

# necca

North East Combined Authority

**DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND**

**North East Combined Authority**

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

**Draft - subject to audit**



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

## 1.0 Statement of Responsibilities for the Statement of Accounts

### 1.1 The Authority's Responsibilities

#### **The Authority is required:**

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

#### **The Chief Finance Officer's Responsibilities:**

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

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

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

#### **The Chief Finance Officer has also:**

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

#### **Certification of the Accounts**

I hereby certify that the Statement of Accounts for the year ended 6 May 2024, required by the Accounts and Audit Regulations 2015, are set out in the following pages.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the North East Combined Authority and Group at 6 May 2024 and its income and expenditure for the year ended 6 May 2024

Signed:

Date:

## 2.1 Movement in Reserves Statement

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

	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		
<b>Balance at 1 April 2022</b>		<b>(8,571)</b>	<b>(11,306)</b>	<b>(60,987)</b>	<b>(80,862)</b>	<b>(64,557)</b>	<b>(145,419)</b>
Total Comprehensive Income and Expenditure		(65,668)	-	-	(65,668)	(6,750)	(72,418)
Adjustments between accounting basis & funding basis under regulations	3	17,699	-	(16,641)	1,058	(1,058)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		<b>(47,969)</b>	-	<b>(16,641)</b>	<b>(64,610)</b>	<b>(7,808)</b>	<b>(72,418)</b>
Transfers (To)/From Earmarked Reserves	21	48,365	(48,365)	-	-	-	-
<b>(Increase)/Decrease in 2022/23</b>		<b>396</b>	<b>(48,365)</b>	<b>(16,641)</b>	<b>(64,610)</b>	<b>(7,808)</b>	<b>(72,418)</b>
<b>Balance at 31 March 2023 carried forward</b>		<b>(8,175)</b>	<b>(59,671)</b>	<b>(77,628)</b>	<b>(145,472)</b>	<b>(72,365)</b>	<b>(217,837)</b>
Total Comprehensive Income and Expenditure		17,288	-	-	17,288	10,410	27,698
Adjustments between accounting basis & funding basis under regulations	3	(12,679)	-	14,602	1,923	(1,923)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		4,610	-	14,602	19,212	8,487	27,698
Transfers (To)/From Earmarked Reserves	21	(8,576)	8,576	-	-	-	-
<b>(Increase)/Decrease in 2023/24</b>		<b>(3,966)</b>	<b>8,576</b>	<b>14,602</b>	<b>19,212</b>	<b>8,487</b>	<b>27,698</b>
<b>Balance at 6 May 2024</b>		<b>(12,141)</b>	<b>(51,095)</b>	<b>(63,026)</b>	<b>(126,260)</b>	<b>(63,878)</b>	<b>(190,139)</b>

## 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)
					-	-	
<b>108,318</b>	<b>(123,862)</b>	<b>(15,544)</b>	<b>Cost of Services</b>		<b>131,854</b>	<b>(50,984)</b>	<b>80,870</b>
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)
		<b>(65,668)</b>	<b>(Surplus) on Provision of Services</b>				<b>17,288</b>
		(6,750)	Re-measurement of the defined benefit liability	19			10,410
		<b>(6,750)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>10,410</b>
		<b>(72,418)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>27,698</b>

## 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
<b>213,986</b>	<b>Long Term Assets</b>		<b>200,427</b>
152,694	Short Term Investments	12	161,478
3,277	Short Term Debtors	14	27,161
51,321	Cash and Cash Equivalents	16	32,144
<b>207,292</b>	<b>Current Assets</b>		<b>220,783</b>
(1,260)	Short Term Borrowing	12	(1,076)
(66,212)	Short Term Creditors	17	(109,304)
(1,130)	Grants Receipts in Advance	6	(157)
(2,802)	New Tyne Crossing Deferred Income	18	(2,797)
<b>(71,404)</b>	<b>Current Liabilities</b>		<b>(113,334)</b>
(39,228)	New Tyne Crossing Deferred Income	18	(36,084)
(92,809)	Long Term Borrowing	12	(81,654)
-	Pension Liability	19	-
<b>(132,037)</b>	<b>Long Term Liabilities</b>		<b>(117,738)</b>
<b>217,837</b>	<b>Net Assets</b>		<b>190,138</b>
(145,472)	Usable Reserves	20	(126,260)
(72,365)	Unusable Reserves	22	(63,878)
<b>(217,837)</b>	<b>Total Reserves</b>		<b>(190,138)</b>

### Chief Finance Officer Certificate

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

Signed:

Janice Gillespie, Chief Finance Officer

Date:

## 2.4 Cash Flow Statement

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

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



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

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

At this date:

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

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

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

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

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

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

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

### **Note 01a: North East Mayoral Combined Authority**

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

The accounts for 2023/24 have been prepared on a going concern basis; that is on the assumption that the authority will continue in operational existence for the foreseeable future. This means the Comprehensive Income and Expenditure Statement and the Balance Sheet assume no intention to curtail significantly the scale of the operation.

