



Statement of Accounts 2025/26

01/04/2025 - 31/03/2026

Unaudited

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

1.0 Statement of Responsibilities for the Statement of Accounts

1.1 The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer's Responsibilities:

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

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

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

The Chief Finance Officer has also:

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

Certification of the Chief Finance Officer

I hereby certify that the Statement of Accounts for the year ended 31 March 2026, 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 Mayoral Strategic Authority and Group at 31 March 2026 and its income and expenditure for the period ended 31 March 2026.

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 the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance. The net increase or decrease before transfers to earmarked reserves shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the 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	£000	£000
Opening Balance 7 May 2024		-	-	-	-	-	-
Transferred in from former Combined Authorities		(25,568)	(184,559)	(183,951)	(394,078)	(149,696)	(543,774)
Revised Balance 7 May 2024		(25,568)	(184,559)	(183,951)	(394,078)	(149,696)	(543,774)
Total Comprehensive Income and Expenditure		(71,794)	-	-	(71,794)	(2,870)	(74,664)
Adjustments between accounting basis & funding basis under regulations	03	74,971	-	(88,264)	(13,293)	13,293	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		3,177	-	(88,264)	(85,087)	10,423	(74,664)
Transfers (To)/From Earmarked Reserves	22	5,997	(5,997)	-	-	-	-
(Increase)/Decrease in 2024/25		9,174	(5,997)	(88,264)	(85,087)	10,423	(74,664)
Balance at 31 March 2025		(16,394)	(190,556)	(272,215)	(479,165)	(139,273)	(618,438)
Total Comprehensive Income and Expenditure		(24,124)	-	-	(24,124)	(770)	(24,894)
Adjustments between accounting basis & funding basis under regulations	03	23,709	-	(22,080)	1,629	(1,629)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		(415)	-	(22,080)	(22,496)	(2,399)	(24,894)
Transfers (To)/From Earmarked Reserves	22	201	(201)	-	-	-	-
(Increase)/Decrease in 2025/26		(215)	(201)	(22,080)	(22,496)	(2,399)	(24,894)
Balance at 31 March 2026		(16,609)	(190,757)	(294,295)	(501,661)	(141,672)	(643,332)

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.

2024/25 7 May 2024 to 31 March 2025				Note	2025/26		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
4,419	(43,516)	(39,097)	Corporate Costs		5,628	(11,930)	(6,301)
93,913	(57,266)	36,647	Economic Growth and Regeneration		154,814	(125,159)	29,656
2,395	-	2,395	Finance and Investment		2,167	(75)	2,092
3,210	(44)	3,166	Operations		6,000	(47)	5,953
97,379	(65,596)	31,783	Skills, Inclusion and Public Service Reform		112,812	(132,308)	(19,495)
247,250	(243,320)	3,930	Transport		338,304	(251,274)	87,030
448,566	(409,742)	38,824	Cost of Services		619,726	(520,793)	98,933
6,554	(23,074)	(16,520)	Financing and Investment Income and Expenditure	04	7,693	(26,391)	(18,698)
-	(94,098)	(94,098)	Taxation and Non-Specific Grant Income	05	-	(104,359)	(104,359)
455,120	(526,914)	(71,794)	(Surplus) on Provision of Services		627,419	(651,543)	(24,124)
	(2,870)		Re-measurement of the defined benefit liability	20			(770)
	(2,870)		Other Comprehensive Income and Expenditure				(770)
	(74,664)		Total Comprehensive Income and Expenditure				(24,894)

2.3 Balance Sheet

The Balance Sheet summarises the North East MSA'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 2025 £000		Note	31 March 2026 £000
328,738	Property, Plant and Equipment	11, 11a	324,344
854	Right of Use Asset	12	722
55,966	Long Term Debtors	16	43,415
385,558	Long Term Assets		368,482
490,024	Short Term Investments	13	460,000
49,751	Short Term Debtors	15	76,958
28,853	Cash and Cash Equivalents	17	34,081
568,628	Current Assets		571,038
(1,774)	Short Term Borrowing	13	(1,328)
(143,212)	Short Term Creditors	18	(119,646)
(5,092)	New Tyne Crossing Deferred Income	19	(5,092)
(150,078)	Current Liabilities		(126,066)
(61,107)	New Tyne Crossing Deferred Income	19	(56,015)
(123,333)	Long Term Borrowing	13	(113,000)
(750)	Lease Liability	12	(627)
(480)	Pension Liability	20	(480)
(185,670)	Long Term Liabilities		(170,122)
618,438	Net Assets		643,332
(479,165)	Usable Reserves	21	(501,661)
(139,273)	Unusable Reserves	23	(141,671)
(618,438)	Total Reserves		(643,332)

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.

2024/25 7 May 2024- 31 March 2025 £000		Note	2025/26 £000
71,794	Net surplus/(deficit) on the provision of services		24,124
27,387	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	(51,330)
(225,805)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(247,425)
(126,624)	Net cash flows from Operating Activities		(274,631)
103,114	Investing Activities	26	290,873
(25,621)	Financing Activities	27	(11,014)
(49,131)	Net (Decrease)/Increase in cash and cash equivalents		5,228
-	Cash and cash equivalents at the beginning of the reporting period	17	28,853
77,984	Transferred from former Combined Authorities on 7 May 2024		-
28,853	Cash and cash equivalents at the end of the reporting period		34,081

Note 01: North East Mayoral Strategic Authority

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

With effect from 18 May 2026, the North East CA is operating under the name of the North East Mayoral Strategic Authority (North East MSA). This new name better reflects the authority's role and legal status, and its work to lead the region's growth across economic growth, transport, skills and inclusion.

The accounts for the period ending 31 March 2026 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.

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.

	2025/26				
	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	(7,041)	-	740	-	(6,301)
Economic Growth and Regeneration	(55,309)	84,965	-	-	29,656
Finance and Investment	2,092	-	-	-	2,092
Operations	5,953	-	-	-	5,953
Skills, Inclusion and Public Service Reform	(7,391)	(12,105)	-	-	(19,495)
Transport	184,351	(97,322)	-	-	87,030
Cost of services	122,655	(24,462)	740	-	98,933
Other Income and Expenditure	(123,070)		30	(17)	(123,057)
(Surplus)/Deficit on Provision of Services	(415)	(24,462)	770	(17)	(24,124)
Opening General Fund and Earmarked Balances	(206,950)				
Closing General Fund and Earmarked Balances	(207,365)				

	2024/25 7 May 2024 to 31 March 2025				
	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	(44,006)	-	4,970	(61)	(39,097)
Economic Growth and Regeneration	23,982	12,665	-	-	36,647
Finance and Investment	1,776	618	-	-	2,394
Operations	3,166	-	-	-	3,166
Skills, Inclusion and Public Service Reform	28,615	3,168	-	-	31,783
Transport	101,880	(97,950)	-	-	3,930
Cost of services	115,413	(81,498)	4,970	(61)	38,823
Other Income and Expenditure	(112,236)	-	120	1,498	(110,618)
(Surplus)/Deficit on Provision of Services	3,177	(81,498)	5,090	1,437	(71,795)
Opening General Fund and Earmarked Balances	-				
Transferred in from former combined authorities	(210,127)				
Revised General Fund and Earmarked Balances	(210,127)				
Closing General Fund and Earmarked Balances	(206,950)				

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.

Note 02a: Income and Expenditure Analysed by Nature

2024/25 7 May 2024- 31 March 2025 £000		2025/26 £000
	Expenditure	
15,710	Employee benefit expenses	16,779
281,917	Other service expenses	368,420
150,939	Depreciation, Impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	234,527
6,554	Interest payments	7,693
455,120	Total expenditure	627,419
(39,117)	Fees, charges and other service income	(42,094)
(23,074)	Interest and investment income	(26,391)
(85,953)	Income from transport levy	(96,094)
(365,844)	Government grants and contributions	(472,099)
(12,926)	Other income	(14,866)
(526,914)	Total income	(651,543)
(71,794)	(Surplus)/Deficit on the provision of services	(24,124)

Note 03: 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.

Adjustments between Accounting Basis and Funding Basis Under Statute	2024/25				2025/26			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account (CAA)								
Reversal of items debited or credited to the CIES:								
Charges for depreciation and impairment of non current assets	(3,731)	-	-	3,731	(4,526)	-	-	4,526
Other income that cannot be credited to the General Fund	4,590	-	-	(4,590)	5,092	-	-	(5,092)
Capital grants and contributions applied	74,292	-	-	(74,292)	105,554	-	-	(105,554)
Revenue expenditure funded from capital under statute	(147,208)	-	-	147,208	(225,344)	-	-	225,344
Insertion of items not debited or credited to the CIES:								
Statutory provision for the financing of capital investment	1,751	-	-	(1,751)	1,815	-	-	(1,815)
Capital expenditure charged against the General Fund	292	-	-	(292)	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account								
Grants and contributions unapplied credited to the CIES	151,513	-	(151,513)	-	141,871	-	(141,871)	-
Application of grants to capital financing transferred to the CAA	-	-	63,248	(63,248)	-	-	119,790	(119,790)
Adjustments involving the Capital Receipts Reserve								
Loan principal repayments	-	1,307	-	(1,307)	-	1,259	-	(1,259)
Application of Capital Receipts to repayment of debt	-	(1,307)	-	1,307	-	(1,259)	-	1,259
Adjustments involving the Financial Instruments Adjustment Account								
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(1,498)	-	-	1,498	17	-	-	(17)
Adjustments involving the Accumulated Absences Adjustment Account								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	61	-	-	(61)	-	-	-	-
Adjustments involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	(5,150)	-	-	5,150	(820)	-	-	820
Employer's pension contributions and direct payments to pensioners payable in the year	60	-	-	(60)	50	-	-	(50)
Total Adjustments	74,972	-	(88,265)	13,293	23,709	-	(22,080)	(1,629)

Note 04: Financing and Investment Income and Expenditure

	Note	2024/25 7 May 2024-31 March 2025	2025/26
		£000	£000
Interest Payable and Similar Charges	20	6,434	7,663
Interest Payable on defined benefit liability		120	30
Interest Receivable and similar income		(23,074)	(26,391)
Total		(16,520)	(18,698)

Note 05: Taxation and Non Specific Grant Income

	2024/25 7 May 2024-31 March 2025	2025/26
	£000	£000
Transport Levy	(85,953)	(96,094)
Business Rates Growth Income	(8,145)	(8,265)
Total	(94,098)	(104,359)

Note 06: Members' Allowances

The Authority paid the following amounts to the elected Mayor and to independent members of its various committees during the year. Representatives from constituent authorities received no allowances from the Authority during 2024/25 or 2025/26.

