Narrative Report by the Chief Finance Officer

For the 2025/26 financial year

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Introduction

Welcome to the North East Mayoral Strategic Authority's (the Authority) Annual Statement of Accounts for 2025/26. The statements have been prepared in accordance with the requirements of the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

This narrative report aims to provide information so that members of the public, Councillors, partners, stakeholders and other interested parties are able to have:

- A full and understandable explanation of the overarching financial position of the Authority and the financial performance for the year 2025/26;
- Confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner;
- Assurance that the financial position of the Authority is sound and secure.

This narrative report provides information about the Authority, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2026 and non-financial performance and an executive summary of the Authority's achievements in 2025/26. The purpose is to provide an understandable guide to the most significant aspects of the Authority's financial performance, year-end financial position and cash flows. The narrative report focuses on matters that are of relevance to the principal users of the statement of accounts. As well as complementing and supplementing the information provided in the accounts, it provides a forward look at the factors likely to impact the Authority in the future.

About the North East Mayoral Strategic Authority

The North East Combined Authority was formed on 7 May 2024. It is led by an Elected Mayor and Cabinet and covers the seven local authority areas of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. With effect from 18 May 2026, the Authority was granted established mayoral strategic authority status, and changed its name to the North East Mayoral Strategic Authority. The new name reflects the Authority's legal status, and its work to lead the region's growth across economic growth, transport, skills and inclusion. This status brings with it the greatest levels of devolution of powers and funding from HM Government, in the form of an integrated settlement.

North East England is unique in its diversity. It's also uniquely placed to become the home of real opportunity. It stretches from vibrant and fast-evolving cities to wild, open countryside and coastlines; whose communities are custodians, living and working in an historic natural environment.

The Authority will focus on delivery, ensuring we have real impact. This means setting clear, long-term goals that contribute to a bold vision of change. The vision and priorities of the Authority are set by the Mayor and Cabinet, and delivered through the five key missions agreed and set out in the Corporate Plan:

Home of real opportunity – Our region is a great place to live and work, but too many people face challenges to success. We will implement policies that help to overcome those challenges, from skills training to child support.

A North East we are proud to call home – Where we live matters. The people of the North East are rightly proud of their local identity and want services and policies that support them to live here.

Home to a growing and vibrant economy for all – We will ensure people have the skills to access work and provide the right conditions for economic growth. We will ensure support and investment in a wide range of economic drivers: from advanced manufacturing to the cultural sector, from skills training to good, affordable transport.

Home of the green energy revolution – We will grasp the opportunity that net zero presents to the North East. Not only will we transition to a green economy, creating thousands of jobs and reducing carbon emissions, we'll build the new technologies and solutions needed for the UK to decarbonise too.

A welcoming home to global trade – The North East is an exporting powerhouse and the Mayoral Strategic Authority will build on that global reputation to maximise international opportunity. We will secure more global inward investment and increase our export output, including a focus on our cultural exports.

Governance and Structure

The Authority is democratically governed by the Mayor and the Cabinet.

The Cabinet is the main decision-making body of the North East MSA. It is made up of the Mayor and the leaders of each of the seven constituent authorities. There are also two non-voting members representing the business and community and voluntary sectors.

Advisory boards bring together key stakeholders to support and advise the Cabinet in steering and delivering the Authority's strategies and programmes.

- Business Advisory Council – bringing together industry leaders and stakeholders to drive economic growth, investment and prosperity across the region.
- Transport – This board helps shape the region's transport investment programme, supporting the development and delivery of the Local Transport Plan, aligning policies across sectors, and advising on funding opportunities.