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

### **Note 01b: Extended Financial Year End**

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

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

- IAS19 pension entries for the period to 6 May 2024 were based upon reports obtained from the pension 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

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

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

**Note 02: Expenditure and Funding Analysis**

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

	2023/24 to 6 May 2024				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	5,056	-	350	-	5,406
Transport - Retained Levy Budget	753	(319)	-	-	434
Transport - Durham	18,310	-	-	-	18,310
Transport - Tyne and Wear	39,207	-	-	-	39,207
Transport - Other	7,634	14,733	-	-	22,367
Transport - Tyne Tunnels	(3,180)	(1,624)	(50)	-	(4,854)
<b>Cost of services</b>	<b>67,781</b>	<b>12,789</b>	<b>300</b>	-	<b>80,870</b>
<b>Other Income and Expenditure</b>	<b>(63,171)</b>	-	<b>(560)</b>	149	<b>(63,582)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>4,609</b>	<b>12,789</b>	<b>(260)</b>	<b>149</b>	<b>17,288</b>
<b>Opening General Fund Balances</b>	<b>(67,847)</b>				
<b>Closing General Fund Balances</b>	<b>(63,238)</b>				

**Adjustments for Capital Purposes**

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

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

## Other Differences

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

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

	2022/23				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	75	-	630	-	705
Transport - Retained Levy Budget	644	(291)	-	-	353
Transport - Durham	15,609	-	-	-	15,609
Transport - Tyne and Wear	34,734	-	-	-	34,734
Transport - Other	(46,686)	(61,252)	-	-	(62,938)
Transport - Tyne Tunnels	(2,517)	(1,451)	(40)	-	(4,008)
<b>Cost of services</b>	<b>1,859</b>	<b>(62,994)</b>	<b>590</b>	<b>-</b>	<b>(15,545)</b>
<b>Other Income and Expenditure</b>	<b>(49,829)</b>	<b>-</b>	<b>(160)</b>	<b>(134)</b>	<b>(50,123)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(47,970)</b>	<b>(62,994)</b>	<b>430</b>	<b>(134)</b>	<b>(65,668)</b>
<b>Opening General Fund Balances</b>	<b>(19,876)</b>				
<b>Closing General Fund Balances</b>	<b>(67,847)</b>				

**Note 02a: Income and Expenditure Analysed by Nature**

	<b>2022/23 £000</b>	<b>2023/24 to 6 May 2024 £000</b>
<b>Expenditure</b>		
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
<b>Total expenditure</b>	<b>112,122</b>	<b>135,419</b>
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)
<b>Total income</b>	<b>(177,789)</b>	<b>(118,131)</b>
<b>Surplus/Deficit on the provision of services</b>	<b>(65,668)</b>	<b>17,288</b>

\* 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
<b>Adjustments primarily involving the Capital Adjustment Account (CAA)</b>								
				<b>Reversal of items debited or credited to the CIES</b>				
(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
				<b>Insertion of items not debited or credited to the CIES</b>				
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
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)
<b>Adjustments involving the Capital Receipts Reserve</b>								
-	(775)	-	775	Loan principal repayments	-	(745)	-	745
-	775	-	(775)	Application of Capital Receipts to repayment of debt	-	745	-	(745)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>								
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
<b>Adjustments involving the Pensions Reserve</b>								
(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)
<b>17,699</b>	<b>-</b>	<b>(16,641)</b>	<b>(1,058)</b>	<b>Total Adjustments</b>	<b>(12,679)</b>	<b>-</b>	<b>14,602</b>	<b>(1,923)</b>

**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)
<b>Total</b>		<b>1,399</b>	<b>(4,704)</b>

**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)
<b>Total</b>		<b>(51,522)</b>	<b>(58,878)</b>

**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)
<b>Total</b>		<b>(102,036)</b>	<b>(23,022)</b>



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:

<b>Grants Receipts in Advance</b>	<b>31 March 2023 £000</b>	<b>06 May 2024 £000</b>
Office for Low Emission Vehicles	(28)	-
Other Grants	(1,102)	(157)
<b>Total</b>	<b>(1,130)</b>	<b>(157)</b>

Shown as Short-Term Liability on the Balance Sheet	(1,130)	(157)
Short as Long-Term Liability on the Balance Sheet	-	-
<b>Total</b>	<b>(1,130)</b>	<b>(157)</b>

### 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.

	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Allowances	11	11
<b>Total</b>	<b>11</b>	<b>11</b>

**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
<b>Total</b>	<b>6</b>	<b>12</b>

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

**Note 9: External Audit Costs**

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

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

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

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

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

	2023/24 to 6 May 2024			
	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment (excluding Highways Infrastructure Assets)	Service Concession Assets included in Property, Plant and Equipment (excluding Highways Infrastructure Assets)
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>At 1 April 2023</b>	2,891	843	3,734	-
Additions	92	172	264	-
Reclassification from Assets Under Construction	136	(136)	-	-
Impairment recognised in the Surplus on the Provision of Services	-	-	-	-
Other Adjustments	(25)	27	2	27
<b>At 31 March 2024</b>	<b>3,094</b>	<b>906</b>	<b>4,000</b>	<b>27</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2023</b>	(1,244)	-	(1,244)	-
Depreciation charge for the Year	(194)	-	(194)	-
<b>At 31 March 2024</b>	<b>(1,438)</b>	-	<b>(1,438)</b>	-
<b>Net Book Value</b>				
<b>At 1 April 2023</b>	1,714	843	2,557	-
<b>At 31 March 2024</b>	1,723	906	2,629	-

