NORTH
OF TYNE
COMBINED
AUTHORITY

ANNUAL FINANCIAL REPORT

2018/19

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1.0 Narrative Statement

Introduction

The Narrative Report provides information about the North of Tyne Combined Authority (NTCA) including the key issues affecting the Authority and its accounts. This report provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2018/19 and its future financial prospects.

The report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts
- An overview of the activities and significant matters which have occurred since establishment on 2 November 2018
- A summary of the Authority's financial performance during the period ending 31 March 2019
- A look ahead to 2019/20 and beyond
- Confidence in the Authority's stewardship of public money and that it has been accounted for in an appropriate manner

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('The Code'). The Code of Practice constitutes "proper accounting practice" under the terms of the Accounts and Audit Regulations 2015. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cashflow Statement

The purpose of each of the above statements is described at the end of this report and the actual statements are contained within the accompanying Statement of Accounts document, which also includes detailed notes providing further backup relating to specific amounts and balances.

The purpose of this Annual Financial Report is to collectively provide a comprehensive view of Authority's financial position during the period to which they relate. Together with details of the non-financial performance of the Authority during 2018/19. The format of the accounts reflects the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) which changed the boundaries of the former NECA on the 2 November 2018 and established the North of Tyne Combined Authority (NTCA) as well as the North East Joint Transport Committee.

The report enables readers to focus on the key elements of the Statement of Accounts and contains the following sections:

- Annual Governance Statement;
- About North of Tyne Combined Authority;
- Key Facts about Governance Arrangements;
- Financial Performance of the Authority 2018/19;
- Non-Financial Performance of the Authority 2018/19;
- Significant Issues for 2019/20 and beyond;
- Explanation of Accounting Statements included within the Statement of Accounts;
- Implementation of the Devolution Order;
- Joint Transport Committee and
- Strategic Risks.

Annual Governance Statement

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Further information is available in the Annual Governance Statement which was presented to the Audit and Standards Committee on 4 April 2019. The Statement explains how the Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015. The Statement can be found on the Authority's website:
Audit and Standards Committee, Committee Papers 2019 — North of Tyne.

About North of Tyne Combined Authority

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

NTCA's functions primarily relate to economic development, skills, housing and regeneration. NTCA will be responsible for inclusive economic growth and regeneration in an area stretching from the River Tyne to the Scottish borders, bounded by the Pennines and the North Sea.

NTCA will also work with the North East Combined Authority (NECA) on a number of areas to support the region, including transport. A North East Joint Transport Committee has been established bringing together members from both NTCA and NECA, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.

NTCA was established to give effect to a 'minded to' devolution deal which was agreed between the three councils, the North East Local Enterprise Partnership and central government. At the same time the North of Tyne Combined Authority was established, the North East Joint Transport Committee was created, which continues to exercise the Transport functions over the area covered by the two Combined Authorities. On 20 November 2018 NECA was formally confirmed as retaining the Accountable Body role for Transport on behalf of the North East Joint Transport Committee.

A Deed of Cooperation was made on the 4 July 2018 between the seven constituent authorities in the area that outlines a framework for collaborative working across the region. NECA continued to be the accountable body for the North East Local Enterprise Partnership (North East LEP) throughout 2018/19, however, the Deed of Cooperation envisages that this role will transfer to the North of Tyne Combined Authority from the 1 April 2020.

The devolution deal represents a significant shift of powers, funding and responsibility from central government to the local level. The deal enables the three councils to pursue through NTCA a shared ambition for an inclusive economy. NTCA does not replace the three constituent councils, nor does it take away any of their statutory powers.

Key facts about NTCA include:

- North of Tyne describes the area covered by North Tyneside, Newcastle and Northumberland.
- It begins at the most southerly boundary of Newcastle and continues north to the border with Scotland, and spans from the North Sea on the east coast to the border with Cumbria in the west.
- The area has a population of 819,000, a local economy of £17billion, over 360,000 jobs and it is home to 24,000 businesses.
- The North of Tyne is filled with stunning natural landscapes, great people and has a strong track record of creating jobs and supporting world-leading businesses.

- The bulk of expenditure is funded through devolved funding secured through the devolution deal, with no change in contributions from constituent authorities compared to previous arrangements.