- **Home of real opportunity** – this board supports our work to reduce child poverty, grow skills and increase local people's access to opportunity, including public service reform.
- **A North East we are proud to call home** – this board supports out work on housing policy and delivery, including building more social housing, as well as our rural growth fund.
- **Home to a growing and vibrant economy for all** – this board supports out delivery of the North East's Local Growth Plan, our investment in the foundational economy, our support to develop culture and the creative industries, and our work to boost research, development and innovation across our businesses.
- **Home of the green energy revolution** – this board supports our work to grow the green energy sector in the region, protect our environment and coastline, and enhance our investment in net zero measures.
- **A welcoming home to global trade** – this board supports our drive to grow inward investment and build the North East's place on the world stage to increase exports and trade, as well as giving local firms access to new finance and investment funds.
- **Finance and investment** – this board provides strategic oversight on funding and investment to drive economic growth and long-term prosperity across the region.

The Authority has two committees appointed to review its work. They are made up of councillors from the constituent authorities.

- **Audit and Standards Committee** – led by an independent chair, the Audit and Standards Committee supports and monitors the governance, risk management, external audit, internal audit and financial reporting of the Authority, ensuring they are managed to a high standard of openness, integrity and accountability.
- **Overview and Scrutiny Committee** – effective scrutiny arrangements are an essential component of local democracy, enhancing accountability and transparency of decision making and enabling local councillors to represent the views of their constituents.

The Annual Governance Statement, published by the Authority alongside the Narrative Report and the Statement of Accounts, outlines the Authority's approach to corporate governance and internal control.

Key delivery achievements

The North East MSA was established in May 2024. Since then, major progress has been made to build a high performing, unified Strategic Mayoral Authority that provides strong regional leadership for the people of the North East.

A significant programme of delivery is now underway, with work progressing that will bring substantial benefits to communities across the region. Since its inception in May 2024, the

North East MSA Cabinet has approved 186 proposals, allocating £338m in funding from the North East MSA Investment Fund, Early Capital Regeneration, Investment Zones, Connect to Work, Economic Inactivity Trailblazer and the Brownfield Housing Fund. In addition, 39 transport investments have been approved at Cabinet, totalling over £448m, with transport programmes now well established and progressing at pace.

Key delivery achievements include:

- Around **1,900 new jobs created,** and **600 jobs safeguarded** directly or indirectly through our investments.
- Through land remediation, our Brownfield Housing programmes will unlock over 4,000 new homes across the region. We have already enabled 3,244 of these, with **1,610 now being constructed and 573 already finished.**
- We have supported **3,045 households** with energy saving advice, measures and installations.
- **1,905 Baby Boxes** have been distributed to families.
- **1,493 families** with young children have been **supported with essential items.**
- Families have been supported to access **£1.66m** extra annual income.
- **30 families** supported with childcare costs through the pilot phase of the **Mayor's childcare grant**.
- High quality careers advice given to **22,389 young people and 776 regional employers** supported to engage with education.
- We have funded **68,000 residents** to gain formal qualifications.
- **11,640 residents have undertaken a Skills Bootcamp; 4,000+** entered employment as a direct result.
- **Over 8,000 residents** supported through our Health and Employability Programmes **with 14,000+ more expected to benefit by 2030.**
- **875 young people** have participated in Not in Education, Employment, or Training (NEET) prevention activity.
- **Over 95 million trips** have been made using the 'Mayor's Fares' **saving customers an estimated £70m by capping** single **adult bus and Metro fares at £2.50** and **under 22 at £1.**
- Over **250,000 journeys** have been made using **care leaver free travel passes.**
- **1.25 miles of new high-quality walking, wheeling and cycling routes has been delivered.**
- **We have supported over 2,500 businesses; with 1,000 receiving one-to-one** guidance.
- Installed **32 new EV (Electric Vehicle) charge-points.**
- **Funded 95 new EV buses** operating across region.