	2024/25 7 May 2024-31 March 2025	2025/26
	£000	£000
Elected Mayor	86	96
Chair of Audit and Standards Committee	2	2
Independent Person	1	1
Total	89	99

Note 07: Grant Income

	2024/25 7 May 2024-31 March 2025	2025/26
	£000	£000
Adult Skills Fund	(43,317)	(61,772)
Active Travel Fund	(2,084)	-
Brownfield Housing Fund Capital	(10,778)	(23,433)
Bus Service Improvement Plan Capital	(34,389)	-
Bus Service Improvement Plan Revenue	(22,461)	(23,763)
Combined Active Travel Fund	(1,627)	(5,554)
Careers and Enterprise Primary Income	(652)	-
Crownworks Trailblazer	(25,000)	-
City Region Sustainable Transport Fund Capital	(43,968)	(167,799)
City Region Sustainable Transport Fund Revenue	(7,009)	(2,841)
Connect to Work	-	(3,820)
Department for Energy Security & Net Zero	-	(1,180)
DfE Construction Employer Capital Funding	-	(1,039)
DfE Construction Technical Excellence Colleges	-	(987)
DfE Post 16 Capacity Fund	-	(11,066)
Economic Inactivity Trailblazer	-	(8,719)
Electric Vehicle Pavement Channels	-	(1,232)
Free Courses for Jobs	(2,889)	(6,694)
Great North Partnership Contributions	-	(633)
Investment Fund Revenue	(20,000)	(34,000)
Investment Fund Capital	-	(14,000)
Investment Zones Capital	(4,650)	(8,926)
Investment Zones Revenue	(2,379)	(3,727)
Local Electric Vehicle Infrastructure Capital	(15,829)	-
Local Electric Vehicle Infrastructure Capability	-	(569)
Local Transport Plan	(56,425)	-
Levelling Up Fund Capital	(15,553)	-
Made Smarter	(886)	(1,390)
Mayoral Capacity Funding	(2,750)	(1,500)
Multiply	(1,053)	-
Other Grants and Contributions (individually less than £0.5m)	(6,000)	(4,808)
Rural England Prosperity Fund	(2,217)	(1,966)
Skills Bootcamps	(11,583)	(28,876)
Spatial Development Strategy Fund	-	(1,554)
Trailblazer Revenue	(2,403)	-
UK Shared Prosperity Fund	(29,942)	(48,668)
ZEBRA2 Capital	-	(1,585)
Total	(365,844)	(472,099)

Note 08: Officers' Remuneration

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

	2024/25 (7 May 2024-31 March 2025)			2025/26		
	Salary, Fees and Allowances £000	Pension Contributions £000	Total £000	Salary, Fees and Allowances £000	Pension Contributions £000	Total £000
Chief Executive - Dr Henry Kippin	144	18	162	190	24	214
Director of Transport - Tobyn Hughes	129	16	145	158	20	178
Director of Finance and Investment (to 31 December 2024)	92	12	104	-	-	-
Director of Finance and Investment (from 15 October 2024) - Mags Scott	64	8	72	158	20	178
Director of Skills, Inclusion and Public Service Reform (from 3 March 2025) - Dr Charlotte Carpenter	12	2	14	158	20	178
Director of Economic Growth and Innovation (from 5 March 2025) - Phil Witcherley	11	1	12	150	19	169
Director of Operations (from 10 March 2025) - Alan Reiss	9	1	10	158	20	178

In line with the Code of Practice on Local Authority Accounting, the primary contribution rate of 12.5% is disclosed within this note. The Authority's secondary contribution rate was (12.5%) meaning actual employers' pension contribution rate to the Fund in 2024/25 and 2025/26 was 0%.

The number of officers who received remuneration greater than £50,000 excluding employers' pension contributions (inclusive of Senior Employees disclosed above) was as follows:

	2024/25* £000	2025/26 £000
£50,000-£54,999	23	16
£55,000-£59,999	8	32
£60,000-£64,999	5	13
£65,000-£69,999	2	3
£70,000-£74,999	5	2
£75,000-£79,999	3	4
£80,000-£84,999	1	5
£85,000-£89,999	0	2
£90,000-£94,999	3	1
£95,000-£99,999	0	5
£100,000-£104,999	1	0
£105,000-£109,999	0	3
£110,000-£114,999	0	0
£115,000-£119,999	0	1
£120,000-£124,999	0	0
£125,000-£129,999	1	0
£130,000-£134,999	0	0
£135,000-£139,999	0	0
£140,000-£144,999	1	0
£145,000-£149,999	0	1
£150,000-£154,999	0	0
£155,000-£159,999	0	4
£160,000-£164,999	0	0
£165,000-£169,999	0	0
£170,000-£174,999	0	0
£175,000-£179,999	0	0
£180,000-£184,999	0	0
£185,000-£189,999	0	0
£190,000-£194,999	0	1
£195,000-£199,999	0	0
Total	53	93

* 2024/25 was a shorter financial year, covering the period from the establishment of the Authority on 7 May 2024 to 31 March 2025. 2025/26 was a standard financial year covering the period 1 April 2025 to 31 March 2026.

Termination Benefits

The cost of exit packages comprise two elements: redundancy costs payable to the employee and early access costs, where the employee is also taking early retirement. The latter element is payable to the Pension Fund and is charged to the General Fund in the year of retirement. The following table sets out the number and total cost of exit packages by type and cost band during 2025/26. No exit packages were paid during 2024/25.

Exit package cost band (including special payments)	Number of redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000
£0 - £20,000	-	2	2	15
£20,001 - £40,000	-	1	1	21
£40,001 - £60,000	3	1	4	196
£60,001 - £80,000	1	-	1	62
£80,001 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	-

Note 09: 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

	2024/25 7 May 2024-31 March 2025 £000	2025/26 £000
Scale fee for the audit of the Statement of Accounts	86	150
Total	86	150

Scale fees for the Authority are set by Public Sector Audit Appointments (PSAA), the body responsible for appointing and overseeing external auditors for local authorities and other local public bodies in England.

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
- North East MSA 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 06.

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 2025/26 no works or services were commissioned from companies in which any members had an interest.

Officers

During 2024/25 and 2025/26, the Chief Finance Officer declared a non-financial interest as Deputy Chair of Council, Member of Finance Committee, and Chair of the Students' Union Partnership Committee for Newcastle University, and a Trustee of the Glasshouse. Newcastle University received grants for projects totalling £1.760m during 2024/25 and nil during 2025/26. The Glasshouse received a grant of £0.03m during 2025/26 and nil during 2024/25. The Chief Finance Officer did not participate in any discussion, decision or administration relating to the grants.

North East MSA Constituent Authorities

The Leaders of the seven North East MSA Constituent Authorities serve as members of the Authority's Cabinet. 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). North East MSA 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.

	2025/26				
	Long term Receivables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000
North East MSA Constituent Authorities					
Durham	-	119	(16,937)	76,987	(9,567)
Gateshead	-	3,236	(12,504)	15,137	(3,007)
Newcastle upon Tyne	-	995	(19,589)	33,164	(2,199)
North Tyneside	-	1,015	(13,297)	18,178	(515)
Northumberland	-	1,445	(6,748)	74,776	(3,905)
South Tyneside	-	373	(9,373)	16,111	(3,058)
Sunderland	-	2,228	(17,647)	34,419	(2,809)
Other Public Bodies					
Nexus	27,205	1,214	(1,163)	84,335	(5,475)
Other Entities					
Glasshouse	-	-	-	34	-

	2024/25 7 May 2024-31 March 2025				
	Long term Receivables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000
North East MSA Constituent Authorities					
Durham	-	268	(15,797)	44,040	(13,433)
Gateshead	-	106	(13,507)	7,175	(367)
Newcastle upon Tyne	-	106	(19,843)	15,987	(6,501)
North Tyneside	-	624	(11,203)	15,791	(4,869)
Northumberland	-	438	(797)	25,199	(10,867)
South Tyneside	-	106	(8,722)	4,436	-
Sunderland	-	106	(19,044)	12,769	(1,613)
Other Public Bodies					
Nexus	28,418	1,259	(1,221)	74,578	(9,828)
Other Entities					
Newcastle University	-	-	-	1,760	-

Other Entities

Newcastle International Airport Ltd - the seven Constituent Authorities of the North East MSA are shareholders in Newcastle Airport. There were no material transactions with Newcastle International Airport Ltd in 2024/25 or 2025/26.

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

	2025/26		
	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment (excluding Highways Infrastructure Assets)
	£000	£000	£000
Cost or Valuation			
At 1 April 2025	5,689	-	5,689
Additions	-	-	-
Reclassification from Assets Under Construction (to highways infrastructure, see note 11a)	-	-	-
Impairment recognised in the Surplus on the Provision of Services	-	-	-
Other Adjustments	-	-	-
At 31 March 2026	5,689	-	5,689
Accumulated Depreciation and Impairment			
At 1 April	(2,893)		(2,893)
Depreciation charge for the Year	(338)	-	(338)
At 31 March	(3,231)	-	(3,231)
Net Book Value			
At 1 April	2,796	-	2,796
At 31 March	2,458	-	2,458

There were no material capital commitments relating to Property, Plant and Equipment at the balance sheet date of 31 March 2026.

2024/25 7 May 2024 - 31 March 2025			
	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment (excluding Highways Infrastructure Assets)
	£000	£000	£000
Cost or Valuation			
At 1 April	-	-	-
Balances transferred in	5,688	1,729	7,417
Adjusted opening balance 7 May 2024	5,688	1,729	7,417
Additions	-	289	289
Reclassification from Assets Under Construction (to highways infrastructure, see note 11a)	-	(2,017)	(2,017)
Impairment recognised in the Surplus on the Provision of Services	-	-	-
Other Adjustments	1	(1)	-
At 31 March	5,689	-	5,689

Accumulated Depreciation and Impairment			
At 1 April	-	-	-
Balances transferred in	(2,593)	-	(2,593)
Adjusted opening balance 7 May 2024	(2,593)		(2,593)
Depreciation charge for the Year	(300)	-	(300)
At 31 March	(2,893)	-	(2,893)
Net Book Value			
At 1 April	-	-	-
Balances transferred in	3,095	1,729	4,824
Adjusted opening balance 7 May 2024	3,095	1,729	4,824
At 31 March	2,796	-	2,796

Note 11a: Property, Plant and Equipment (Highways Infrastructure Assets)**Movements on balances**

	2024/25	2025/26
	£000	£000
Net book value (modified historical cost)		
At 1 April	-	325,942
Balances transferred in	327,254	
Adjusted opening balance 7 May 2024	327,254	
Reclassification from assets under construction	2,017	-
Derecognition	-	-
Depreciation	(3,322)	(4,056)
Impairment	-	-
Other movements in cost	(7)	-
At 31 March	325,942	321,886

Reconciliation to Balance Sheet

	31 March 2025	31 March 2026
	£000	£000
Infrastructure assets	325,942	321,886
Other PPE assets	2,796	2,458
Total PPE assets	328,738	324,344

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

The infrastructure balance shown in this note relates to the Tyne Tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

Northbound vehicle tunnel	57 years (total 120)
Southbound vehicle tunnel	105 years (total 120)
Pedestrian and cyclist tunnels	57 years (total 120)

Depreciation for the tunnels (and total annual depreciation for 2025/26 on structures) is £4.056m.

Note 12: Leases

The North East MSA leases its office premises under a lease where financial assessment has provided evidence that leasing provides better value for money than outright purchase.

The Authority has implemented IFRS 16 Leases with effect from 7 May 2024, in accordance with the requirements of the CIPFA/LASAAC Code of Practice in Local Authority Accounting in the United Kingdom 2025/26 ("the Code"). IFRS 16 replaces the previous distinction between operating and finance leases and requires the Authority, as lessee, to recognise most leases on the Balance Sheet.

In implementing the standard, the Authority has applied the transition provisions set out in the Code. Right of Use (ROU) assets and corresponding lease liabilities have been recognised for leases falling within the scope of IFRS 16. The Authority has no nil-consideration or immaterial arrangements. No reassessment has been made at the transition date of whether existing contracts contain a lease, except where required for leases at nil consideration.