	2022/23			
	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment (excluding Highways Infrastructure Assets)	Service Concession Assets included in Property, Plant and Equipment (excluding Highways Infrastructure Assets)
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>At 1 April 2022</b>	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	-	-	-	-
<b>At 31 March 2023</b>	<b>2,891</b>	<b>910</b>	<b>3,801</b>	-
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2022</b>	(1,081)	-	(1,081)	-
Depreciation charge for the Year	(163)	-	(163)	-
<b>At 31 March 2023</b>	<b>(1,244)</b>	-	<b>(1,244)</b>	-
<b>Net Book Value</b>				
<b>At 1 April 2022</b>	1,809	729	2,537	-
<b>At 31 March 2023</b>	<b>1,647</b>	<b>910</b>	<b>2,556</b>	-

**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
<b>Net book value (modified historical cost)</b>		
<b>At 1 April</b>	<b>185,476</b>	<b>182,491</b>
Additions	13	-
Derecognition	-	-
Depreciation	(2,209)	(2,423)
Impairment	-	-
Other movements in cost	(789)	(339)
<b>At 31 March</b>	<b>182,491</b>	<b>179,729</b>

**Reconciliation to Balance Sheet**

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

NECA has estimated a net book value at **6 May 2024** for its structures at £179.730m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

Northbound vehicle tunnel	59 years
Southbound vehicle tunnel	107 years
Pedestrian and cyclist tunnels	59 years



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

**Note 12: Financial Instruments****Financial Assets**

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	-	-	17,049	16,300	152,694	161,478	1,270	15,010
<b>Total financial assets</b>	-	-	<b>17,049</b>	<b>16,300</b>	<b>152,694</b>	<b>161,478</b>	<b>1,270</b>	<b>15,010</b>
Non-financial assets	-	-	-	-	-	-	2,007	12,151
<b>Total</b>	-	-	<b>17,049</b>	<b>16,300</b>	<b>152,694</b>	<b>161,478</b>	<b>3,277</b>	<b>27,161</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 NECA's financial assets fit these criteria and are classified at amortised cost.

**Trade receivables**

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

### Financial Liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(92,809)	(81,654)	-	-	(1,260)	(1,076)	(7,136)	(47,101)
<b>Total financial liabilities</b>	<b>(92,809)</b>	<b>(81,654)</b>	-	-	<b>(1,260)</b>	<b>(1,076)</b>	<b>(7,136)</b>	<b>(47,101)</b>
liabilities	-	-	-	-	-	-	(59,077)	(62,203)
<b>Total</b>	<b>(92,809)</b>	<b>(81,654)</b>	-	-	<b>(1,260)</b>	<b>(1,076)</b>	<b>(66,213)</b>	<b>(109,304)</b>

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	<b>Total expense in Surplus on Provision of Services</b>	3,005	-	3,005
-	(2,406)	(2,406)	Investment income		(7,709)	(7,709)
-	(2,406)	(2,406)	<b>Total income in Surplus on Provision of Services</b>	-	(7,709)	(7,709)
4,144	(2,406)	1,738	<b>Net (gain)/loss for the year</b>	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)
<b>Total</b>		<b>(94,069)</b>	<b>(90,515)</b>	<b>(82,730)</b>	<b>(64,174)</b>
<b>Financial Assets at amortised cost</b>					
Held to maturity investments		152,694	152,694	161,478	161,478
Nexus loan debtor	2	17,049	16,562	16,300	13,741
<b>Total</b>		<b>169,743</b>	<b>169,256</b>	<b>177,778</b>	<b>175,219</b>

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
<b>Total Short-Term Investments</b>	<b>152,695</b>	<b>161,478</b>
AAA	17,058	18,674
A-	-	-
<b>Total Cash Equivalents</b>	<b>17,058</b>	<b>18,674</b>

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 6 May 2024 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Authority. The Authority has a low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

Credit risk is taken into account in determining the appropriate rate of interest to be applied to the North East Investment Fund loans and in whether an investment decision is agreed.

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure maturing loans may be replaced through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

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

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)
<b>Impact on the (Surplus)/Deficit on Provision of Services</b>	<b>(1,093)</b>	<b>(681)</b>



The increase in interest payable on variable rate borrowings is nil, because all NECA's borrowings are at fixed rates. A decrease in the fair value of fixed rate borrowings liabilities would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above, but with the movements being reversed. There have been no changes from the previous period in the methods and assumptions used.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease of £14.035m in the fair value of fixed rate borrowings, although this would not impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

**Note 14: Short Term Debtors**

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

**Note 15: Long Term Debtors**

	31 March 2023 £000	06 May 2024 £000
Nexus borrowing	17,049	16,300
<b>Total</b>	<b>17,049</b>	<b>16,300</b>

**Note 16: Cash and Cash Equivalents**

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

**Note 17: Short Term Creditors**

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

**Note 18: Private Finance Initiatives and Similar Contracts**

In November 2007, the then Tyne and Wear Passenger Transport Authority entered into a 30 year contract with TT2 Ltd to construct a second vehicle tunnel under the River Tyne, refurbish the existing Tyne Tunnel and operate both vehicle tunnels alongside the pedestrian and cycle tunnels for the life of the contract. The second tunnel was opened on 25 February 2011, and the refurbished original tunnel opened on 21 November 2011. Both are included on the public sector balance sheet.

In 2023/24 the total payment under the contract was £32.047m (2022/23 £24.555m) of which £17.601m is shown in the accounts of NECA and £14.445m shown in the accounts of NTCA.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 06 May 2024 value of £70.789m (31 March 2023 £76.384m), of which £38.881m is shown on the NECA balance sheet and £31.909m shown on the NTCA balance sheet.