- Supported **121 Small and Medium-sized Enterprise (SME) and Voluntary, Community and Social Enterprise (VCSEs**) to make significant savings on their energy bills.
- The **£70m North East Fund** has launched, with **£7m already invested in 21 businesses.**
- Over **400 businesses signed up to SHINE –** our tailored North East good employer standard.
- **58 community projects** supported through **Mayor's Opportunity Fund.**
- Our **Flexible Social Finance Fund** has provided **£1.5m+** of loans to **16 organisations.**

Over the last two years we have also:

- Unlocked over **£1.8 billion of investment** through access to an Integrated Settlement.
- Approved **major Mayoral Development Zones** for Sunderland, Newcastle and Gateshead, and Durham.
- Agreed a **£104m** package to turbocharge the region's **creative industries.**
- **Launched a High-streets commission.**
- Invested **£37m into our Investment Zones** enabling innovation and industrial growth infrastructure.
- Published the **Mayor's Plan for Green Jobs to create 25,000 new green jobs** by 2035.
- Secured the **UK's first AI Growth Zone** which is expected to create more than **5,000 new jobs** and bring **£30 billion investment.**
- Published the **Mayor's Local Transport Plan** following consultation with over 16,000 members of the public and backed by **£1.85bn investment.**
- Started the process to **develop the Angel Network** and **bring buses back under public control.**
- Progressed with plans to **extend the Metro to Washington and re-open the Leamside Line.**
- Worked alongside Homes England via a **Strategic Place Partnership** to unlock thousands of new homes.

As a convener, the North East MSA has harnessed the collective knowledge, experience and resource available across the region, through nurturing existing relationships and building new ones to drive forward delivery to achieve the missions set out in the Corporate Plan.

Future Delivery Priorities

Priorities for the Authority over the next two years include:

Reduce poverty and widen access to opportunity

- Deliver the Child Poverty Action Plan at scale, expanding interventions and partnership delivery
- Continue cost of living support (e.g. childcare, income maximisation, community programmes)
- Strengthen early years, family and preventative support systems
- Embed place-based, community-led interventions to tackle inequality at source

Build a stronger, more inclusive labour market

- Deliver the New Deal for North East Workers as the core framework for skills, employment support and job quality
- Scale adult skills investment and sector-focused provision
- Expand Health & Employability / Connect to Work programmes
- Reduce economic inactivity and NEET levels, especially for young people
- Strengthen employer engagement and workforce diversity

Improve education, skills pathways and transitions

- Deliver a consistent, region-wide careers offer in schools
- Ensure meaningful employer engagement and work experience for young people
- Improve post-16 outcomes and sustained destinations
- Align skills provision to growth sectors and labour market demand

Transform transport connectivity, affordability and control

- Maintain and extend affordable fares (Mayor’s Fares) to enable and encourage more people to make journeys using public transport
- Progress bus franchising (Angel Network) through consultation and towards decision and implementation
- Develop and secure business case for Metro to Washington and rail expansion
- Improve safety, reliability and user experience across the network
- Invest in integrated, real-time, accessible transport infrastructure

Accelerate housing delivery and place-based regeneration

- Unlock and deliver brownfield and affordable housing at scale
- Progress Mayoral Development Zones (Newcastle and Gateshead, Sunderland, Durham)
- Develop and implement a Spatial Development Strategy
- Introduce a regional homelessness prevention blueprint
- Revitalise local economies via high street and rural growth programmes

Drive economic growth, productivity and sector development

- Deliver the Local Growth Plan priorities and Investment Zones
- Scale the creative industries and visitor economy (events, infrastructure, funding)
- Implement a single regional business support framework
- Support SME growth, innovation and access to finance
- Promote good work and productivity through SHINE

Lead the green energy transition and net zero economy

- Deliver the Mayor's Plan for Green Jobs and scale green employment
- Accelerate offshore wind, clean energy infrastructure and innovation programmes
- Roll out warm homes / retrofit programmes to tackle fuel poverty
- Expand green skills provision and energy academies
- Invest in zero-emission transport and EV infrastructure

Attract investment and grow global trade

- Convert AI Growth Zone and sector propositions into inward investment
- Deliver a coordinated regional investment service and pipeline
- Strengthen international trade partnerships and missions
- Expand access to finance (North East Fund, Growth Fund)
- Position the North East as a global hub in clean energy, advanced manufacturing and innovation

Strengthen delivery, governance and performance capability

- Embed the Performance Management Framework and outcomes reporting
- Align delivery to the Integrated Settlement and outcomes framework
- Improve data, evaluation and evidence-led decision making
- Strengthen partnership delivery model with constituent local authorities and stakeholders
- Maintain focus on programme delivery pace, accountability and impact

Financial Performance

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of the Authority's revenue expenditure against its operational budget is set out in Table 1 below.