Right of Use Assets

ROU assets are recognised at the date the lease commences and measured at cost, comprising the initial amount of the lease liability, any lease payments made at or before commencement, initial direct costs and an estimate of restoration obligations where applicable. ROU assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Lease Liabilities

Lease liabilities represent the present value of future lease payments and are measured using the interest rate implicit in the lease or, where this cannot be readily determined, the Authority's incremental borrowing rate (5.5%). The liability is subsequently measured at amortised cost, with interest charged to the Comprehensive Income and Expenditure Statement using the effective interest rate method.

Transition Impact

On initial implementation of IFRS 16, the Authority recognised:

Right of Use Assets of £0.963m

Lease Liability of £0.963m

These adjustments were recognised as a movement in the Balance Sheet on implementation in accordance with the Code's transition requirements.

Note 12.1 Right of Use Assets

	2024/25 7 May 2024-31 March 2025		2025/26	
	Property (Land and Buildings) £000	Total £000	Property (Land and Buildings) £000	Total £000
Cost or Valuation				
At 1 April			963	963
At 7 May 2024	-	-	-	-
IFRS 16 implementation adjustments for operating leases held by NTCA and NECA acquired via the formation of the North East MSA	963	963	-	-
Additions - Lease liability	-	-	-	-
Remeasurements of lease liability	-	-	-	-
Impairments charged to operating expenses	-	-	-	-
Depreciation eliminated on revaluation	-	-	-	-
Disposals - Lease termination	-	-	-	-
At 31 March	963	963	963	963
Accumulated Depreciation and Impairment				
At 1 April			(109)	(109)
At 7 May 2024	-	-	-	-
IFRS 16 implementation adjustments for operating leases held by NTCA and NECA acquired by the formation of the North East MSA	-	-	-	-
Provided during the year - right of use asset	(109)	(109)	(131)	(131)
Depreciation eliminated on revaluation	-	-	-	-
Disposals - Lease termination	-	-	-	-
At 31 March	(109)	(109)	(241)	(241)
Net Book Value				
At 7 May 2024	-	-		
At 31 March	854	854	722	722

Note 12.2 Revaluation of property right of use assets

Revaluation of property right of use assets: The North East MSA assesses each lease on an individual basis using cost as a proxy for fair value or current value in existing use for its right of use assets when one of the following conditions apply. a) The economic life of the asset, judged as the lease term, is shorter than full revaluation cycle. b) There is provision within the agreement to update the lease payment terms to reflect market conditions on a regular basis and there is not a high risk that the fair value of the asset will fluctuate in the interim period. The North East MSA has therefore applied the cost model to its right of use assets.

Note 12.3 Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the statement of financial position.

	2024/25	2025/26
	Total	Total
	£000	£000
Opening carrying value	-	866
IFRS 16 Implementation - adjustment for acquired operated leases	963	-
Lease additions	-	-
Lease liability remeasurements	-	-
Interest charge arising in year	40	40
Early terminations		
Lease payments	(137)	(156)
Carrying value at 31 March	866	750

Note 12.4 Maturity analysis of future lease payments

	31 March 2025	31 March 2026
	Total	Total
	£000	£000
Undiscounted future lease payments payable in:		
- less than one year	156	156
- later than one year and less than five years	741	696
- later than five years	111	-
Total gross future lease payments	1,008	852
Finance charges allocated to future periods	(142)	(102)
Net lease liabilities at 31 March	866	750
Of which:		
- current	116	122
- non-current	750	627

Note 13: 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 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	-	-	55,966	43,415	518,877	494,081	24,300	76,958
Total financial	-	-	55,966	43,415	518,877	494,081	24,300	76,958
Non-financial assets	-	-	-	-	-	-	25,451	-
Total	-	-	55,966	43,415	518,877	494,081	49,751	76,958

* includes cash and cash equivalents

Financial assets at amortised cost

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

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

All of the Authority's financial assets fit this criteria and are classified at amortised cost.

Short term debtors

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 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(123,333)	(113,000)	-	-	(1,774)	(1,328)	(124,891)	(119,646)
Total financial liabilities	(123,333)	(113,000)	-	-	(1,774)	(1,328)	(124,891)	(119,646)
Non-financial liabilities	-	-	-	-	-	-	(18,321)	-
Total	(123,333)	(113,000)	-	-	(1,774)	(1,328)	(143,212)	(119,646)

The contractual terms for Authority'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:

	2024/25 7 May 2024-31 March 2025			2025/26		
	£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
Interest expense	6,434	-	6,434	7,663	-	7,663
Total expense in Surplus on Provision of Services	6,434	-	6,434	7,663	-	7,663
Investment income	-	(23,075)	(23,075)	-	(26,391)	(26,391)
Total income in Surplus on Provision of Services	-	(23,075)	(23,075)	-	(26,391)	(26,391)
Net (gain)/loss for the year	6,434	(23,075)	(16,640)	7,663	(26,391)	(18,728)

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 31 March 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 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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 2025		31 March 2026	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost		(125,107)	(97,151)	(114,328)	(83,934)
Total		(125,107)	(97,151)	(114,328)	(83,934)
Financial Assets at amortised cost					
Held to maturity investments		490,024	490,024	460,000	460,000
Nexus loan debtor		28,418	22,266	27,205	20,148
Other loan debtors	2	27,548	27,548	16,210	16,210
Total		545,990	539,838	503,415	496,358

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

Note 14: 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	31 March 2025 £000	31 March 2026 £000
UK Government (Debt Management Office) AAA	160,000	40,000
UK Local Authorities AA	65,000	105,000
Banks (less than 1 year) AA	-	20,000
Banks (less than 1 year) AA-	60,000	190,000
Banks (less than 1 year) A+	135,000	75,000
Banks (less than 1 year) A	40,000	-
Banks (less than 1 year) A-	30,000	30,000
n/a - investments with unrated building societies ¹	-	-
Total Short-Term Investments	490,000	460,000

¹ In line with its agreed Investment Strategy, North East MSA can place investments for up to 1 year and up to £5m each with UK building societies without credit ratings with assets greater than £250m.

The 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 31 March 2026 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. An impairment allowance (expected credit loss) is held and reviewed annually to mitigate against risk that some or all of the debtor may not be repaid.

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 2025 £000	31 March 2026 £000
Between 1-2 years	(333)	-
Between 2-5 years	-	-
Between 5-10 years	(5,000)	(5,000)
More than 10 years	(118,000)	(108,000)
	(123,333)	(113,000)
Less than 1 year	(1,774)	(1,328)
Total borrowing	(125,107)	(114,328)

All trade and other payables are due to be paid in less than one year.

The Authority is exposed to liquidity risk relating to its Lender Option Borrower Option (LOBO) loans, arising from the possibility that a lender may exercise its option on a LOBO loan, requiring repayment at relatively short notice. The Authority manages this risk by maintaining adequate cash balances, access to borrowing facilities and a prudent treasury management strategy to ensure funds are available to meet all obligations as they fall due.

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 Authority is exposed to interest rate risk on its LOBO loans, where the lender has the option to propose revised interest rates at predetermined intervals. If rates rise, the Authority may face increased financing costs or the need to refinance at prevailing market rates.

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 2025 £000	31 March 2026 £000
Increase in interest payable on variable rate borrowing	-	-
Increase in interest receivable on variable rate investments	(3,335)	(3,099)
Impact on the (Surplus)/Deficit on Provision of Services	(3,335)	(3,099)

The increase in interest payable on variable rate borrowings is nil, because all North East MSA'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 £10.594m 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 15: Short Term Debtors

	31 March 2025 £000	31 March 2026 £000
Central Government bodies	25,451	53,462
Other local authorities	10,629	9,731
Other entities and individuals	13,671	13,765
Total	49,751	76,958

Note 16: Long Term Debtors

	31 March 2025 £000	31 March 2026 £000
Amounts due from Nexus	28,418	27,205
Loans	27,548	16,210
Total	55,966	43,415

Note 17: Cash and Cash Equivalents

	31 March 2025 £000	31 March 2026 £000
Cash held in Authority's bank account	14,375	13,250
Cash equivalents	14,478	20,831
Total	28,853	34,081

Note 18: Short Term Creditors

	31 March 2025 £000	31 March 2026 £000
Central government bodies	(13,764)	(558)
Other local authorities	(32,487)	(24,189)
Other entities and individuals	(96,962)	(94,899)
Total	(143,213)	(119,646)

Note 19: Public Private Partnership 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 TWPTA retained responsibility for refurbishment and major maintenance. The second tunnel was opened on 25 February 2011, and the refurbished original tunnel opened on 21 November 2011. The Tunnels are owned by the North East MSA and are included on the Authority's balance sheet within highways infrastructure. Responsibility for the assets returns to the Authority at the end of the contract, and the condition of the assets at handback is specified in the project agreement. The contract includes standard clauses to allow for early termination in a range of circumstances including authority or concessionaire default, specific contractual breaches or voluntary termination by the Authority.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with year end values as set out in the table below.

	31 March 2025 £000	31 March 2026 £000
Payable within 1 year	(5,092)	(5,092)
Payable within 2 to 5 years	(20,369)	(20,369)
Payable within 6 to 10 years	(25,461)	(25,461)
Payable within 11 to 15 years	(15,277)	(10,185)
Payable within 16 to 20 years	-	-
Total	(66,199)	(61,107)

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.

During 2025/26, the payment under the contract was £36.381m (2024/25 £29.010m).

Further information regarding the accounting treatment for the deferred income balance are set out in the Accounting Policies and Note 29 - Critical Judgements in Applying Accounting Policies.

Note 20: 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

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are

Amounts recognised in profit and loss and other comprehensive income

	LGPS	Discretionary Benefits	LGPS	Discretionary Benefits
	2024/25 7 May 2025- 31 March 2025	2024/25 7 May 2025- 31 March 2025	2025/26	2025/26
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	780	-	740	-
Settlement cost	4,250	-	-	-
Financing and Investment Income and Expenditure				
Interest on net defined benefit liability (asset)	90	30	-	30
Total Post-Employment benefits charged to the Surplus on Provision of Services	5,120	30	740	30
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	700	-	(2,220)	-
Actuarial (gains)/losses due to changes in financial assumptions	(4,730)	(30)	(540)	-
Actuarial (gains)/losses due to changes in demographic assumptions	(380)	-	150	10
Actuarial (gains)/losses due to changes in liability assumptions	1,290	(20)	(9,540)	10
Adjustment loss/(gain) due to surplus restriction	300	-	11,360	-
Total amount recognised in Other Comprehensive Income	(2,820)	(50)	(790)	20
Total amount recognised	2,300	(20)	(50)	50

	LGPS	Discretionary Benefits	LGPS	Discretionary Benefits
	2024/25 7 May 2025- 31 March 2025	2024/25 7 May 2025- 31 March 2025	2025/26	2025/26
	£000	£000	£000	£000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus on the Provision of Services for post-employment benefits in accordance with the Code	(5,120)	(30)	(740)	30
Employer's Contribution to Scheme	-	-	-	-
Retirement benefits payable to pensioners	-	60	-	50

Assets and Liabilities in Relation to Post-employment Benefits

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

	LGPS	Discretionary Benefits	LGPS	Discretionary Benefits
	2024/25 7 May 2025- 31 March 2025	2024/25 7 May 2025- 31 March 2025	2025/26	2025/26
	£000	£000	£000	£000
Opening balance at 1 April	-	-	(33,690)	(480)
Transferred in from former combined authorities	(54,630)	(540)	-	-
Revised opening balance	(54,630)	(540)	(33,690)	(480)
Current service cost	(780)	-	(740)	-
Interest cost	(1,600)	(30)	(1,980)	30
Contributions by participants	(700)	-	(980)	-
Actuarial gains/(losses) on liabilities - financial assumptions	4,730	30	540	-
Actuarial gains/(losses) on liabilities - demographic assumptions	380	-	(150)	10
Actuarial gains/(losses) on liabilities - experience	(1,290)	20	9,540	10
Net benefits paid out	550	40	190	(50)
Past service costs	-	-	(50)	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-
Settlements	19,650	-	-	-
Closing balance at 31 March	(33,690)	(480)	(27,320)	(480)

Reconciliation of the fair value of the scheme assets:

	LGPS	Discretionary Benefits	LGPS	Discretionary Benefits
	2024/25 7 May 2025- 31 March 2025	2024/25 7 May 2025- 31 March 2025	2025/26	2025/26
	£000	£000	£000	£000
Opening balance at 1 April	-	-	50,460	-
Transferred in from former combined authorities	72,660	-	-	-
Revised opening balance	72,660	-	50,460	-
Interest income on assets	2,230	-	2,950	-
Remeasurement gains/(losses) on assets	(700)	40	2,220	-
Employer contributions	20	-	-	50
Contributions by scheme participants	700	(40)	980	-
Net benefits paid out	(550)	-	(190)	(50)
Settlements	(23,900)	-	-	-
Closing balance at 31 March	50,460	-	56,420	-

The expected return on scheme assets is determined by considering the expected returns

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Reconciliation of Asset Ceiling

The IAS 19 balance sheet at 31 March 2026 is showing a net pensions asset before consideration of a surplus restriction under paragraph 64 of IAS 19. Paragraph 64 states that "When an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of: (a) the surplus in the defined benefit plan; and (b) the asset ceiling, determined using the discount rate (IAS 19)." The asset ceiling is "the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan".