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

**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
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current service cost	630	350	-	-
Settlement cost	-	-	-	-
<b>Financing and Investment Income and Expenditure</b>				
Interest on net defined benefit liability (asset)	(180)	(620)	20	60
<b>Pension expense recognised in profit and loss</b>	<b>450</b>	<b>(270)</b>	<b>20</b>	<b>60</b>
<b>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</b>				
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	-	-
<b>Total amount recognised in Other Comprehensive Income</b>	<b>(6,670)</b>	<b>10,450</b>	<b>(80)</b>	<b>(40)</b>
<b>Total amount recognised</b>	<b>(6,220)</b>	<b>10,180</b>	<b>(60)</b>	<b>20</b>

**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
<b>Opening balance at 1 April</b>	<b>(48,910)</b>	<b>(41,860)</b>	<b>(670)</b>	<b>(570)</b>
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	-	-	-	-
<b>Closing balance at 31 March</b>	<b>(41,860)</b>	<b>(41,730)</b>	<b>(570)</b>	<b>(540)</b>

**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
<b>Opening balance at 1 April</b>	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	-	-	-	-
<b>Closing balance at 31 March</b>	<b>54,320</b>	<b>57,650</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.

<b>Scheme History</b>	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 to 6 May 2024 £000
<b>Fair value of LGPS assets</b>	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)
<b>Surplus / (Deficit) on funded defined benefit scheme</b>	-	-	6,240	12,460	2,280
Discretionary benefits	(840)	(870)	(670)	(570)	(520)
<b>Total net pension asset / (liability)</b>	<b>(840)</b>	<b>(870)</b>	<b>5,570</b>	<b>11,890</b>	<b>1,760</b>

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

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £42.270m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a pension asset of £1.760m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2025 is nil. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2025 are £0.05m in relation to unfunded benefits.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon, an independent firm of actuaries. Due to the current and unprecedented market conditions, estimates for the pension fund are based on the latest full valuation of the scheme as at 31 March 2022.

The weighted average duration of the defined benefit obligation for scheme members is 14.1 years.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2022/23	2023/24 to 6 May 2024	2022/23	2023/24 to 6 May 2024
<b>Mortality assumptions:</b>				
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
<b>Principal financial assumptions (% per annum)</b>				
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%
<b>Total</b>	<b>100.0%</b>	<b>65.5%</b>	<b>34.5%</b>	<b>100.0%</b>

\* 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
<b>Actual Return on Assets</b>	<b>(460)</b>	<b>3,890</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 analysis of unfunded benefits has not been included on materiality grounds.

Discount rate assumption	+0.1% per annum	Base Figure	-0.1% per annum
<b>Adjustment to discount rate</b>			
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
<b>Adjustment to salary increase rate</b>			
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
<b>Adjustment to pension increase rate</b>			
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
<b>Adjustment to mortality age rating assumption *</b>			
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)
<b>Total</b>		<b>(145,472)</b>	<b>(126,260)</b>

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)
<b>Total</b>	<b>(11,304)</b>	<b>137</b>	<b>(48,502)</b>	<b>(59,669)</b>	<b>13,796</b>	<b>(5,221)</b>	<b>(51,093)</b>

**Note 22: Unusable Reserves**

**Summary**

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

**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.

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

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
<b>Opening Balance 1 April</b>	170	36
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(135)	123
<b>Balance at 31 March</b>	36	159

### Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

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

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

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2022/23	2023/24 to 6 May 2024
	£000	£000
<b>Opening Balance 1 April</b>	<b>(5,570)</b>	<b>(11,890)</b>
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)
<b>Balance at 31 March</b>	<b>(11,890)</b>	<b>(1,740)</b>

**Note 23: Capital Expenditure and Capital Financing**

	2022/23 £000	2023/24 to 6 May 2024 £000
<b>Opening Capital Financing Requirement 1 April</b>	<b>101,142</b>	<b>99,639</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	195	264
Revenue Expenditure Funded from Capital Under Statute	30,417	32,804
<b>Sources of Finance</b>		
Capital receipts - repayment of principal from long term debtors	(775)	(745)
Government Grants and other contributions	(30,122)	(32,811)
<b>Sums set aside from revenue</b>		
Direct revenue contributions	(200)	(203)
Minimum Revenue Provision	(1,018)	(1,146)
Additional Voluntary Provision	-	-
<b>Closing Capital Financing Requirement 31 March</b>	<b>99,639</b>	<b>97,802</b>
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)
<b>Adjustments to Surplus on Provision of Services for Non-Cash Movements</b>		
Depreciation and Impairment	2,372	2,617
Increase/(Decrease) in Creditors	9,558	42,908
(Increase)/Decrease in Debtors	(519)	(22,404)
Movement in Pension Liability	430	(260)
Other non-cash items charged to the net surplus on the provision of services	(2,802)	(3,073)
	<b>9,039</b>	<b>19,788</b>
<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	(46,763)	(28,260)
<b>Net cash flow from operating activities</b>	<b>27,944</b>	<b>(25,760)</b>

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
<b>Net cash flows from investing activities</b>	<b>(15,683)</b>	<b>17,815</b>

**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)
<b>Net cash flows from financing activities</b>	<b>(953)</b>	<b>(11,232)</b>



**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)
<b>Total Liabilities from financing activities</b>	<b>(94,069)</b>	<b>11,339</b>	<b>-</b>	<b>-</b>	<b>(82,730)</b>

	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)
<b>Total Liabilities from financing activities</b>	<b>(94,833)</b>	<b>759</b>	<b>-</b>	<b>5</b>	<b>(94,069)</b>

## **Note 27: Accounting Standards Issued, Not Yet Adopted**

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

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

- IFRS 16 Leases: this new standard replaces IAS 17 from 1 April 2024 (delayed from 2020/21) and establishes a new model for lessees. There is not expected to be any impact on the NECA single entity accounts, however there is an expected impact on the Group Accounts. The standard will affect the Group accounts as it changes the 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.

