

10. North East LEP

NECA remained the Accountable Body for the North East LEP during the last year and these accounts include details of its income and expenditure during 2019/20, fully consolidated with the figures for NECA itself. The accountable body arrangements changed at 1 April 2020, when the responsibility was transferred to the North of Tyne Combined Authority.

The North East LEP brings together business leaders, universities and the Leaders and Elected Mayor of the seven local authorities in the North East LEP area. It is the fourth largest LEP in the country and covers the seven local authorities in the North East area. It is responsible for promoting and developing economic growth in the area and works together with NECA to ensure there is co-ordination across a range of activities.

The North East LEP core budget covers operational activity and also management of the Local Growth Fund (LGF) programme and other activities undertaken by the LEP and funded by additional income. Table 5 below provides a summary of actual spend against the revised budget for the year. Total revenue expenditure amounted to £4.578m, which was within the revised budget for the year. There was a small surplus of £0.019m for the year, which was £0.045m better than expected and resulted in an increased level of LEP reserves of £0.603m to be carried into 2020/21. Considerable additional business support and advice was provided by the LEP's North East Growth Hub in the run up to Brexit and towards the year end in relation to impact of the Covid-19 pandemic and this additional work was undertaken by existing staff and resources.

Table 5: North East LEP Revenue Expenditure

	2019/20 Revised Budget	2019/20 Actual	Variance
	£000	£000	£000
Expenditure			
Employees	2,516	2,451	(65)
Premises	193	199	6
Communications	247	257	10
Transport LGF Monitoring and Evaluation	72	63	(9)
Growth Hub Operational Costs	141	143	2
Invite (Horizon 2020) Operational Costs	56	57	1
LIS (Local Industrial Strategy) Costs	68	69	1
Other Operational Costs	662	708	46
North East Ambition Operational Costs	96	90	(6)
Brexit Intelligence and Business Support	204	211	7
LGF High Potential	78	65	(13)
Energy Programme Operational Costs	40	16	(24)
Other NECA LGF Costs	151	109	(42)
Inward Investment Contribution	140	140	-
Gross Expenditure	4,664	4,578	(86)
Income			
LEP Core Grant	(500)	(500)	-
Local Authority Match Contributions	(250)	(250)	-
BEIS Grant	(224)	(224)	-
Local Growth Fund Management Contribution	(950)	(828)	122
Other Grants / Energy and Digital	(391)	(309)	82
Brexit Intelligence, Business Support and Policy	(263)	(247)	16
Growth Hub Grant	(442)	(442)	-
Other Grants / Enterprise Advisor	(488)	(459)	29
LGF High Potential	(93)	(109)	(16)
European Social Fund / LGF Match	(560)	(560)	-
Invite (Horizon 2020)	(84)	(67)	17
5G Pilot	(35)	(35)	-
NEIF/EZ Contributions	(154)	(325)	(171)
Interest on Balances	(167)	(191)	(24)
Other Income	(37)	(51)	(14)
Gross Income	(4,638)	(4,597)	41
Net (Surplus)/Deficit	26	(19)	(45)

Local Growth Fund

The full LGF capital grant of £28.06m was utilised in 2019/20, (including a funding swap in respect of the Tyne Pedestrian and Cycle Tunnel) and this should be seen as good performance in the review of LGF programme being undertaken later this year and in the next annual performance assessment. In addition, revenue spending of £0.725m was funded by the return of LGF swap funding in year.

The major elements of capital expenditure during the year included:

- International Advance Manufacturing Park (IAMP) - £11.27m
- South Shields Metro Training and Maintenance Skills Centre - £2.79m
- Gateshead Quays - £2.50m
- Swans Business Centre Phase 2 - £1.43m
- North East Rural Growth Network - £1.37m
- A19 North Bank of Tyne highway works - £1.22m
- Temporary (LGF swap) Funding for Tyne Pedestrian and Cycle Tunnel - £2.2m

Further details of the activities of the North East LEP are available at www.nelep.co.uk.

Enterprise Zones

The original round 1 North East Low Carbon Enterprise Zone is located across four Local Authority areas: Newcastle upon Tyne, North Tyneside, Northumberland and Sunderland. Business rates growth generated on these designated sites accrues to the benefit of the North East LEP for a 25-year period. The surplus will be allocated by the North East LEP to help improve the economy of the North East LEP area and the delivery of the Strategic Economic Plan (or its equivalent). 2019/20 was the seventh year of the zone's life.

During 2019/20 £14.1m of capital investment in EZ sites was undertaken, to be funded by the EZ programme as part of an overall level of capital investment across ten sites of £165m. New approvals were given to capital investment on the Newcastle North Bank of Tyne Site (£14m), the Northumberland Bates site (£2.8m) at the Port of Blyth and Infrastructure works on the Holborn phase 2 (Tyne Dock) (£1.45m) Enterprise Zone site. Construction of building on IAMP and Jade sites in Durham made good progress in the last twelve months.