The actuaries to the Tyne and Wear Pension Fund have calculated the maximum economic benefit the Authority could recognise in the accounts (the asset ceiling) in accordance with IFRIC 14 at nil and the net pension asset has been restricted to the asset ceiling.

	2024/25 7 May 2025- 31 March 2025	2025/26
	£000	£000
Effect of opening asset ceiling	(15,750)	(16,770)
Interest on the effect of Asset Ceiling	720	(2,950)
Changes on the effect of Asset Ceiling	(1,740)	(9,380)
Effect of Asset Ceiling at 31 March 2025	(16,770)	(29,100)

Scheme History	31 March 2025	31 March 2026
	£000	£000
Fair value of LGPS assets	50,460	56,420
Present value of liabilities:		
- LGPS liabilities	(33,690)	(27,320)
- Impact of unrecognised asset	(16,770)	(29,100)
Surplus / (Deficit) on funded defined benefit scheme	-	-
Discretionary benefits	(480)	(480)
Total net pension asset / (liability) recognised on the balance sheet	(480)	(480)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows: active members 56%, deferred pensioners 9% and pensioners 35%.

The liabilities show the underlying commitments that the Authority has in the long run to pay

- 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 2027 is £0.32m. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2027 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 2025.

The weighted average duration of the defined benefit obligation for scheme members is 18.3 years.

The principal assumptions used by the actuary have been:

	Local Governm ent Pension Scheme	Discretio- nary Benefits	Local Governm ent Pension Scheme	Discretio- nary Benefits
	2024/25	2024/25	2025/26	2025/26
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	20.9	20.9	0.0	0.0
- Women	24.1	24.1	21.9	21.9
Longevity at 45 for future pensioners:				
- Men	21.8	n/a	0.0	0.0
- Women	25.2	n/a	22.4	n/a
Principal financial assumptions (% per annum)				
Rate for discounting scheme liabilities	5.8%	5.8%	6.2%	6.2%
Rate of inflation - Consumer Price Index	2.5%	2.5%	2.8%	2.8%
Rate of increase in pensions	2.5%	2.5%	2.8%	2.8%
Pension accounts revaluation rate	2.5%	n/a	2.8%	n/a
Rate of increase in salaries	4.0%	n/a	4.3%	n/a

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

	31 March 2025	31 March 2026		
	% Unquote d	% Quoted	% Un- quoted	% Total
Equity investments	48.1%	36.9%	11.6%	48.5%
Property	11.1%	0.0%	11.2%	11.2%
Government bonds	1.1%	1.2%	0.0%	1.2%
Corporate bonds	18.1%	18.4%	0.0%	18.4%
Multi Asset Credit	4.5%	4.4%	0.0%	4.4%
Cash	1.8%	0.4%	0.0%	0.4%
Other*	15.3%	0.0%	15.9%	15.9%
Total	100.0%	61.3%	38.7%	100.0%

* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will generate a return in line with equities.

A small proportion (10.5%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds.

Actual Return on Assets

	LGPS	LGPS
	2024/25 7 May 2025- 31 March 2025	2025/26
	£000	£000
Interest Income on Assets	2,230	2,950
Remeasurement gain/(loss) on assets	(700)	2,220
Actual Return on Assets	1,530	5,170

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

Discount rate assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to discount rate			
Present value of total obligation (£M)	26.83	27.32	27.81
% change in present value of total obligation	-1.8%		1.8%
Projected service cost (£M)	0.58	0.64	0.70
Approximate % change in projected service cost	-8.8%		9.1%

Rate of general increase in salaries	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to salary increase rate			
Present value of total obligation (£M)	27.37	27.32	27.27
% change in present value of total obligation	0.2%		-0.2%
Projected service cost (£M)	0.64	0.64	0.64
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to pension increase rate			
Present value of total obligation	27.76	27.32	26.88
% change in present value of total obligation	1.6%		-1.6%
Projected service cost (£M)	0.70	0.64	0.58
Approximate % change in projected service cost	9.1%		-8.8%

Post retirement mortality assumption	- 1 year	Base Figure	+ 1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	27.92	27.32	26.72
% change in present value of total obligation	2.2%		-2.2%
Projected service cost (£M)	0.68	0.64	0.60
Approximate % change in projected service cost	6.0%		-6.1%

* 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

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 (Tyne Tunnels operator) 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.

Note 21: Usable Reserves

	Note	31 March 2025 £000	31 March 2026 £000
General Fund Balance	22	(16,394)	(16,609)
Earmarked Reserves		(190,556)	(190,757)
Capital Grants Unapplied Reserve		(272,215)	(294,295)
Total		(479,165)	(501,661)

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 22: 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.

	Transferred from former Combined Authorities 7 May 2024	Transfers Out 2024/25	Transfers In 2024/25	Balance at 31 March 2025	Transfers Out 2025/26	Transfers In 2025/26	Balance at 31 March 2026
	£000	£000	£000	£000	£000	£000	
Bus Reform reserve	-	(8,500)	473	(8,027)	2,672		(5,355)
Election reserve	-	(3,000)	-	(3,000)			(3,000)
Enterprise Zones	(9,101)	(190)	-	(9,291)			(9,291)
Interest Reserve						(19,339)	(19,339)
Nexus - Metro Asset Renewal Programme	(8,680)	(383)	-	(9,063)		(363)	(9,426)
Nexus - Metro Fleet Replacement	(10,882)	(473)	-	(11,355)		(455)	(11,810)
Pensions triennial revaluation	-	(1,100)	-	(1,100)		(1,000)	(2,100)
Revenue grants unapplied	(147,402)	(66,437)	89,354	(124,485)	98,671	(81,287)	(107,101)
Strategic Capacity Reserve	(5,760)	-	-	(5,760)			(5,760)
Strategic Reserve	(200)	-	200	-			-
Transport Devolution Transition	(2,183)	-	2,183	-			-
Tyne Tunnels reserve *	-	(9,946)	-	(9,946)			(9,946)
Washington Metro Loop	(350)	(8,179)	-	(8,529)	900		(7,629)
Total	(184,559)	(98,207)	92,210	(190,556)	102,244	(102,445)	(190,757)

* Tyne Tunnels reserve was included within General Fund balance transferred from the former NECA, now set aside as an earmarked reserve.

A brief description of material earmarked reserves is set out below:

Bus Reform - this reserve holds sums which are being used to fund work on the Franchising Scheme Assessment

Enterprise Zones - this reserve holds the balance of accumulated net income from retained business rates on regional Enterprise Zones which will be used to fund infrastructure investments associated with the schemes over the life of the projects

Interest Reserve - this reserve has been created in 2025/26 to hold interest that has not yet been allocated to investments

Nexus - Metro Asset Renewal Programme - this reserve holds funding to meet local contribution requirements on Nexus capital schemes

Nexus - Metro Fleet Replacement - this reserve holds funding to meet local contribution requirements on the Nexus Metro Fleet replacement programme

Revenue Grants Unapplied - this reserve holds the balance of grants which have been received and released to the Comprehensive Income and Expenditure Statement and are committed to projects but which have not yet been used to fund up expenditure

Tyne Tunnels - this reserve holds funds relating to the vehicle and pedestrian tunnels to smooth the impact of any in-year deficits or unexpected costs which may arise

Washington Metro Loop - this reserve holds funding set aside to meet the costs of the business case into the Washington Metro Loop project

Note 23: Unusable Reserves**Summary**

	31 March 2025 £000	31 March 2026 £000
Capital Adjustment Account	(140,415)	(142,796)
Financial Instruments Adjustment Account	662	645
Pension Reserve	480	480
Total	(139,273)	(141,672)

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.

	2024/25 £000	2025/26 £000
Opening Balance	-	(140,415)
Balances transferred from former Combined Authorities	(147,181)	-
Revised Opening Balance	(147,181)	(140,415)
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	3,731	4,526
Other income that cannot be credited to the General Fund	(4,590)	(5,092)
Revenue expenditure funded from capital under statute	147,208	225,344
Write down of long term debtors	1,307	1,259
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(137,540)	(225,344)
Statutory provision for the financing of capital investment	(1,751)	(1,815)
Capital expenditure charged against the General Fund	(292)	-
Debt redeemed using capital receipts	(1,307)	(1,259)
Balance at year end	(140,415)	(142,796)

Financial Instruments Adjustment Account

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

	2024/25	2025/26
	£000	£000
Opening Balance	-	662
Balances transferred from former Combined Authorities	(836)	-
Revised Opening Balance	(836)	662
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	1,498	(17)
Balance at year end	662	645

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.

	2024/25	2025/26
	£000	£000
Opening Balance	-	480
Balances transferred from former Combined Authorities	(1,740)	-
Revised Opening Balance	(1,740)	480
Remeasurements of the net defined benefit liability (asset)	(2,870)	(770)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	5,150	820
Employer's pension contributions and direct payments to pensioners payable in the year	(60)	(50)
Balance at year end	480	480

Note 24: Capital Expenditure and Capital Financing

	2024/25 £000	2025/26 £000
Opening Capital Financing Requirement	-	181,999
Transferred in from former combined authorities	174,527	-
Adjustments on transition to IFRS 16: Recognition of lease liabilities	963	-
Adjusted Opening Capital Financing Requirement	175,490	181,999
Capital Investment		
Property, Plant and Equipment	289	-
Revenue Expenditure Funded from Capital Under Statute	147,208	225,344
Sources of Finance		
Capital receipts - repayment of principal from long term debtors	(1,307)	(1,259)
Government Grants and other contributions	(137,540)	(225,344)
Sums set aside from revenue		
Direct revenue contributions	(292)	-
Minimum Revenue Provision	(1,849)	(1,815)
Closing Capital Financing Requirement 31 March	181,999	178,925
Increase in underlying need to borrow (unsupported by government financial assistance)	6,509	(3,074)

On 7 May 2024 the Authority implemented IFRS 16 Leases in accordance with the CIPFA/LASAAC Code of Practice. On transition, right-of-use assets and corresponding lease liabilities were recognised for leases previously classified as operating leases under IAS 17. Recognition of the lease liabilities represents the creation of a credit arrangement and therefore increases the Authority's Capital Financing Requirement (CFR). The transition adjustment results in an increase to the adjusted opening CFR of £0.963m as shown in the note above.