## **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 2022/23 financial year and its position at the extended year-end of . The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code requires that a Local Authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the Authority will continue in operational existence for the foreseeable future.

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

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

### **2. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliability the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payments on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Authority has a policy of not accruing for manual sundry creditor or sundry debtor provisions for less than £1,000, other than in exceptional circumstances.

### **3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than 90 days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **4. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

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

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

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

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

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

## **6. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority is not required to raise the levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses are therefore replaced by a contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **7. Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. Due to the small number of employees the Authority has, the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year is immaterial and therefore an accrual will not be made. This approach will be reviewed each year to ensure it is still an appropriate treatment.

## Termination Benefits

Termination benefits are amounts which would be payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

No such amounts are payable in 2022/23

## 8. Post-Employment Benefits

NECA is a member of the Local Government Pension Scheme, which provides members with defined benefits relating to pay and service. Its pension obligations relate primarily to former employees.

The relevant fund is the Tyne and Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at [www.twpcf.info](http://www.twpcf.info).

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate determined annually, based on the indicative rate of return on high quality corporate bonds.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - o Quoted securities at current bid price
  - o Unquoted securities based on professional estimate
  - o Unitised securities at current bid price
  - o Property at market value.

The change in the net pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the NECA Corporate line.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the NECA Corporate line.
- Net interest on the net defined liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
- Remeasurements comprising:
  - o The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - o Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - o Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are provided in Note 19 to the accounts.

## 9. Events after the Balance Sheet Date

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

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

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

## 10. Fair Value Measurement

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

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

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

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

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

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

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

## **11. Financial Instruments**

### **Financial Liabilities**

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

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

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



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

## Financial Assets

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

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

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

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

## Amortised Cost

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

However, the authority can make loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost 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 de minimis level are charged to the revenue account and are not classified as capital expenditure, i.e. the asset is not included in the balance sheet unless they are part of an overall project costing more than the established de minimis level. For all capital expenditure the de minimis level is £10,000.

### **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

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

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

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

## **Depreciation**

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

Depreciation on all Property, Plant and Equipment assets (except vehicles) is calculated by taking the asset value at 31 March 2023, divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

## **Disposals**

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

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

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

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

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

#### **14. Highways Infrastructure Assets**

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



## Recognition

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

## Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this 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 2022/23.

## **18. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

## **19. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levy.

## **19. VAT**

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

## **21. Overheads**

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

## **22. Tyne Tunnels Income**

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

## **23. Group Accounts**

NECA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 to produce Group Accounts to include services provided to Council Tax payers in the North East by organisations other than the Authority itself in which the Authority has an interest.

Although there has been no definitive ruling by CIPFA or central government in relation to Combined Authorities and Passenger Transport Executives, it is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of NECA and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

For the 2022/23 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2022/23 and comparators for 2021/22. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

## 24. Joint Transport Committee

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

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

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

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

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

- Split the revenues between that which relates to NECA and NTCA. In this case the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).
- The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and/or North Tyneside (allocated to NTCA), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

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

By similar rationale and argument, the division of assets, liabilities and expenditure incurred will also be divided on this basis.

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

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

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

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

## **Note 31: Events After the Balance Sheet Date**

### **Adjusting events after the Balance Sheet date**

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

### **Non-adjusting Events after the Balance Sheet date**

Where events take place after 31 March which do not relate to conditions at 31 March but which provide information that is relevant to an understanding of the Authority's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed.

On 12 March 2024 the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provides for the establishment on 7 May 2024 of the North East Mayoral Combined Authority (MCA), comprising as constituent councils the seven north-east councils. The Order simultaneously abolishes the existing NECA and NTCA, and the office of the Mayor of North of Tyne. The Order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The Order also provides for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to the mayoral combined authority. For this reason it is considered appropriate, in line with the Code, for these accounts to be prepared on a going concern basis and so no adjustments are required.



**North East Combined Authority**  
**Group Statement of Accounts 2023/24**  
**to 6 May 2024**  
**Draft - Subject to Audit**

## 3.1 Group Movement in Reserves Statement

	Note	NECA Usable Reserves	NECA Unusable Reserves	Total NECA Reserves	Authority Share of Nexus	Total Group Reserves
		£000	£000	£000	£000	£000
<b>Balance at 1 April 2022 carried forward</b>		<b>(80,863)</b>	<b>(64,556)</b>	<b>(145,419)</b>	<b>(326,345)</b>	<b>(471,764)</b>
Total Comprehensive Income and Expenditure		(65,668)	(6,750)	<b>(72,418)</b>	(138,589)	<b>(211,007)</b>
Adjustments between accounting basis & funding basis under regulations	G14	1,058	(1,058)	-	-	-
<b>(Increase)/Decrease in 2022/23</b>		<b>(64,610)</b>	<b>(7,808)</b>	<b>(72,418)</b>	<b>(138,589)</b>	<b>(211,007)</b>
<b>Balance at 31 March 2023 carried forward</b>		<b>(145,473)</b>	<b>(72,364)</b>	<b>(217,837)</b>	<b>(464,934)</b>	<b>(682,771)</b>
Total Comprehensive Income and Expenditure		17,288	10,410	<b>27,698</b>	(8,484)	<b>19,214</b>
Adjustments between accounting basis & funding basis under regulations	G14	1,923	(1,923)	-	-	-
<b>(Increase)/Decrease in 2023/24 to 6 May 2024</b>		<b>19,211</b>	<b>8,487</b>	<b>27,698</b>	<b>(8,484)</b>	<b>19,214</b>
<b>Balance at 6 May 2024 carried forward</b>		<b>(126,262)</b>	<b>(63,877)</b>	<b>(190,139)</b>	<b>(473,418)</b>	<b>(663,557)</b>