<u>The Potential of North of Tyne</u>

The new combined authority has the potential to deliver many benefits to the region, namely:

- becoming one of the fastest-growing local economies and job growth rates in the country
- being one of the fastest-growing technology sectors outside of London
- having the highest-skilled workforce in the North
- having excellent transport links nationally and internationally
- developing the innovation, research and development hubs in two universities and world-leading businesses
- utilising the huge range of natural, historic and cultural assets within the area

North of Tyne's Vision

The future focus is on positive change. The aim is to quickly and decisively make a real and positive impact on people's lives, businesses and communities.

The vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in the region's future.

The North of Tyne's Economic Vision is made up of six key pillars which represent the most important groups, issues and goals that are needed to be invested in and nurtured in order to achieve a more prosperous and inclusive future. Success for the Authority will mean:

Champion of enterprise

- Securing investment
- Fostering trade links
- Creating infrastructure needed for sustained growth and prosperity

Leaders of tomorrow

- Supporting a high quality, inclusive education system
- Ensuring young people have the skills and qualifications to succeed
- Good quality training, apprenticeships and jobs

Hotbed of talent

- Giving everyone the opportunity to thrive, attain a fair wage and access good jobs
- Work with business and civil society to change working practices
- Working with employers committed to providing pay and conditions which enable people to take up local jobs and progress

Spark of innovation

- Supporting research, business growth and entrepreneurialism
- Supporting businesses and entrepeneurs to grow and flourish

Network of connections

- Developing a better transport system
- Investing in an ever faster digital infrastructure
- Creating stronger links across the North and internationally

Pride of Place

- Creating communities of inspiring places, homes and spaces that support more sustainable, low carbon futures
- Creating an environment that people want to live in, work and visit.
- Enhancing the flourishing tourism industry

Key Facts about Governance Arrangements

NTCA is a mayoral combined authority. It has a range of functions some of which are identified as being Mayoral Functions. Decisions on these functions must be made by the Mayor. Decisions on all other functions must be taken by the Mayor and representatives of the constituent councils acting together as the Cabinet. All details of Governance arrangements pertaining to NTCA can be found within our Constitution which is available on our website:

NTCA Order and Constitution

The first mayoral elections were held on 2 May 2019. The Elected Mayor will chair the Cabinet and will have a number of specific powers and financial resources. Decisions by the Elected Mayor will be subject to scrutiny by the Overview and Scrutiny Committee and Cabinet.

Management Structure

Chief Officers of NTCA consist of, the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer. These officers are employees from the three local authorities within the North of Tyne. Two other designated posts – Director of Policy & Communications and Director of Inclusive Economy are also employees from the three local authorities within the North of Tyne.

At present the Authority has one employee in the position of Head of Inclusive Growth which was filled at the beginning of March 2019. During 2019/20 more posts will be filled by employees directly appointed by the Authority.

Financial Performance of the Authority 2018/19

The financial position of the NTCA as at 31 March 2019 is shown in the table 1 below.

Table 1: 2018/19 Budget Outturn

Service	**Budget £000s**	**Actual £000s**	**Variance £000s**
Investment	(18,567)	(19,551)	(984)
Corporate Costs	(261)	0	261
Total of Net Expenditure	(18,828)	(19,551)	(723)

Corporate Budget Outturn

A more detailed outturn for 2018/19 Corporate Budget is set out below in Table 2.

Table 2: Corporate Budget Outturn

Corporate Budget 2018-19	Budget 2 November to 31 March 2019	Actual 2 November to 31 March 2019	Variance 2 November to 31 March 2019
Expenditure	£	£	£
Staffing / secondments	457,814	417,351	(40,463)
Advisors / set up	85,000	27,365	(57,635)
SLA's	79,375	84,466	5,091
Contribution to reserves	200,000	381,818	181,818
Total Expenditure	**822,189**	**911,000**	**88,811**
Income			
Interest	**0**	(1,988)	(1,988)
Mayoral candidates	0	(4,500)	(4,500)
AEB Income	0	(26,021)	(26,021)
EU exit grant	0	(90,909)	(90,909)
Veterans housing grant	0	(90,909)	(90,909)
Mayoral Capacity Fund	(250,000)	(250,000)	0
Investment Fund contribution	(833,333)	(446,673)	386,660
Total Income	**(1,083,333)**	**(911,000)**	**172,333**
NET (Income)/Expenditure	(261,144)	0	261,144

Due to the late start- up of the authority in the financial year and the necessary timing of cabinet decisions little actual expenditure was incurred during 2018/19.