Note 25: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities

	2024/25 7 May 2024-31 March 2025 £000	2025/26 £000
Surplus/(Deficit) on the provision of services	71,794	24,124
Adjustments to Surplus on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	3,731	4,526
Increase/(Decrease) in Creditors	52,087	(23,453)
(Increase)/Decrease in Debtors	(28,931)	(28,080)
Movement in Pension Liability	5,090	770
Other non-cash items charged to the net surplus on the provision of services	(4,590)	(5,092)
	27,387	(51,330)
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities		
Capital grants credited to surplus on provision of services	(225,805)	(247,425)
Net cash flow from operating activities	(126,624)	(274,631)

The cash flows for operating activities include the following items:

	2024/25 7 May 2024-31 March 2025 £000	2025/26 £000
Interest received	19,331	25,563
Interest paid	(7,287)	(4,728)

Note 26: Cash Flow Statement - Investing Activities

	2024/25 7 May 2024-31 March 2025 £000	2025/26 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,253)	-
Purchase of short-term and long-term investments	(933,743)	(860,000)
Proceeds from short-term and long-term investments	806,000	890,000
Other receipts from investing activities	232,110	260,873
Net cash flows from investing activities	103,114	290,873

Note 27: Cash Flow Statement - Financing Activities

	2024/25 7 May 2024-31 March 2025 £000	2025/26 £000
Repayments of short and long-term borrowing	(25,621)	(11,015)
Net cash flows from financing activities	(25,621)	(11,015)

Note 27a: Reconciliation of liabilities arising from Financing Activities

	1 April 2025	Financing Cash Flows	Changes which are not financing cash flows		31 March 2026
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(123,333)	10,333	-	-	(113,000)
Short term borrowings	(1,774)	559	-	(113)	(1,328)
Lease liabilities	(750)	123	-	-	(627)
Total Liabilities from financing activities	(125,857)	11,015	-	(113)	(114,955)

	7 May 2024	Financing Cash Flows	Changes which are not financing cash flows		31 March 2025
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(148,667)	25,334	-	-	(123,333)
Short term borrowings	(1,959)	1,037	-	(852)	(1,774)
Lease liabilities	-	-	(750)	-	(750)
Total Liabilities from financing activities	(150,626)	26,371	(750)	(852)	(125,857)

Note 28: Accounting Standards Issued, Not Yet Adopted

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified.

The standards issued by the 2026/27 Code where disclosures are required in the 2025/26 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- a. Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets)** issued in March 2024;
- b. Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)** issued in May 2024;
- c. Annual improvements to IFRS accounting standards - Volume 11** issued in July 2024;
- d. Contracts Referencing Nature-dependent Electricity (amendments to IFRS 9 and IFRS 7)** issued in December 2024.

These amendments are not anticipated to have a significant impact on the MSA's accounts.

Note 29: 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.

Since the payment is entirely usage based, the Authority does not recognise a long-term liability and instead recognises a deferred income credit which was added to as the phases of the construction were completed, based on the fair value of the asset addition under each phase. This is released to the Comprehensive Income and Expenditure Statement over the life of the contract. This treatment has been reviewed in light of the implementation of IFRS 16 Leases to local authority accounts for periods beginning on or after 1 April 2024. Since IFRS 16 principles apply only to measurement of liabilities analogous to leases, management consider that this does not apply to the New Tyne Crossing concession, since there is no liability.

Lender Option Borrower Option (LOBO) Loans

At the Balance Sheet date, the Authority held £35m LOBO loans. These are long-term borrowing arrangements where the lender can periodically propose interest-rate changes and the Authority can either accept the new rate or repay the loan in full at that point.

The Authority has classified these loans as long-term borrowing at the balance sheet date. Although there is an increased chance of the lender proposing higher interest rates, the Authority has no obligation to make repayment and can choose to accept the new rate and not settle the borrowing.

Note 30: 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 31 March 2026 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
Net Pensions Position	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2026 and the projected service cost for the year ending 31 March 2027 are set out below. Details of the carrying value of balances at 31 March 2026 can be found in Note 20. Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £26.83m, a variance of (£0.49)m, whereas a decrease of (0.1%) p.a. results in an increase to £27.81m, a variance of £0.49m. The percentage change in the present value of the total obligation would be (1.8%) and 1.8% respectively.

		Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption: an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation by £0.44m to £27.76m, whereas a decrease of (0.1%) p.a. results in a decrease to £26.88m, a variance of (£0.44)m. The percentage change in the present value of the total obligation would be 1.6% and (1.6%) respectively.
		Post retirement mortality assumption: an adjustment to the mortality age rating assumption of -1 year would change the present value of the total obligation to £27.92m, an increase of £0.60m, whereas an adjustment of +1 year results in a reduction to £26.72m, a reduction of (£0.60)m. The percentage change in the present value of the total obligation would be 2.2% and (2.2%) respectively.

Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	The impact of a change in valuation or useful life would be to affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment in the CIES. These changes do not have an impact on the Authority's General Fund position as funding for such non-cash charges does not come from local authority contributions and grants. Accumulated depreciation totalled around £44m as at 31 March 2026 and a change in methodology resulting in a 1% movement would only change the Balance Sheet by £0.4m.
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Note 31: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. 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 2025/26, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost.

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.

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 reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the 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.

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

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

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

8. Post-Employment Benefits

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

The relevant fund is the Tyne and Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at www.twpf.info.

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the Corporate expense 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 Corporate expense 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.

When the calculation of the net pension position results in an asset, the asset must be recognised at the lower of that asset or the asset ceiling, which is calculated as the net present value of future service costs less net present value of future contributions over the future working lifetime. Where the asset ceiling is lower, an adjustment will be required which is included as a remeasurement.

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 20 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. 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.

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.

11. 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.

12. 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:

- Infrastructure assets – depreciated historical cost.
- Assets Under Construction - cost
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

The following useful economic lives are used for the Authority's PPE assets: Tyne Tunnels 120 years, Tunnels Vehicles, Plant and Equipment 30 years.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. All valuations will be undertaken by or under the supervision of a fully qualified Chartered Surveyor (MRICS – Member of the Royal Institution of Chartered Surveyors). These revaluations are detailed within the Notes to the Core Financial Statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

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

Disposals

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

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

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

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

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

13. Leases

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Authority as Lessee

The Authority classifies contracts as leases based on their substances. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial Measurement

Leases are recognised as right of use assets, with a corresponding liability at the date from which the leased asset is available for use (or the IFRS transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the interest rate implicit in the lease, if that rate can be readily determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments.
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date.
- Amounts expected to be payable under a residual value guarantee.
- The exercise price under a purchase option that the Authority is reasonably certain to exercise.
- Penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The right-of-use asset is initially measured at cost. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent Measurement

The right-to-use asset is subsequently measured using the current value model. The Authority considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases.
- Leases where rent reviews do not necessarily reflect market conditions.
- Leases with terms of more than five years that do not have any provision for rent reviews.
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases would be adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases would be valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The lease liability will be remeasured if:

- There is a change in future lease payments arising from a change in index or rate.

- There is a change in the group's estimate of the amount expected to be payable under a residual value guarantee.
- The Authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment.

14. 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 non-current asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria and the Authority 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 IFRS 16. 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. North East CA 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, North East CA 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 the Authority. If the Authority varies a Real Toll from its corresponding Formula Toll beyond a certain level, the Operator is compensated for the effect of this adjustment on demand.

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

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

In relation to such an arrangement, the Code and the accompanying notes do not provide clear guidance. However, the guidance notes accompanying the code suggest that the credit that matches the asset should be a deferred income balance. The Authority 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.

15. 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.

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 now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

16. 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 2024/25.

17. 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.

18. 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.

20. Overheads

The costs of central support services e.g. Finance and Legal Services have been allocated to the MSA 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 MSA activity (e.g. Transport, Economic Development, Corporate) in accordance with estimated work done on each area.

21. 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.

22. Group Accounts

The MSA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 the MSA 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 2025/26 accounts, the MSA has fully complied with the requirements of the Code, providing Group figures for 2025/26 and comparators for 2024/25. 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.

23. Creation of the North East Mayoral Strategic Authority

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

Section 2.5 of the Local Authority Code of Practice sets out the accounting requirements for combinations of public sector bodies (including local government reorganisation). 2.5.2.2 states that the combination of two or more local authorities into one new authority shall be accounted for using the principles that apply to group reconstructions and shall be accounted for as either a transfer by absorption or a transfer by merger.

The formation of the North East CA and the transfer of functions from NECA and NTCA were accounted for as a transfer by absorption. This is because a transfer by merger would mean treating the balances as if the North East CA had always been in place, whereas it was a completely new organisation created on 7 May 2024.

As a result, the core financial statements and explanatory notes show results for the first financial year of the North East CA which covered the period 7 May 2024 to 31 March 2025. The 2025/26 financial year runs from 1 April 2025 to 31 March 2026.

With effect from 18 May 2026, the North East CA is operating under the name of the North East Mayoral Strategic Authority (North East MSA). This new name better reflects the authority's role and legal status, and its work to lead the region's growth across economic growth, transport, skills and inclusion.

Note 32: Events After the Balance Sheet Date

Adjusting events after the Balance Sheet date

Where events take place after 31 March 2026 which provide information about conditions existing at 31 March 2026, 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 2026 which do not relate to conditions at 31 March 2026 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. No such events have taken place.



Group Statement of Accounts 2025/26
01/04/2025 - 31/03/2026

Unaudited

3.1 Group Movement in Reserves Statement

	Note	MSA General Fund Balance	MSA Earmarked General Fund Reserves	MSA Capital Grants Unapplied	Total MSA Usable Reserves	MSA Unusable Reserves	Total MSA Reserves	Group Share of Nexus General Fund	Group Share of Nexus Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance 7 May 2024		-	-	-	-	-	-	-	-	-
Transferred in from former combined authorities		(25,568)	(184,559)	(183,951)	(394,078)	(149,696)	(543,774)	(61,713)	(800,234)	(1,405,721)
Revised Opening Balance		(25,568)	(184,559)	(183,951)	(394,078)	(149,696)	(543,774)	(61,713)	(800,234)	(1,405,721)
Total Comprehensive Income and Expenditure		(71,794)	-	-	(71,794)	(2,870)	(74,664)	(43,038)	(1,130)	(118,832)
Adjustments between accounting basis and funding basis under regulations	G13	74,971	-	(88,264)	(13,293)	13,293	-	50,548	(50,548)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		3,177	-	(88,264)	(85,087)	10,423	(74,664)	7,510	(51,678)	(118,832)
Transfers (To)/From Earmarked Reserves		5,997	(5,997)	-	-	-	-	-	-	-
Increase in 2024/25		9,174	(5,997)	(88,264)	(85,087)	10,423	(74,664)	7,510	(51,678)	(118,832)
Balance at 31 March 2025		(16,394)	(190,556)	(272,215)	(479,165)	(139,273)	(618,438)	(54,203)	(851,912)	(1,524,553)
Total Comprehensive Income and Expenditure		(24,124)	-	-	(24,124)	(770)	(24,894)	(26,491)	6,580	(44,805)
Adjustments between accounting basis and funding basis under regulations	G13	23,709	-	(22,080)	1,629	(1,629)	-	28,162	(28,162)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		(415)	-	(22,080)	(22,496)	(2,399)	(24,894)	1,671	(21,582)	(44,805)
Transfers (To)/From Earmarked Reserves		201	(201)	-	-	-	-	-	-	-
Increase in 2025/26		(215)	(201)	(22,080)	(22,496)	(2,399)	(24,894)	1,671	(21,582)	(44,805)
Balance at 31 March 2023		(16,609)	(190,757)	(294,295)	(501,661)	(141,672)	(643,332)	(52,532)	(873,494)	(1,569,358)