A summary of the Enterprise Zone Revenue account is shown in Table 6 below together with information for the previous 3 years. Business Rate Growth Income (BRGI) of £2.01m was received for the year, which is higher than the income received for previous years and in line with the revised estimate for the year.

Expenditure included £0.258m on interest payments to Councils to cover capital financing costs on expenditure that they are financing. Repayments of £1.438m have been made to the NEIF account to repay previous loans from the NEIF to fund round 1 capital expenditure on Enterprise Zones. A contribution is made to the Invest North East England team to help with the marketing of the EZ sites. Operating costs include programme management support, finance and legal support needed to complete appraisals and legal funding agreements

Table 6: North East Enterprise Zone Business Rates Growth - period to 2019/20

	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Business Rate Income EZ Areas				
- Gateshead				(242)
- Newcastle	(614)	(437)	(501)	(508)
- North Tyneside	(165)	(160)	(194)	(160)
- Northumberland	(173)	(321)	(374)	(348)
- Sunderland	(743)	(708)	(750)	(752)
	(1,695)	(1,626)	(1,819)	(2,010)
Interest	(5)	(11)	(25)	(20)
EZ Commercial Advice Grant		(30)		
Gross Income	(1,700)	(1,667)	(1,844)	(2,030)
NEIF Loan Repayment	1,306	1,302	1,238	1,438
Financing Costs	-		235	258
Contribution to Inward Investment Team	6	148	71	66
EZ Operating Costs	115	112	100	128
Gross Expenditure	1,427	1,562	1,644	1,890
Annual Surplus	(273)	(105)	(200)	(140)
Cumulative Surplus	(2,602)	(2,707)	(2,907)	(3,047)

North East Investment Fund (NEIF)

The North East Investment Fund has been operating since 2012, utilising £25m of Growing Places Fund and £30m of Regional Growth Fund to invest £69m over its life in 29 projects, including money that has been repaid into the fund. The total balance of the fund at 31 March 2020 was £20.26m, which is held in the NECA accounts as a combination of usable reserves and capital receipts/capital grants unapplied in the balance sheet. These balances will be transferred to NTCA in 2020/21 as part of the change in accountable body role from 1 April 2020.

£9.8m of the available balance is committed to approved projects including £8m as part of a £10m Strategic Grant fund to support Inward Investment and £1m which has been earmarked to support a crowdfunding initiative to provide match funding grant support of up to £5,000 to support small businesses and social enterprise adversely affected by the impact of the Covid-19 pandemic.

11. Looking Ahead

The financial environment for local government is likely to remain challenging for the foreseeable future. The impact of Covid-19, uncertainties arising from Brexit and the delay in the publication of both the Comprehensive Spending Review and the outcomes of the Fair Funding Review mean the outlook continues to be extremely uncertain. Since a significant proportion of NECA and the JTC's funding comes from its constituent authorities, this has the potential to put further pressure on its Medium-Term Financial Strategy.

The North East LEP has been leading a 'Covid-19 Economic Response Group' made up of NECA, NTCA, local authorities, the Confederation of British Industry (CBI) on behalf of business, North East JTC and regional universities. The group are working on a phased approach to the region's recovery that is underpinned by identifying opportunities for our businesses to take advantage of. A summary

report published in June 2020 references the completion of the regional Transport Plan and that setting down our transport infrastructure priorities of the future is an essential part of the regional recovery.

During 2020/21 the North East Transport Strategy Unit (TSU) will launch and consult on the Transport Plan for the region. In November 2019 a vision of “Moving to a green, healthy, dynamic and thriving North East” was agreed alongside some accompanying principles and objectives, which will underpin the Transport Plan.

In March 2020, the JTC was notified that it had been awarded £198.483m funding from Transforming Cities Fund Tranche 2 following the submission of a bid earlier in the year. This will deliver the £95m Metro Flow project sponsored by Nexus as well as providing a devolved pot to fund a range of Transport projects across the region. The TSU will coordinate the programme, which will be delivered over the period 2020/21 to 2022/23.

An initial bid to the Emergency Active Travel Fund in June 2020 was also successful and grant funding of £2.262m will be available for schemes to encourage walking and cycling during the Covid-19 lockdown and recovery period. A larger Fund will be available to bid into during the summer and the submission will be coordinated by the TSU.

Work is underway in developing the ‘Tyne Pass’ project to introduce a fully automated payment system using Automatic Number Plate Recognition (ANPR) technology at the Tyne Tunnels, to replace the existing coin and permit systems.

There has already been considerable activity associated with the development of an ambitious and forward-thinking economic strategy for the NECA area which will be worked on further during 2020/21. The emerging themes of our Economic Strategy are:

- Decarbonising our economy, private and public
- Further developing our leadership in international trade and investment
- Securing better skills and more quality jobs for our residents
- Drawing many more of our residents into the economic mainstream to increase prosperity and reduce dependence
- Becoming a well-connected region within our green economy
- Becoming a Great Northern Place

Activity continues to develop a proposal to government on the additional resources, powers and legislation needed to support the four NECA Constituent Authorities in their endeavours to meet their respective carbon reduction commitments. This follows the resolution by NECA in November 2019 to declare a Climate Emergency.