### 3.2 Group Comprehensive Income and Expenditure Statement

2022/23				Note	2023/24 to 6 May 2024		
Gross Expenditure	Gross Income	Net Expenditure			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)	22,245	
16,309	(20,317)	(4,008)	Transport - Tyne Tunnels	21,070	(25,923)	(4,854)	
<b>176,553</b>	<b>(175,058)</b>	<b>1,495</b>	<b>Cost of Services</b>	<b>202,624</b>	<b>(98,783)</b>	<b>103,841</b>	
10,846	(8,797)	2,049	<b>Financing and Investment Income and Expenditure</b>	G03 12,472	(21,318)	(8,847)	
-	(133,696)	(133,696)	<b>Taxation and Non-Specific Grant Income</b>	G04 -	(121,028)	(121,028)	
16	-	16	<b>(Gain)/Loss on disposal or derecognition of non-current assets</b>	152	-	152	
		(130,136)	<b>Surplus on the Provision of Services</b>			(25,882)	
-	-	(1,773)	<b>Taxation of Group Entities</b>	-	-	(796)	
		(131,909)	<b>Group Surplus</b>			(26,678)	
		(79,097)	Re-measurement of the defined benefit liability	G12 -	-	45,891	
		-	Gains on Revaluation of Property	G06		110	
		(79,097)	<b>Other Comprehensive Income and Expenditure</b>			<b>45,891</b>	
		(211,006)	<b>Total Comprehensive Income and Expenditure</b>			<b>19,213</b>	

## 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
<b>639,347</b>	<b>Long Term Assets</b>		<b>635,379</b>
152,694	Short Term Investments	G8	161,478
12,384	Short Term Debtors	G9	36,050
62,096	Cash and Cash Equivalents	G10	38,400
480	Inventories		514
<b>227,654</b>	<b>Current Assets</b>		<b>236,442</b>
(1,257)	Short Term Borrowing	G8	(1,076)
(44,027)	Short Term Creditors	G11	(83,053)
(1,130)	Grants Receipts in Advance		(157)
(2,802)	New Tyne Crossing Deferred Income		(2,797)
<b>(49,216)</b>	<b>Current Liabilities</b>		<b>(87,083)</b>
(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	-
<b>(135,015)</b>	<b>Long Term Liabilities</b>		<b>(121,180)</b>
<b>682,770</b>	<b>Net Assets</b>		<b>663,558</b>
(179,886)	Usable Reserves	G14	(160,155)
(502,884)	Unusable Reserves	G15	(503,403)
<b>(682,770)</b>	<b>Total Reserves</b>		<b>(663,558)</b>

## Chief Finance Officer Certificate

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

Signed: Janice Gillespie, Chief Finance Officer

Date:

## 3.4 Group Cash Flow Statement

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

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

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

For more details see Note 1.

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

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

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

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

**Note G02: Expenditure and Funding Analysis**

	2023/24 to 6 May 2024				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	5,056	-	350	-	5,406
Transport - Retained Levy Budget	753	(319)	-	-	434
Transport - Durham	18,310	-	-	-	18,310
Transport - Tyne and Wear	108,240	(45,876)	(65)	-	62,299
Transport - Other	7,511	14,734	-	-	22,245
Transport - Tyne Tunnels	(3,179)	(1,625)	(50)	-	(4,854)
<b>Cost of services</b>	<b>136,692</b>	<b>(33,086)</b>	<b>235</b>	<b>-</b>	<b>103,841</b>
<b>Other Income and Expenditure</b>	<b>(133,334)</b>	<b>-</b>	<b>-</b>	<b>3,611</b>	<b>(129,723)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>3,358</b>	<b>(33,086)</b>	<b>235</b>	<b>3,611</b>	<b>(25,882)</b>
<b>Opening General Fund Balances</b>	<b>(100,489)</b>				
<b>Closing General Fund Balances</b>	<b>(97,130)</b>				

**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)
<b>Cost of services</b>	<b>80,893</b>	<b>(88,437)</b>	<b>9,037</b>	<b>-</b>	<b>1,493</b>
<b>Other Income and Expenditure</b>	<b>(131,497)</b>	<b>0</b>	<b>-</b>	<b>(134)</b>	<b>(131,631)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(50,604)</b>	<b>(88,437)</b>	<b>9,037</b>	<b>(134)</b>	<b>(130,138)</b>
<b>Opening General Fund Balances</b>	<b>(49,885)</b>				
<b>Closing General Fund Balances</b>	<b>(100,489)</b>				