3.2 Group Comprehensive Income and Expenditure Statement

2024/25 7 May 2024 to 31 March 2025				Note	2025/26		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
4,419	(43,516)	(39,097)	Corporate Costs		5,628	(11,930)	(6,301)
93,913	(57,266)	36,647	Economic Growth and Regeneration		154,814	(125,159)	29,656
2,395	-	2,395	Finance and Investment		2,167	(75)	2,092
3,210	(44)	3,166	Operations		6,000	(47)	5,953
97,379	(65,596)	31,783	Skills, Inclusion and Public Service Reform		112,812	(132,308)	(19,495)
383,538	(327,998)	55,540	Transport		472,579	(339,329)	133,250
584,854	(494,420)	90,434	Cost of Services		754,001	(608,848)	145,153
23,137	(48,433)	(25,296)	Financing and Investment Income and Expenditure	G03	25,187	(54,594)	(29,408)
-	(181,710)	(181,710)	Taxation and Non-Specific Grant Income	G04	-	(167,285)	(167,285)
70	-	70	Loss on disposal of non-current assets		925	-	925
608,061	(724,563)	(116,502)	(Surplus) on Provision of Services		780,113	(830,728)	(50,615)
	(2,330)		Re-measurement of the defined benefit liability	G12			5,810
	(2,330)		Other Comprehensive Income and Expenditure				5,810
	(118,832)		Total Comprehensive Income and Expenditure				(44,805)

3.3 Group Balance Sheet

31 March 2025 £000		Note	31 March 2026 £000
1,190,840	Property, Plant and Equipment	G06	1,206,585
5,364	Right of Use Asset	G06b	5,373
9,473	Intangible Assets	G07	8,515
27,548	Long Term Debtors	G08	16,210
1	Long Term Investments	G08	1
1,233,226	Long Term Assets		1,236,685
490,024	Short Term Investments	G08	460,000
69,785	Short Term Debtors	G09	98,210
142,184	Cash and Cash Equivalents	G10	145,600
893	Inventories		964
702,886	Current Assets		704,773
(1,774)	Short Term Borrowing	G08	(1,328)
(206,680)	Short Term Creditors	G11	(176,805)
-	Grants Receipts in Advance		-
(5,092)	New Tyne Crossing Deferred Income		(5,092)
(213,546)	Current Liabilities		(183,225)
(61,107)	New Tyne Crossing Deferred Income		(56,015)
(123,333)	Long Term Borrowing	G08	(113,000)
(4,854)	Lease Liability	G06b	(5,417)
(1,700)	Pension Liability	G12	(1,570)
(6,670)	Provisions		(5,862)
(351)	Grants Receipts in Advance		(1,855)
-	Long Term Creditor		(5,156)
(198,015)	Long Term Liabilities		(188,875)
1,524,552	Net Assets		1,569,358
(533,368)	Usable Reserves	G13	(554,193)
(991,184)	Unusable Reserves	G14	(1,015,165)
(1,524,552)	Total Reserves		(1,569,358)

3.4 Group Cash Flow Statement

2024/25 7 May 2024- 31 March 2025 £000		Note	2025/26 £000
116,502	Net surplus/(deficit) on the provision of services	G15	50,615
48,966	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G15	(7,710)
(320,350)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G15	(325,662)
(154,882)	Net cash flows from Operating Activities		(282,757)
95,852	Investing Activities	G16	286,002
(16,160)	Financing Activities	G17	170
(75,190)	Net (Decrease)/Increase in cash and cash equivalents		3,416
-	Cash and cash equivalents at the beginning of the reporting period		142,184
217,374	Transferred from former Combined Authorities on 7 May 2024		-
142,184	Cash and cash equivalents at the end of the reporting period	G10	145,600

3.5 Explanatory Notes to the Group Financial Statements

Note G01: Group Accounts

Under 9.1.17 of the Code of Practice for Local Authority Accounting 2025/26, 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 MSA, and the Group Accounts have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of the MSA with the following minor differences:

Deferred Taxation

The MSA 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

The MSA uses the following estimated useful lives for each class of asset:

- Infrastructure assets (Tyne Tunnels) - 120 years
- Vehicles, Plant and Equipment - 5-10 years

Nexus' policy is to commence depreciation on assets with effect from the month following capitalisation, whereas the MSA charges a full year of depreciation in the year of acquisition. No adjustment has been made as the difference is immaterial.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by Nexus as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to Nexus.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and Nexus will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by Nexus can be determined by reference to an active market. In practice, no intangible asset held by Nexus meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

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

Note G02: Expenditure and Funding Analysis

	2025/26				
	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 Costs	(7,071)	-	770	-	(6,301)
Economic Growth and Regeneration	(55,309)	84,965	-	-	29,656
Finance and Investment	2,092	-	-	-	2,092
Operations	5,953	-	-	-	5,953
Skills, Inclusion and Public Service Reform	(7,391)	(12,105)	-	-	(19,495)
Transport	184,757	(53,028)	1,520	-	133,250
Cost of services	123,031	19,832	2,290	-	145,153
Other Income and Expenditure	(121,775)	(65,746)	(8,230)	(17)	(195,768)
(Surplus)/Deficit on Provision of Services	1,256	(45,914)	(5,940)	(17)	(50,615)
Opening General Fund and Earmarked Balances	(261,153)				
Closing General Fund and Earmarked Balances	(259,897)				

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.

	2024/25 7 May 2024-31 March 2025				
	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 Costs	(44,006)	-	4,970	(61)	(39,097)
Economic Growth and Regeneration	23,982	12,665	-	-	36,647
Finance and Investment	1,777	618	-	-	2,395
Operations	3,166	-	-	-	3,166
Skills, Inclusion and Public Service Reform	28,615	3,168	-	-	31,783
Transport	114,707	(64,296)	5,130	-	55,541
Cost of services	128,240	(47,845)	10,100	(61)	90,434
Other Income and Expenditure	(117,552)	(85,062)	(5,820)	1,498	(206,936)
(Surplus)/Deficit on Provision of Services	10,688	(132,907)	4,280	1,437	(116,502)
Opening General Fund and Earmarked Balances	-				
Transferred in from former combined authorities	(271,840)				
Revised Opening General Fund and Earmarked Balances	(271,840)				
Closing General Fund and Earmarked Balances	(261,153)				

Note G02a: Income and Expenditure Analysed by Nature

2024/25 7 May 2024- 31 March 2025 £000		2025/26 £000
	Expenditure	
65,332	Employee benefit expenses	66,401
323,859	Other service expenses	403,990
9,377	Support services recharges	8,943
186,356	Depreciation, Impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	275,782
23,137	Interest payments	24,997
608,061	Total expenditure	780,113
(96,816)	Fees, charges and other service income	(102,190)
(48,433)	Interest and investment income	(54,594)
(85,953)	Income from transport levy	(96,094)
(480,594)	Government grants and contributions	(565,643)
(12,767)	Other income	(12,207)
(724,563)	Total income	(830,728)
(116,502)	(Surplus)/Deficit on the provision of services	(50,615)

Note G03: Financing and Investment Income and Expenditure

	Note	2024/25 7 May 2024-31 March 2025	2025/26
		£000	£000
Interest Payable and Similar Charges	G12	6,727	8,237
Interest Payable on defined benefit liability		(4,150)	(8,230)
Interest Receivable and similar income		(27,873)	(29,414)
Total		(25,296)	(29,408)

Note G04: Taxation and Non-Specific Grant Income

	Note	2024/25 7 May 2024-31 March 2025	2025/26
		£000	£000
Transport Levy	G12	(91,636)	(96,094)
Business Rates Growth Income		(8,145)	(8,265)
Non-Specific Capital Grants		(81,929)	(62,926)
Total		(181,710)	(167,285)

Note G05: Grant Income

	2024/25 7 May 2024-31 March 2025	2025/26
	£000	£000
Adult Skills Fund	(43,317)	(61,772)
Active Travel Fund	(2,084)	-
Brownfield Housing Fund Capital	(10,778)	(23,433)
Bus Service Improvement Plan Capital	(34,389)	-
Bus Service Improvement Plan Revenue	(22,461)	(23,763)
Combined Active Travel Fund	(1,627)	(5,554)
Careers and Enterprise Primary Income	(652)	-
Crownworks Trailblazer	(25,000)	-
City Region Sustainable Transport Fund Capital	(43,968)	(167,799)
City Region Sustainable Transport Fund Revenue	(7,009)	(2,841)
Connect to Work	-	(3,820)
Department for Energy Security & Net Zero	-	(1,180)
DfE Construction Employer Capital Funding	-	(1,039)
DfE Construction Technical Excellence Colleges	-	(987)
DfE Post 16 Capacity Fund	-	(11,066)
Economic Inactivity Trailblazer	-	(8,719)
Electric Vehicle Pavement Channels	-	(1,232)
Free Courses for Jobs	(2,889)	(6,694)
Great North Partnership Contributions	-	(633)
Investment Fund Revenue	(20,000)	(34,000)
Investment Fund Capital	-	(14,000)
Investment Zones Capital	(4,650)	(8,926)
Investment Zones Revenue	(2,379)	(3,727)
Local Electric Vehicle Infrastructure Capital	(15,829)	-
Local Electric Vehicle Infrastructure Capability	-	(569)
Local Transport Plan	(56,425)	-
Levelling Up Fund Capital	(15,553)	-
Made Smarter	(886)	(1,390)
Mayoral Capacity Funding	(2,750)	(1,500)
Multiply	(1,053)	-
Other Grants and Contributions (individually less than £0.5m)	(6,893)	(5,936)
Rural England Prosperity Fund	(2,217)	(1,966)
Skills Bootcamps	(11,583)	(28,876)
Spatial Development Strategy Fund	-	(1,554)
Trailblazer Revenue	(2,403)	-
UK Shared Prosperity Fund	(29,942)	(48,668)
ZEBRA2 Capital	-	(1,585)
Metro Rail Grant	(27,800)	(29,490)
Nexus Revenue Support Grant	(5,683)	-
Nexus Capital Grants	(80,374)	(62,926)
Total	(480,594)	(565,643)

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Nexus received the following grant yet to be recognised as income:

Capital Grants received in advance	2024/25 7 May 2024-31 March 2025	2025/26
	£000	£000
Fleet midlife refurbishment	(351)	(1,855)

Grant paid on an annual basis and set aside to fund a midlife refurbishment of the incoming fleet of Metrocars (fleet lifetime expectancy is 35 years)

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

	2025/26			
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment (excluding Infrastructure Assets) £000
Cost or Valuation				
Opening Balance 1 April 2025	33,517	231,815	8,422	273,754
Additions	-	65,590	-	65,590
Transfers from Assets Under Construction	2,986	(178,900)	-	(175,914)
Transfers to Intangible Assets	-	(171)	-	(171)
Derecognition - Disposals	(2,524)	-	(321)	(2,845)
Revaluation Recognised in Revaluation Reserve	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Other Adjustments	-	-	-	-
Closing Balance 31 March 2026	33,979	118,334	8,101	160,414