NECA will work with the LEP and other partners on the Covid-19 recovery. Data and intelligence about the economic impact of the pandemic is being gathered, which will be used to help shape the recovery plan that is being developed. This will need considerable financial support for Government and active support from public and private sector partners across the region, including the two combined authorities and the local authorities. Further rounds of LGF/Future prosperity/Economic Recovery funding will be required to support the capital investment and revenue support that is needed to help the region’s economy to recover and grow.

The cross-partner North East Brexit Group continues to meet and provides a forum for sharing intelligence across sectors. This information and intelligence has informed action such as the Brexit Toolkit on the Growth Hub, as well as the Work Programme. The focus of the group is now on

opportunities post-Brexit and preparations in the light of potential trade deals with the EU and other nations/trading areas.

12. The Statement of Accounts

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

Movement in Reserves Statement (Statement of Accounts page 4)

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

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

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from the levy and other sources of income which is set out in the MiRS, as described above.

Balance Sheet (Statement of Accounts page 6)

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

Cash Flow Statement (Statement of Accounts page 7)

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

Group Financial Statements and Notes (Statement of Accounts page 73onwards)

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

13. 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.

14. Non-Financial Performance

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

Economic Development and Digital

- Inward Investment – in the first three quarters of 2019/20 in the NECA area there have been 24 inward investment projects leading to 801 new jobs. These comprised of 17 Foreign Direct Investment projects creating 494 jobs and 7 UK projects creating 307 jobs.

Finance, Skills and Employability

- North East Mental Health Trailblazer – the programme ran from January 2017 to December 2019 and supported 1,462 residents with IPS and mental health therapies, 273 people were supported into work, a 19% conversion rate which is a good return for a hard-to-help cohort.

Transport

NECA owns the Tyne Tunnels, which 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 tolls income raised, i.e. there is no call on the Authority's budget or local taxpayers to support them, and assets and liabilities associated with the tunnels are ringfenced to the Tyne and Wear constituent councils within the Authority. The Tyne Pedestrian and Cyclist Tunnels reopened to the public in August 2019 and have been well received and well used.

The following table of Traffic flows shows a small increase in traffic in 2019/20 until the end of March when the impact of the Covid-19 pandemic took effect. The increase was seen in all classes of vehicle except Class 1.

Table 8 – Tyne Tunnel Traffic Flow data

	Class 1	Class 2	Class 3	Exempt	Total
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 3m high with 2 axles; Class 3 = HGV, Van or Bus more than 3m high or 3 axles or more; Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 13 May 2019 from £1.70 to £1.80 for class 2 vehicles without permits (now £1.62 with a pre-paid permit) and from £3.40 to £3.60 for class 3 vehicles (now £3.24 with a pre-paid permit).

Tyne and Wear Passenger Transport Executive – Nexus

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2019/20.

- The number of passenger journeys across Tyne and Wear was estimated at 154.5million; a 3.0% decline when compared to 159.3million in the previous year.
- Bus patronage reduced to 119.4 million in 2019/20; a 0.9% decline when compared to 120.9 million in the previous year.
- Metro patronage reduced to 33.1 million in 2019/20; a 9.2% decline when compared to 36.4 million in the previous year.
- Ferry patronage reduced to 352,900 passengers in 2019/20; a 19% decline when compared to 436,600 journeys in the previous year.
- Rail patronage increased to 1.68 million journeys in 2019/20; a 5.3% uplift when compared to 1.60 million journeys in the previous year.
- Metro reliability (operated mileage) was 95.7% during 2019/20, a decrease on the 98.5% achieved in the previous year.
- Metro reliability (Charter punctuality) was 80.8% during 2019/20, an increase on the 79.6% achieved in the previous year.

NECA Staffing

- NECA continues to adapt and change to meet the requirements of the area, while keeping costs to a minimum. Many services are provided through Service Level Agreements with constituent local authorities.
- New statutory officer arrangements came into operation from 1 April 2019 and have been embedded during the year.
- Movement in employee numbers up to the end of 2019/20 mainly relates to staff supporting the North East LEP, see table (below), which mainly results from the success in securing funding for operational skills activity.

Table 9 – Change in Staffing numbers since 2015/16

	Total NECA Employees at the year end	Employed on behalf of North East LEP
2019/20	63	56
2018/19	43	39
2017/18	29	21
2016/17	21	18
2015/16	15	11

- On 1 April 2020 the Accountable Body responsibility for the North East LEP transferred to NTCA and the TUPE transfer of LEP and Invest North East England staff to NTCA was also completed.

- On the same date, the TUPE transfer of 10 staff previously employed by Newcastle City Council and Nexus and seconded to NECA was completed. The majority of these staff work in the North East Transport Strategy Unit.

15. Further Information Available

Access to this report, the accounts and the Annual Governance Statement will be made available to the general public via the Authority's website. If this information is needed in another format or language please use the contact below.

If you have any problems understanding this publication, any general enquiries on the accounts or have any suggestions on how it may be improved, please contact:

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