Table 1:

All numbers in £m	Provisional Outturn	Revised Budget	Variance to Budget	Full Year Forecast at Q3	Movement from Q3
Organisational Running Costs					
Employees	15.643	15.989	(0.346)	16.358	(0.715)
Premises	3.057	2.966	0.091	3.381	(0.324)
Supplies and Services	0.667	0.689	(0.022)	0.787	(0.120)
Total Organisational Running Costs	**19.367**	**19.644**	**(0.277)**	**20.256**	**(1.159)**
Other Expenditure					
Contingency	3.633	5.217	(1.584)	4.370	(0.737)
Capital Financing	8.789	8.789	0.000	8.789	0.000
Transport Levy Grants	87.173	87.173	0.000	87.173	0.000
Total Other Expenditure	**99.595**	**101.179**	**(1.584)**	**100.332**	**(0.737)**
Total Expenditure	**118.962**	**120.823**	**(1.861)**	**120.857**	**(1.896)**
Income					
Grant top-slice	(9.429)	(10.291)	0.862	(10.688)	1.259
Grant funding	(4.547)	(4.107)	(0.440)	(3.300)	(1.247)
Recharges to projects	(4.739)	(2.854)	(1.885)	(5.081)	0.342
Interest	(22.445)	(6.800)	(15.645)	(21.475)	(0.970)
Transport Levies	(89.356)	(89.356)	0.000	(89.356)	0.000
Total Income	**(130.516)**	**(113.408)**	**(17.108)**	**(129.901)**	**(0.616)**
Net Total	**(11.554)**	**7.415**	**(18.969)**	**(9.043)**	**(2.512)**
Funding Towards capital financing costs from Tyne Tunnels	**(20.339)**	**(1.370)**	**(18.969)**	**(17.828)**	**(2.512)**
Grand Total	**(20.339)**	**(1.370)**	**(18.969)**	**(17.828)**	**(2.512)**

The overall net position is a surplus of £20.339m for corporate overheads and related income and expenditure in 2025/26, compared with a revised budget surplus of £1.370m. This represents a favourable variance of £18.969m against budget. The position is also a £2.512m improvement compared with the forecast reported at Quarter 3, when a surplus of £17.828m was forecast.

The most significant favourable variance is within income, which is £17.108m higher than budget. This is mainly due to interest income of £22.445m, which is £15.645m above the revised budget and £0.970m higher than the Q3 forecast, reflecting continued strong investment returns and higher than forecast cash balances during the year. In line with the Medium Term Financial Plan, the surplus will be transferred to an earmarked Interest Reserve, to provide a flexible funding source for priority projects brought forward through the Single Assurance Framework. This approach ensures that one-off interest gains are not built into the ongoing revenue budget and instead are set aside to support future investment, and/or manage financial risk.

Total expenditure is £1.861m below the revised budget. Organisational running costs are £0.277m under budget, mainly due to employee costs being £0.346m lower than budget. Other expenditure is £1.584m below budget, driven by lower use of contingency, while capital financing costs and transport levy grants are in line with budget.

Outturn expenditure on the Authority's capital and revenue delivery programmes is shown in table 2 below:

Table 2

All numbers in £m	Provisional Outturn	Revised Budget	Variance against Revised Budget	Forecast at Q3	Movement against Q3 Forecast
Revenue Programmes:					
Investment Fund Revenue	20.627	21.279	(0.652)	18.214	2.413
UK Shared Prosperity Fund	35.848	16.855	18.993	39.028	(3.180)
Employability	12.746	14.154	(1.408)	14.154	(1.408)
Adult Skills Fund	90.152	95.129	(4.977)	95.192	(5.040)
City Region Sustainable Transport Settlement Revenue	1.607	14.910	(13.303)	2.000	(0.393)
Bus Service Improvement Plan Revenue	52.160	55.624	(3.464)	52.470	(0.310)
Tyne Tunnels	38.046	33.402	4.644	37.568	0.478
Other Revenue (less than £10m)	10.547	9.737	0.810	11.660	(1.113)
Total revenue programmes	261.733	261.090	0.643	270.287	(8.553)
Capital Programmes					
Brownfield Housing Fund Capital	14.026	29.336	(15.310)	18.997	(4.971)
Crown Works Trailblazer	14.918	24.189	(9.271)	17.205	(2.287)

Investment Fund Capital	21.247	13.952	7.295	19.563	1.684
Investment Zones Capital	5.795	15.626	(9.831)	13.345	(7.550)
UK Shared Prosperity Fund Capital	7.782	0.000	7.782	12.469	(4.687)
Highways Maintenance and Integrated Transport Block	91.125	95.247	(4.122)	95.245	(4.120)
City Region Sustainable Transport Settlement Capital	21.734	18.700	3.034	18.700	3.034
Bus Service Improvement Plan Capital	7.516	16.000	(8.484)	16.000	(8.484)
Transforming Cities Fund Capital	5.912	10.000	(4.088)	10.000	(4.088)
Active Travel Fund Tranches 2-5 Capital	10.961	15.910	(4.949)	7.382	3.579
Nexus – Metro Asset Renewal (From TCR allocation)	39.300	0.000	39.300	39.300	0.000
Other Capital (less than £10m)	22.697	32.405	(9.708)	40.900	(18.203)
Total Capital Programmes	**263.013**	**271.365**	**(8.352)**	**309.105**	**(46.093)**
Total (all Programmes)	**519.690**	**532.455**	**(7.709)**	**579.391**	**(54.646)**

Table 2 sets out the provisional outturn position for the Authority's service delivery programmes for 2025/26, covering both revenue and capital activity. In total, programme expenditure was £524.7m against a revised budget of £532.5m, representing an overall underspend of £7.7m, and a reduction of £54.6m compared with the forecast reported at Quarter 3.

The main variances against the last forecast position presented to Cabinet relate to the Investment Zones Capital (£5.8m outturn against £13.3m forecast); Bus Service Improvement Plan Capital (£7.5m outturn against £16m forecast) Brownfield Housing Fund Capital (£14.0m outturn against £19.0m forecast) and Other Capital which involves a number of different programmes below £10m including Transforming Cities Fund and Levelling Up Fund.

On Investment Zones, a number of projects are now in delivery but have only recently begun to submit claims; spend to date therefore remains low against profile despite significant committed funding. A material increase in expenditure is anticipated in 2026/27.

On BSIP capital, year end claims were lower than anticipated on the Intelligent Transport Systems (ITS) programme and a number of schemes were delayed in commencing delivery due to phasing of other construction works. These claims will be made during 2026/27 and the capital programme forecast will be updated to reflect this.

The variance on other capital schemes reflects slower than forecast delivery and the timing of claims from delivery partners, including values retained pending final certification and late confirmation of project underspends. A number of schemes experienced delivery delays due to programme pressures, rescoping, or local decision making, which has deferred spend into future years and resulted in slippage against the previous forecast.

Strategic Risks

Risk is inherent in the type of activities the North East MSA undertakes to deliver high quality outcomes. Effective and meaningful risk management is critical to ensuring a balanced approach to managing risks and seizing opportunities. It is an integral part of good corporate governance and control arrangements.

The Mayor and Cabinet have overall responsibility for ensuring effective risk management arrangements are in place and ensuring risks and opportunities are appropriately considered as part of all decision-making processes as defined in the Single Assurance Framework. The Authority's Risk Management Framework sets out the governance and approach of risk management arrangements.