**Note G02a: Income and Expenditure Analysed by Nature**

	<b>2022/23</b> <b>£000</b>	<b>2023/24 to</b> <b>6 May 2024</b> <b>£000</b>
<b>Expenditure</b>		
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
<b>Total expenditure</b>	<b>187,411</b>	<b>215,248</b>
<b>Income</b>		
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)
<b>Total income</b>	<b>(317,550)</b>	<b>(241,130)</b>
<b>Surplus on the provision of services</b>	<b>(130,139)</b>	<b>(25,882)</b>

**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)
<b>Total</b>		<b>2,051</b>	<b>(8,847)</b>

**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)
<b>Total</b>		<b>(133,696)</b>	<b>(121,028)</b>

**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)
<b>Total</b>		<b>(119,231)</b>	<b>(37,238)</b>

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

	2022/23				
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment (excluding Infrastructure Assets) £000	Service Concession Assets included in PPE £000
<b>Cost or Valuation</b>					
At 1 April 2022	20,430	87,942	4,784	113,157	-
Additions	92	64,073	-	64,165	-
Reclassifications from Assets Under Construction	209	(27,530)	-	(27,321)	-
Transfers between categories	-	(98)	-	(98)	-
Derecognition - Disposals	(720)	(55)	(16)	(790)	-
Revaluation Recognised in Revaluation Reserve	-	-	(110)	(110)	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other Adjustments	(25)	27	-	2	-
<b>At 31 March 2023</b>	<b>19,987</b>	<b>124,359</b>	<b>4,658</b>	<b>149,004</b>	<b>-</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2022	(15,378)	-	(192)	(15,570)	-
Depreciation charge	(693)	-	(13)	(705)	-
Derecognition - Disposals	563	-	14	577	-
<b>At 31 March 2023</b>	<b>(15,508)</b>	<b>-</b>	<b>(190)</b>	<b>(15,698)</b>	<b>-</b>
<b>Net Book Value</b>					
At 1 April 2022	5,052	87,942	4,592	97,586	-
At 31 March 2023	4,479	124,359	4,468	133,306	-

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

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

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

	2022/23	2023/24
	£000	£000
<b>Net book value (modified historical cost)</b>		
<b>At 1 April</b>	<b>441,768</b>	<b>491,214</b>
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)
<b>At 31 March</b>	<b>491,214</b>	<b>494,306</b>

**Reconciliation to Balance Sheet**

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

**Note G07: Intangible Assets**

Intangible assets in the Group Accounts relate wholly to Nexus.

	2022/23 £000	2023/24 £000
<b>Cost or Valuation</b>		
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)
<b>Total</b>	<b>8,378</b>	<b>10,878</b>
<b>Amortisation</b>		
Opening Balance	(3,992)	(4,462)
Amortisation provided during the period	(470)	(565)
Derecognition - Disposals	-	174
<b>Total</b>	<b>(4,462)</b>	<b>(4,853)</b>
<b>Net Book Value at 31 March</b>	<b>3,916</b>	<b>6,026</b>

**Note G08: Financial Instruments****Financial Assets**

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024	31 March 2023	6 May 2024
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	1	1	-	-	152,694	161,478	10,377	23,899
<b>Total financial assets</b>	1	1	-	-	152,694	161,478	10,377	23,899
Non-financial assets	-	-	-	-	-	-	2,007	12,151
<b>Total</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>152,694</b>	<b>161,478</b>	<b>12,384</b>	<b>36,050</b>

**Financial assets at amortised cost**

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

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

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

**Trade receivables**

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.



### Financial Liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to Authority.

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

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
<b>4,123</b>	<b>-</b>	<b>4,123</b>	<b>Total expense in Surplus on Provision of Services</b>	<b>3,717</b>	<b>-</b>	<b>3,717</b>
-	(2,644)	(2,644)	Investment income	-	(10,295)	(10,295)
<b>-</b>	<b>(2,644)</b>	<b>(2,644)</b>	<b>Total income in Surplus on Provision of Services</b>	<b>-</b>	<b>(10,295)</b>	<b>(10,295)</b>
<b>4,123</b>	<b>(2,644)</b>	<b>1,479</b>	<b>Net (gain)/loss for the year</b>	<b>3,717</b>	<b>(10,295)</b>	<b>(6,578)</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 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)
<b>Total</b>		<b>(94,069)</b>	<b>(90,515)</b>	<b>(82,730)</b>	<b>(64,174)</b>
<b>Financial Assets at amortised cost</b>					
Held to maturity investments		152,694	152,694	161,478	161,478
<b>Total</b>		<b>152,694</b>	<b>152,694</b>	<b>161,478</b>	<b>161,478</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 13 of the single entity accounts.

**Note G09: Short Term Debtors**

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

**Note G10: Cash and Cash Equivalents**

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

**Note G11: Short Term Creditors**

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

## **Note G12: Defined Benefit Pension Schemes**

NECA and Nexus participate in the Tyne and Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

### **Consolidated Pension Liability**

The Group net pension asset of £0.988m (2023 £35.221m) is the sum of the NECA and Nexus net pension asset.