Accumulated Depreciation and Impairment				
Opening Balance 1 April 2025	(26,311)	-	(361)	(26,672)
Depreciation charge	(1,437)	-	(19)	(1,456)
Derecognition - Disposals	2,467	-	318	2,785
Closing Balance 31 March 2026	(25,281)	-	(62)	(25,343)

Net Book Value				
31 March 2025	7,206	231,815	8,061	247,082
31 March 2026	8,698	118,334	8,039	135,071

Capital Commitments

At the year end, Nexus has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years budgeted to cost £23.29m (2025: £43.11m). The major commitments are:

	Total £m
New Fleet	11.675
Overhead Line	1.756
Ferry North Landing Relocation	1.585
Scada	1.081
Nexus Places	0.784
Fire Safety	0.715
Estate Wide Condition Surveys	0.678

	2024/25 7 May 2024-31 March 2025			
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment (excluding Infrastructure Assets) £000
Cost or Valuation				
At 7 May 2024	-	-	-	-
Transferred in from former combined authorities	35,861	225,226	8,422	269,509
Revised Opening Balance	35,861	225,226	8,422	269,509
Additions	-	88,108	-	88,108
Reclassifications from Assets Under Construction	289	(82,901)	-	(82,612)
Transfers between categories	-	1,383	-	1,383
Derecognition - Disposals	(2,634)	-	-	(2,634)
Revaluation Recognised in Revaluation Reserve	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Other Adjustments	1	(1)	-	-
At 31 March 2025	33,517	231,815	8,422	273,754

Accumulated Depreciation and Impairment				
At 7 May 2024	-	-	-	-
Transferred in from former combined authorities	(27,859)	-	(339)	(28,198)
Revised Opening Balance	(27,859)	-	(339)	(28,198)
Depreciation charge	(1,057)	-	(22)	(1,079)
Derecognition - Disposals	2,605	-	-	2,605
At 6 May 2024	(26,311)	-	(361)	(26,672)

Net Book Value				
At 7 May 2024	8,002	225,226	8,083	241,311
At 31 March 2025	7,206	231,815	8,061	247,082

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

	2024/25 7 May 2024-31 March 2025 £000	2025/26 £000
Net book value (modified historical cost)		
Opening Balance	-	944,932
Transferred in from former combined authorities	901,383	-
Revised Opening Balance	901,383	944,932
Additions	-	-
Reclassification from Assets under construction	82,612	175,914
Derecognition	(792)	(3,030)
Depreciation	(39,437)	(45,129)
Impairment	-	-
Other movements in cost	(8)	1,064
Closing Balance at 31 March	943,758	1,073,751

Reconciliation to Balance Sheet

	31 March 2025 £000	31 March 2026 £000
Infrastructure assets	943,758	1,073,751
Other PPE assets	247,082	132,834
Total PPE assets	1,190,840	1,206,585

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 G06b: Right of Use Assets

The Group leases certain buildings and equipment under leases where financial assessment has provided evidence that leasing provides better value for money than outright purchase. Leases for buildings relate to office space .

	2025/26	
	Property (Land and Buildings) £000	Total £000
Cost or Valuation		
Opening Balance 1 April 2025	5,473	5,473
Additions - Lease liability	479	479
Remeasurements of lease liability	-	-
Impairments charged to operating expenses	-	-
Depreciation eliminated on revaluation	-	-
Disposals - Lease termination	-	-
At 31 March 2026	5,952	5,952

Accumulated Depreciation and Impairment		
Opening Balance 1 April 2025	(250)	(250)
Provided during the year - right of use asset	(328)	(328)
Depreciation eliminated on revaluation	-	-
Disposals - Lease termination	-	-
At 31 March 2026	(579)	(579)

Net Book Value		
Opening Balance 1 April 2025	5,223	5,223
At 31 March 2026	5,373	5,373

	2024/25 7 May 2024-31 March 2025	
	Property (Land and Buildings) £000	Total £000
Cost or Valuation		
At 7 May 2024	-	-
IFRS 16 implementation adjustments for operating leases held by NTCA and NECA Groups acquired via the formation of the Authority	5,505	5,505
Additions - Lease liability	-	-
Remeasurements of lease liability	-	-
Impairments charged to operating expenses	-	-
Depreciation eliminated on revaluation	-	-
Disposals - Lease termination	-	-
At 31 March 2025	5,505	5,505

Accumulated Depreciation and Impairment		
At 7 May 2024	-	-
IFRS 16 implementation adjustments for operating leases held by NTCA and NECA Groups acquired via the formation of the Authority	-	-
Provided during the year - right of use asset	(141)	(141)
Depreciation eliminated on revaluation	-	-
Disposals - Lease termination	-	-
At 31 March 2025	(141)	(141)

Net Book Value		
At 7 May 2024	-	-
At 31 March 2025	5,364	5,364

Revaluation of property right of use assets

Revaluation of property right of use assets: The Group assesses each lease on an individual basis using cost as a proxy for fair value or current value in existing use for its right of use assets when one of the following conditions apply. a) The economic life of the asset, judged as the lease term, is shorter than full revaluation cycle. b) There is provision within the agreement to update the lease payment terms to reflect market conditions on a regular basis and there is not a high risk that the fair value of the asset will fluctuate in the interim period. The Group has therefore applied the cost model to its right of use assets.

Reconciliation of the carrying value of lease liabilities

	2024/25 7 May 2024-31 March 2025	2025/26
	£000	£000
Opening carrying value	-	5,435
IFRS 16 Implementation - adjustment for acquired operated leases	5,505	-
Lease additions	-	-
Lease liability remeasurements	-	-
Interest charge arising in year	67	288
Early terminations	-	-
Lease payments	(137)	(183)
Carrying value at 31 March	5,435	5,540

Maturity analysis of future lease payments

	31 March 2025	31 March 2026
	£000	£000
Lease liabilities at 31 March	5,435	5,540
Of which:		
- current	581	123
- non-current	4,854	5,417

Note G07: Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

	£000
Cost or Valuation	
Opening Balance	-
Transferred in from previous Combined Authorities	19,792
Revised opening balance 7 May 2024	19,792
Additions	1,527
Transfers from property, plant and equipment	(1,383)
Derecognition - Disposals	(544)
1 April 2025	19,392
Additions	755
Transfers from property, plant and equipment	171
Derecognition - Disposals	(550)
31 March 2026	19,768

	£000
Amortisation	
Opening Balance	-
Transferred in from previous Combined Authorities	(8,821)
Revised opening balance at 7 May 2024	(8,821)
Amortisation provided during the period	(1,623)
Derecognition - Disposals	525
1 April 2025	(9,919)
Amortisation provided during the period	(1,884)
Derecognition - Disposals	550
31 March 2026	(11,253)

	£000
Net Book Value	
31 March 2025	9,473
31 March 2026	8,515

Note G08: Financial Instruments**Financial Assets**

A financial asset is a right to future economic benefits controlled by the Group 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 Group during the year are held under the following classifications.

	Non-current				Current			
	Investments		Debtors		Investments*		Debtors	
	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	1	1	27,548	16,210	632,208	605,171	48,062	98,210
Total financial	1	1	27,548	16,210	632,208	605,171	48,062	98,210
Non-financial	-	-	-	-	-	-	25,451	-
Total	1	1	27,548	16,210	632,208	605,171	73,514	98,210

* includes cash and cash equivalents

Financial assets at amortised cost

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

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

All of the Group's financial assets fit this criteria and are classified at amortised cost.

Short term debtors

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 Group 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 Group.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(123,333)	(113,000)	-	-	(1,774)	(1,328)	(175,106)	(163,946)
Total financial liabilities	(123,333)	-	-	-	(1,774)	-	(175,106)	(163,946)
Non-financial liabilities	-	-	-	-	-	-	(31,574)	(12,859)
Total	(123,333)	-	-	-	(1,774)	-	(206,680)	(176,805)

The contractual terms for Group's financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

	2024/25 7 May 2024 - 31 March 2025			2025/26		
	Financial Liabilities at amortised cost	Financial assets measured at amortised cost	Total	Financial Liabilities at amortised cost	Financial assets measured at amortised cost	Total
	£000	£000	£000	£000	£000	£000
Interest expense	6,727	-	6,727	8,237	-	8,237
Total expense in Surplus on Provision of Services	6,727	-	6,727	8,237	-	8,237
Investment income	-	(27,873)	(27,873)	-	(29,414)	(29,414)
Total income in Surplus on Provision of Services	-	(27,873)	(27,873)	-	(29,414)	(29,414)
Net (gain)/loss for the year	6,727	(27,873)	(21,147)	8,237	(29,414)	(21,178)

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 31 March 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 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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 2025		31 March 2026	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost		(125,107)	(97,151)	(114,328)	(83,934)
Total		(125,107)	(97,151)	(114,328)	(83,934)
Financial Assets at amortised cost					
Held to maturity investments		490,024	490,024	460,000	460,000
Other loan debtors	2	27,548	27,548	16,210	16,210
Total		517,572	517,572	476,210	476,210

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

Note G09: Short Term Debtors

	31 March 2025 £000	31 March 2026 £000
Central Government bodies	40,170	68,664
Other local authorities	11,860	11,668
NHS bodies	55	3
Public Corporations	-	1
Other entities and individuals	17,700	17,873
Total	69,785	98,210

Note G10: Cash and Cash Equivalents

	31 March 2025 £000	31 March 2026 £000
Cash	27,706	28,769
Short-term deposits with financial institutions	114,479	116,831
Total	142,185	145,600

Note G11: Short Term Creditors

	31 March 2025 £000	31 March 2026 £000
Central government bodies	(16,669)	(2,589)
Other local authorities	(35,154)	(31,214)
Public Corporations	-	(950)
Other entities and individuals	(154,857)	(141,834)
Amounts due to TTS	-	(218)
Total	(206,680)	(176,805)

Note G12: Defined Benefit Pension Schemes

The North East MSA 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.

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

Consolidated Pension Asset

The Group net pension liability of £1.57m is the sum of the North East MSA and Nexus net pension liabilities.

Transactions Relating to Post-employment Benefits

The following transactions relating to the Local Government Pension Scheme and Unfunded Benefits provided by the North East MSA 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	LGPS	Discretionary Benefits
	2024/25	2024/25	2025/26	2025/26
	£000	£000	£000	£000
Cost of Services:				
Current service cost ¹	9,330	-	6,920	-
Past service cost	-	-	810	-
Settlement cost	4,250	-	-	-
Exceptional loss on transfer of pension liability	-	-	-	-
Financing and Investment Income and Expenditure				
Interest cost	(4,240)	90	16,860	90
Expected Return on Scheme Assets	-	-	(25,180)	-
Total Post-Employment benefit charged to the Surplus on the Provision of Services	9,340	90	(590)	90
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	9,390	-	(2,220)	-
Remeasurement of the net Defined Benefit Liability	(11,780)	(50)	(23,470)	10
Asset loss/(gain) due to surplus restriction	104,700	-	11,360	-
Total amount recognised in Other Comprehensive Income and Expenditure	102,310	(50)	(14,330)	10
Total amount recognised in CIES	111,650	40	(14,920)	100

1. The Current Service cost includes an allowance for administration expenses of £0.11m for the MSA and £0.21m for the Nexus Group.