At the end of the reporting period, the Authority's strategic risk register included the following key risks:

Organisational Capacity & Sustainability: The Authority faces a risk that its capacity, skills and resilience do not keep pace with the scale and pace of delivery expected of it. This could affect delivery timescales, staff wellbeing and the organisation's ability to achieve its priorities. Current mitigation centres on workforce planning, organisational design, recruitment, succession planning, governance oversight and improved systems and technology, with further work underway to build sustainable capacity.

Successful Delivery of Integrated Settlement: There is a risk that the Authority does not use the Integrated Settlement effectively to deliver agreed outcomes and wider mission objectives. If not managed well, this could lead to tighter Government controls, reduced flexibilities or funding consequences. Mitigation includes strong programme governance, regular Government engagement, embedded programme management, quarterly risk assessment and development of a wider performance management framework to support delivery and accountability.

Policy and Partnerships: The changing national and regional policy landscape, alongside pressures on partners, creates a risk that delivery becomes harder and decision-making less clear. This could slow progress across the Authority's priorities and weaken its ability to achieve regional outcomes. Mitigation focuses on horizon scanning, relationship-building, policy intelligence, partnership forums, workforce flexibility and a stronger central policy, planning and performance function.

Securing Powers and Funding to Deliver Objectives: The Authority remains exposed to the risk that it may not secure the powers, flexibilities or funding needed to deliver its ambitions. Because this risk affects delivery across all missions, its potential impact is significant. Mitigation includes devolution agreements already secured, confirmed progression to Established Mayoral Strategic Authority status, strengthened assurance and delivery frameworks, Integrated Settlement delivery arrangements and the development of a longer-term investment plan.

Reputation: There is a risk that the Authority's role and impact are not sufficiently understood by residents, partners and stakeholders, which could weaken trust, engagement and legitimacy. This could also reduce the effectiveness of partnership working and wider support for the Authority's objectives. Mitigation includes the communications strategy, workstream-level communications plans, and stronger branding and partner communications.

Statement of Accounts

Within the accompanying Statement of Accounts document the **Comprehensive Income & Expenditure Statement** (CIES, page 8 of the Statement of Accounts) sets out the Authority's financial position for the year before taking account of statutory adjustments required to be made to the accounts (which are shown in the Movement in Reserves Statement). The figures presented in the accounts will differ from the budgeted capital and revenue income and expenditure as they include accounting adjustments for costs such as depreciation, revenue expenditure funded by capital under statute and certain pensions account adjustments not included in the revenue budget.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £627.4m. This includes a significant amount of revenue expenditure funded by capital under statute' – representing investment in capital assets owned by third parties, not by the Authority itself.

After deducting specific grants and income from fees and charges, there was a surplus on provision of services of £24.1m. Expenditure was funded from sources including the transport levies, government grants and contributions and interest on external investments;

the net surplus position is due to specific capital and revenue grants being credited to the CIES where conditions are met but where they have not yet been applied to fund expenditure, in line with accounting requirements for grants and contributions.

The **Movement in Reserves Statement** (MIRS, page 7 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the period has impacted on the Authority's reserves. There has been an increase in reserves from £618.4m at 31 March 2025 to £643.3m at 31 March 2026, mainly due to an increase in the level of capital grants unapplied.

Usable reserves totalled £501.7m on 31 March 2026, which included £190.8m of earmarked reserves (including earmarked revenue grants) and £294.3m capital grants unapplied, representing funds committed to meet expenditure requirements in future years.

The **Balance Sheet** on page 9 of the accounts shows total external borrowing of £114.3m at the end of the year, which is split between short term borrowing (£1.3m) and long-term borrowing (£113m). This is a decrease compared to the total external borrowing of £125.1m at 31 March 2025 due to repayments made on equal instalment of principal (EIP) loans during the year (£0.667m) and early repayment of some lender's option borrower's option (LOBO) loans (£10m). The average rate of interest on external borrowing for the year was 4.2%. No new borrowing has occurred since inception of the North East MSA, with the capital financing requirement being managed through use of internal funds.