### **Transactions Relating to Post-employment Benefits**

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

## Comprehensive Income and Expenditure Statement

	LGPS		Discretionary Benefits	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
<b>Cost of Services:</b>				
Current service cost <sup>1</sup>	10,986	5,557	-	-
Past service cost	-	-	-	-
Settlement cost	-	-	-	-
Exceptional loss on transfer of pension liability	-	-	-	-
<b>Financing and Investment Income and Expenditure</b>				
Interest cost	6,676	7,882	48	142
Expected Return on Scheme Assets	(6,152)	(10,386)	-	-
<b>Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>11,510</b>	<b>3,053</b>	<b>48</b>	<b>142</b>
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	-	-
<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>(79,000)</b>	<b>46,008</b>	<b>(97)</b>	<b>(128)</b>
<b>Total amount recognised in CIES</b>	<b>(67,490)</b>	<b>49,061</b>	<b>(49)</b>	<b>15</b>

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

**Reconciliation of the Fair Value of the Scheme Assets:**

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

<b>Scheme History</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fair value of LGPS assets</b>	<b>237,767</b>	<b>279,963</b>	<b>290,317</b>	<b>278,865</b>	<b>293,858</b>
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)
<b>Surplus/(Deficit) on funded defined benefit s</b>	<b>(36,871)</b>	<b>(47,687)</b>	<b>(21,179)</b>	<b>48,644</b>	<b>54,969</b>
Discretionary benefits	(2,380)	(2,329)	(1,770)	(1,533)	(1,358)
Unrecognised asset (asset ceiling)	-	-	-	-	(52,689)
<b>Total (Deficit)</b>	<b>(39,251)</b>	<b>(50,016)</b>	<b>(22,948)</b>	<b>47,111</b>	<b>922</b>

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

	<b>NECA</b>	<b>Nexus</b>
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
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
Men	21.6	21.0	21.8	21.0
Women	24.6	24.2	25.0	24.2
<b>Longevity at 65 for future pensioners:</b>				
Men	22.9	22.3	n/a	n/a
Women	26.1	25.6	n/a	n/a
<b>Principal financial assumptions (% per annum)</b>				
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%
<b>Total</b>	<b>100.0%</b>	<b>65.5%</b>	<b>34.5%</b>	<b>100.0%</b>

\* 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
<b>Actual Return on Assets</b>	<b>(375)</b>	<b>3,890</b>

#### 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
<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% per annum</b>	<b>Base Figure</b>	<b>-0.1% per 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</b>	<b>+0.1% per annum</b>	<b>Base Figure</b>	<b>-0.1% per 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 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

**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
<b>Total</b>	<b>(1,773)</b>	<b>796</b>

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)
<b>Total</b>	<b>798</b>	<b>-</b>

**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)
<b>Total</b>	<b>(179,887)</b>	<b>(160,156)</b>

**Note G15: Unusable Reserves****Summary**

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

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.

	<b>£000</b>
<b>Opening Balance 1 April 2022</b>	<b>(5,709)</b>
Difference between fair value depreciation and historical cost depreciation written off to the CAA	114
Revaluation Gain recognised in Revaluation Reserve	-
<b>Balance at 31 March 2022</b>	<b>(5,595)</b>
Difference between fair value depreciation and historical cost depreciation written off to the CAA	99
Revaluation Gain recognised in Revaluation Reserve	110
<b>Balance at 6 May 2024</b>	<b>(5,386)</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 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
<b>Balance at 1 April 2022</b>	<b>22,948</b>
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)
<b>Balance at 31 March 2023</b>	<b>(47,112)</b>
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)
<b>Balance at 6 May 2024</b>	<b>(921)</b>

## 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.

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	£000
<b>Balance at 1 April 2022</b>	<b>(377,614)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
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
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(114)</b>
<b>Capital financing applied in the year:</b>	
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)
<b>Balance at 31 March 2023</b>	<b>(450,217)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
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
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(99)</b>
<b>Capital financing applied in the year:</b>	
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)
<b>Balance at 6 May 2024</b>	<b>(497,282)</b>

**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
<b>Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements</b>		
Depreciation, Impairment and Amortisation	21,712	23,319
Loss on disposal of non-current assets	2,477	945
(Increase)/Decrease in Creditors	26,959	70,312
Increase/(Decrease) in Debtors	(15,872)	(36,960)
Increase/(Decrease) in Inventories	21	(34)
Pension transactions	9,157	234
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,435)	(2,111)
	<b>43,020</b>	<b>55,704</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
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)
<b>Net cash flow from operating activities</b>	<b>37,545</b>	<b>(15,268)</b>

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
<b>Net cash flows from investing activities</b>	<b>(20,874)</b>	<b>(51,570)</b>

**Note G18: Cash Flow Statement - Financing Activities**

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

**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
	£000		£000	Acquisition £000	Other £000
Long term borrowings	(92,809)	11,155	-	(1)	(81,655)
Short term borrowings	(1,261)	184	-	1	(1,076)
<b>Total Liabilities from financing activities</b>	<b>(94,070)</b>	<b>11,339</b>	<b>-</b>	<b>-</b>	<b>(82,731)</b>

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



**Note G19: Capital Expenditure and Capital Financing**

	<b>£000</b>
<b>Opening Capital Financing Requirement 1 April 2022</b>	<b>101,142</b>
<b>Capital Investment</b>	
Property, Plant and Equipment	92,586
Intangible Assets	1,100
Revenue Expenditure Funded from Capital Under Statute	30,417
<b>Sources of Finance</b>	
Capital receipts - repayment of principal from long term debtors	(775)
Government Grants and other contributions	(121,817)
<b>Sums set aside from revenue</b>	
Direct revenue contributions	(1,997)
Minimum Revenue Provision	(1,018)
Additional Voluntary Provision	-
<b>Closing Capital Financing Requirement 31 March 2023</b>	<b>99,639</b>
Decrease in underlying need to borrow (unsupported by government financial assistance)	<b>(1,503)</b>

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

## 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.