Movement in Reserves Statement

	LGPS	Discretionary Benefits	LGPS	Discretionary Benefits
	2024/25	2024/25	2025/26	2025/26
	£000	£000	£000	£000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	46,270	200	19,360	30
Employer's Contribution to Scheme	4,860	-	5,230	-
Retirement benefits payable to pensioners	-	290	-	180

Reconciliation of the Present Value of Scheme Liabilities:

	LGPS	Discretionary Benefits	LGPS	Discretionary Benefits
	2024/25	2024/25	2025/26	2025/26
	£000	£000	£000	£000
Opening Balance	-	-	(329,730)	(1,700)
Transferred in from former combined authorities	(345,010)	(1,990)	-	-
Revised Opening Balance	(345,010)	(1,990)	(329,730)	(1,700)
Current service cost	(9,330)	-	(6,920)	-
Interest cost	(17,830)	(90)	(18,840)	(30)
Contributions by participants	(4,370)	-	(4,950)	-
Remeasurement of the net Defined Benefit liability	11,780	110	7,410	-
Net benefits paid out	15,380	270	15,230	160
Past service costs	-	-	(50)	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-
Settlements	19,650	-	(810)	-
Closing balance at 31 March	(329,730)	(1,700)	(338,660)	(1,570)

Reconciliation of the Fair Value of the Scheme Assets:

	LGPS	Discretionary Benefits	LGPS	Discretionary Benefits
	2024/25	2024/25	2025/26	2025/26
	£000	£000	£000	£000
Opening Balance	-	-	487,310	-
Transferred in from former combined authorities	503,940	-	-	-
Revised Opening Balance	503,940	-	487,310	-
Interest income on assets	22,790	-	28,130	-
Remeasurement gains/(losses) on assets	(9,390)	-	18,280	-
Employer contributions	4,880	270	5,230	260
Contributions by scheme participants	4,370	-	4,950	-
Net benefits paid out	(15,380)	(270)	(15,230)	(260)
Settlement costs	(23,900)	-	-	-
Closing Balance at 31 March	487,310	-	528,670	-

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History	2024/25 £000	2025/26 £000
Fair value of LGPS assets	487,310	528,670
Present value of liabilities:		
- LGPS liabilities	(329,730)	(338,660)
- Impact of minimum funding	-	-
Surplus/(Deficit) on funded defined benefit scheme	157,580	190,010
Discretionary benefits	(1,700)	(1,570)
Unrecognised asset (asset ceiling)	(157,580)	(160,910)
Total (Deficit)	(1,700)	27,530

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

	NECA	Nexus
Active members	56%	40%
Deferred pensioners	9%	11%
Pensioners	35%	49%

The weighted average duration of the defined benefit obligation for scheme members is 18.3 years for the MSA and 15 years for Nexus.

The liabilities show the underlying commitments that the Group has in the long run to pay post employment (retirement) benefits. The total gross liability of £366.81m has an impact on the net worth of the Group recorded on the balance sheet, resulting in a net pension deficit of £1.57m. Statutory arrangements for funding the deficit mean that the financial position of the Group 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 in the year to 31 March 2027 are £0.32m for the MSA and £5.23m for Nexus.

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 2025.

The principal assumptions used by the actuary have been:

North East MSA and Nexus	LGPS	Discretio- nary Benefits	LGPS	Discretio- nary Benefits
	2024/25	2024/25	2025/26	2025/26
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.9	20.9	21.9	21.9
Women	24.1	24.1	24.4	24.4
Longevity at 65 for future pensioners:				
Men	21.8	n/a	22.4	n/a
Women	25.2	n/a	25.1	n/a
Principal financial assumptions (% per annum)				
Rate for discounting scheme liabilities	5.8%	5.8%	6.2%	6.2%
Rate of inflation - Consumer Price Index	2.5%	2.5%	2.8%	2.8%
Rate of increase in pensions	2.5%	2.5%	2.8%	2.8%
Pension accounts revaluation rate	2.5%	n/a	2.8%	n/a
Rate of increase in salaries	4.0%	n/a	4.3%	n/a

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

	31 March 2026		
	% Quoted	% Unquoted	% Total
Equity investments	36.9%	11.6%	48.5%
Property	0.0%	11.2%	11.2%
Government bonds	1.2%	0.0%	1.2%
Corporate bonds	18.4%	0.0%	18.4%
Multi Asset Credit	4.4%	0.0%	4.4%
Cash	0.4%	0.0%	0.4%
Other*	0.0%	15.9%	15.9%
Total	61.3%	38.7%	100.0%

* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will generate a return in line with equities.

Actual Return on Assets

	LGPS	LGPS
	2024/25 £000	2025/26 £000
Interest Income on Assets	22,790	28,130
Remeasurement gain/(loss) on assets	(9,390)	18,280
Actual Return on Assets	13,400	46,410

Sensitivity Analysis

Sensitivity analysis of North East MSA pension liabilities is set out in Note 20 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 2026 and the projected cost for the period ending 31 March 2026 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised above.

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

Discount rate assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to discount rate			
Present value of total obligation (£M)	306.67	311.34	316.01
% change in present value of total obligation	-1.5%		1.5%
Projected service cost (£M)	5.61	5.92	6.25
Approximate % change in projected service cost	-5.3%		5.5%

Rate of general increase in salaries	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to salary increase rate			
Present value of total obligation (£M)	311.65	311.34	311.03
% change in present value of total obligation	0.1%		-0.1%
Projected service cost (£M)	5.92	5.92	5.92
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to pension increase rate			
Present value of total obligation	315.70	311.34	306.98
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M)	6.25	5.92	5.61
Approximate % change in projected service cost	5.5%		-5.3%

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	318.19	311.34	304.49
% change in present value of total obligation	2.2%		-2.2%
Projected service cost (£M)	6.14	5.92	5.69
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

Note G13: Usable Reserves

	31 March 2025 £000	31 March 2026 £000
General Fund Balance	(70,597)	(69,141)
Earmarked Reserves	(190,556)	(190,757)
Capital Grants Unapplied Reserve	(272,215)	(294,295)
Total	(533,368)	(554,193)

Note G14: Unusable Reserves**Summary**

	31 March 2025 £000	31 March 2026 £000
Capital Adjustment Account	(991,286)	(1,015,120)
Financial Instruments Adjustment Account	662	645
Revaluation Reserve	(2,260)	(2,260)
Pension Reserve	1,700	1,570
Total	(991,184)	(1,015,165)

Details of movements on the Financial Instruments Adjustment Account is shown in Note 23 of the North East MSA single entity accounts. This reserve relates to the MSA 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.

	2024/25 £000	2025/26 £000
Opening Balance	-	(2,260)
Balances transferred from former Combined Authorities	(2,260)	-
Revised Opening Balance	(2,260)	(2,260)
Revaluation gain recognised in Revaluation Reserve	-	-
Balance at 31 March	(2,260)	(2,260)

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.

	2024/25	2025/26
	£000	£000
Opening Balance	-	(991,287)
Balances transferred from former Combined Authorities	(946,645)	-
Revised Opening Balance	(946,645)	(991,287)
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	40,911	47,268
Other income that cannot be credited to the General Fund	(4,590)	(5,092)
Revenue expenditure funded from capital under statute	147,208	225,344
Write down of long term debtors	1,307	1,259
Non Current Assets written off on disposal	758	2,151
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(222,602)	(291,090)
Statutory provision for the financing of capital investment	(1,751)	(1,815)
Capital expenditure charged against the General Fund	(4,576)	(599)
Debt redeemed using capital receipts	(1,307)	(1,259)
Balance at year end	(991,287)	(1,015,120)

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.

	2024/25	2025/26
	£000	£000
Opening Balance	-	1,700
Balances transferred from former Combined Authorities	(250)	-
Revised Opening Balance	(250)	1,700
Remeasurements of the net defined benefit liability (asset)	(4,000)	5,810
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	920	(11,330)
Employer's pension contributions and direct payments to pensioners payable in the year	5,030	5,390
Balance at year end	1,700	1,570

Note G15: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities

	2024/25 £000	2025/26 £000
Surplus/(Deficit) on the provision of services	116,502	50,615
Adjustments to Surplus on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	42,280	48,939
Loss on disposal of non-current assets	840	3,090
(Increase)/Decrease in Creditors	63,225	(32,780)
(Increase)/Decrease in Debtors	(57,112)	(15,856)
Increase/(Decrease) in Inventories	42	(71)
Movement in net Pension Liability	4,280	(5,940)
Other non-cash items charged to the net surplus on the provision of services	(4,590)	(5,092)
	48,966	(7,710)
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities		
Capital grants credited to surplus on provision of services	(310,867)	(314,653)
Other adjustments for items that are financing or investment activities	(9,483)	(11,009)
Net cash flow from operating activities	(154,883)	(282,757)

The cash flows for operating activities include the following items:

	2024/25 £000	2025/26 £000
Interest received	26,038	28,172
Interest paid	(23,816)	(24,202)

Note G16: Cash Flow Statement - Investing Activities

	2024/25 £000	2025/26 £000
Purchase of property, plant and equipment, investment property and intangible assets	(90,599)	(66,824)
Purchase of short-term and long-term investments	(933,743)	(860,000)
Proceeds from short-term and long-term investments	804,741	888,787
Other receipts from investing activities	315,453	324,039
Net cash flows from investing activities	95,852	286,002

Note G17: Cash Flow Statement - Financing Activities

	2024/25 £000	2025/26 £000
Repayments of short and long-term borrowing	(25,621)	(11,015)
Other payments for financing activities	9,461	11,185
Net cash flows from financing activities	(16,160)	170

G17a: Reconciliation of liabilities arising from Financing Activities

	1 April 2025	Financing Cash Flows	Changes which are not financing cash flows		31 March 2026
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(123,333)	10,333	-	-	(113,000)
Short term borrowings	(1,774)	559	-	(113)	(1,328)
Lease liabilities	(750)	123		-	(627)
Total Liabilities from financing activities	(125,857)	11,015	-	(113)	(114,955)

	7 May 2024	Financing Cash Flows	Changes which are not financing cash flows		31 March 2025
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(148,667)	25,334	-	-	(123,333)
Short term borrowings	(1,959)	1,037	-	(852)	(1,774)
Lease liabilities	-	-	(750)	-	(750)
Total Liabilities from financing activities	(150,626)	26,371	(750)	(852)	(125,857)

Note G18: Capital Expenditure and Capital Financing

	2024/25 £000	2025/26 £000
Opening Capital Financing Requirement	-	181,999
Transferred in from former combined authorities	174,527	-
liabilities	963	-
Adjusted Opening Capital Financing Requirement	175,490	181,999
Capital Investment		
Property, Plant and Equipment	88,108	65,590
Revenue Expenditure Funded from Capital Under Statute	147,208	225,344
Intangible assets	1,527	755
Sources of Finance		
Capital receipts - repayment of principal from long term debtors	(1,307)	(1,259)
Government Grants and other contributions	(222,602)	(291,090)
Sums set aside from revenue		
Direct revenue contributions	(4,576)	(599)
Minimum Revenue Provision	(1,849)	(1,815)
Closing Capital Financing Requirement 31 March	181,999	178,925
Increase in underlying need to borrow (unsupported by government financial assistance)	6,509	(3,074)

On 7 May 2024 the Authority implemented IFRS 16 Leases in accordance with the CIPFA/LASAAC Code of Practice. On transition, right-of-use assets and corresponding lease liabilities were recognised for leases previously classified as operating leases under IAS 17. Recognition of the lease liabilities represents the creation of a credit arrangement and therefore increases the Authority's Capital Financing Requirement (CFR). The transition adjustment results in an increase to the adjusted opening CFR of £0.963m as shown in the note above.

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.