The Balance Sheet also shows short-term external investments of £460m in the North East MSA accounts at the end of the year (compared to £490m at 31 March 2025). The decrease compared to the previous year is due to payments of grant income received in previous years being applied to fund expenditure on projects.

Total net assets at 31 March 2026 total £643.3m, which includes £324.4m of property, plant and equipment assets, a balance which predominantly relates to the Tyne Tunnels, including the pedestrian and cycle tunnels.

Pensions

The Authority is an employer in the Tyne and Wear Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The fund provides defined benefits based on members' pensionable salary and years of service. In accordance with International Accounting Standard (IAS) 19, the Authority is required to value all pension liabilities that have accumulated at the end of the year consisting of:

- Pension benefits that are being paid out to former employees who have retired;
- Pension benefits earned to date by current employees but not yet paid out.

IAS19 also requires the Authority to value all investments held by the pension fund at market value at the end of the year.

When assets and liabilities at year-end are compared, this results in a surplus or deficit.

The North East MSA has two types of pension liabilities, described as funded and unfunded. Funded pension liabilities are within the LGPS and are backed by assets attributable to the Authority. For the funded element of the scheme, the North East MSA pension fund is in a notional surplus position of £29.1m as at 31 March 2026, although the asset value is restricted to nil on the balance sheet because, in accordance with IAS 19, an asset ceiling has been applied to the value of the surplus, which is intended to ensure that entities do not overstate their financial position by recognising amounts that are not realistically recoverable.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme, are therefore not backed by assets, and consequently must be paid as incurred on a monthly basis at a cost of approximately £0.05m per annum. At the end of the year there was an unfunded liability of £0.48m.

Note 20 to the accounts provides further analysis and detailed disclosures in relation to pension liabilities.

Group Accounts

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

Basis of Preparation and Presentation of Accounts

The MSA completes its accounts on a going concern basis on the presumption that it will continue in existence for the foreseeable future. The Statement of Accounts that follow demonstrates the MSA's financial performance for the financial period from 1 April 2025 to 31 March 2026. These accounts are completed in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26. Disclosures are made within the accounts based on an assessment of materiality; a disclosure would be considered material if through omission or misstatement the decision made by the user of the accounts would be influenced. The Authority has assessed materiality with reference to both quantitative and qualitative factors, ensuring that disclosures focus on issues of significance to users of the Statement of Accounts.

Explanation of sections in Annual Statement of Accounts

- Statement of Responsibilities for the Statement of Accounts

This outlines the responsibilities of the both the Authority and the Chief Finance Officer for the production and content of the Annual Statement of Accounts.

- Narrative Report
  Provides a summary of the Authority's financial and non-financial performance for the year.
- Movement in Reserves Statement (MIRS)
  This statement shows the movement in the year on the different reserves held by the Authority. It shows how the surplus for the year in the Comprehensive Income and Expenditure Statement is adjusted by the costs that are not a charge to local taxpayers.
- Comprehensive Income and Expenditure Statement
  This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded by local taxpayers and government funding.
- Balance Sheet
  The balance sheet shows the value as at the balance sheet date of the Authority's recognised assets and liabilities.
- Cash Flow Statement
  This statement shows the changes in cash and cash equivalents held by the Authority during the reporting period.
- Expenditure and Funding Analysis
  This analysis shows how annual expenditure is used and funded from resources (government grants and contributions, levies) by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.
- Accounting Policies and Concepts
  These are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements.
- Notes to the Financial Statements
  These include information required by the Code and additional material items of interest to assist the reader's understanding of the reported figures.
- Events after the reporting period and authorised for issue date
  This summarises any major events that happened between the year end and the authorised for issue date. Events coming to light after the authorised for issue date will note be included in the financial statements.
- Group Accounts
  This includes the accounts for both the Authority an for Nexus, the Tyne and Wear Passenger Transport Executive, presented on a consolidated basis (which is to say that transactions and balances between the Authority and Nexus are eliminated).
- Glossary of financial terms

The nature of this document means that technical words are unavoidable. The glossary found at the end of this accounts document is intended to simplify and explain such words.