Investment Fund Outturn

Table 3 below sets out the detailed outturn against the budget for the Investment Fund.

Table 3 2018/19 Investment Fund Budget Outturn

Investment Fund 2018-19	Estimate 2 November - 31 March 2019	Actual 2 November - 31 March 2019	Variance 2 November - 31 March 2019
Expenditure	**£**	**£**	**£**
Supporting Business Case development	300,000	0	(300,000)
Workstreams	250,000	0	(250,000)
Technical Support	50,000	2,750	(47,250)
Contribution to Corporate Costs	833,333	446,673	(386,660)
Total Expenditure	**1,433,333**	**449,423**	**(983,910)**
Income			
Investment fund	(20,000,000)	(20,000,000)	0
Total Income	**(20,000,000)**	**(20,000,000)**	**0**
NET (Income)/Expenditure	**(18,566,667)**	**(19,550,577)**	**(983,910)**

Reserves Statement

Reserves held at 31 March 2019 are set out in Table 4 below.

Table 4 2018/19 Outturn Reserves Statement

Reserves Statement 2018-19	£
Homeless Veteran Grant Reserve	90,909
Preparing to Exit Grant	90,909
Strategic Reserve	200,000
Investment Fund Reserve	19,550,552
Total	**19,932,370**

The Authority will work with the three constituent North of Tyne Authorities during 2019/20 to determine the appropriate use of the Homeless Veteran Grant. The EU Exit Grant will be held to support actions deemed necessary to support the EU exit process. The Investment fund reserve will be used in accordance with developing programme of activity.

The budget for 2019/20 was agreed at the Cabinet meeting of 12 March 2019. Details of which can be found on the Authority's website:
Cabinet, Committee Papers 2018 — North of Tyne

Borrowing Facilities

Section 3 of the Local Government Act 2003 requires the Authority to determine its own affordable borrowing requirement necessary to fund capital expenditure. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

Main points from Financial Statements

Comprehensive Income & Expenditure Statement

The Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the Authority, and its share of the costs contained within the North East Combined Authority, in the direct provision of Services (page 31). The figure for 2018/19 shows a deficit of £10.669m. However, overall the Comprehensive Income & Expenditure Statement is showing a surplus of £22.621m for the period ended 31 March 2019.

Balance Sheet

The Balance Sheet is set out on page 33. The net assets of the Authority are £80.120m for the period ended 31 March 2019 and are financed by Usable Reserves of £40.782m and Unusable Reserves of £39.338m. More details of the reserves contained on the Balance Sheet are shown in Notes 24 and 25. The Balance Sheet also includes the Authority's share of assets and liabilities contained within the North East Combined Authority.

Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results from Nexus (The Tyne and Wear Passenger Transport Executive). More details can found in Group Note 1 on page 90.

The NTCA Group results show a surplus for the year of £20.211m. The net assets of the Group stood at £275.437m at 31 March 2019.

The accounts of the Nexus Group (including North East Metro Operations Limited – NEMOL) show a loss for the year after grants and taxation of £12.547m. This is lower than the loss reported in the prior year of £20.047m. The main cause of the variation is the increased pension liability following the incorporation of NEMOL incurred in the prior year.

During the year Nexus invested £29.5m of capital expenditure in public transport in Tyne and Wear which was funded primarily by central government grants.

The liquidity of Nexus remained strong with net current assets of £68.8m, adequate to cover both short-term fluctuations and future commitments from usable reserves.

The Nexus accounts are divided between NTCA and NECA accounts (after elimination of intra-group transactions), with the balance sheet information at 31 March 2019 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population – 55.723% in the NECA accounts and 44.277% in the NTCA accounts.

Non-Financial Performance of the Authority

The late establishment of the Authority in 2018/19 has a direct impact on the timing of decisions to award funding support to projects.

At its meeting on 4 December 2018, the Cabinet considered early investment priorities which include:

- Inspiring the development of STEM and digital skills in young people;
- Help residents into work – Returnship Project;
- Attracting new business to the North of Tyne; and,
- Enhancing rural business growth

In addition, Cabinet identified projects for early business case development funding, which include:

- Local fibre network;
- North Shields town centre redevelopment/Fish Quay;
- Energy central learning hub Blyth;
- Targeted employment support for areas of Newcastle with the highest unemployment levels; and
- The Northumberland, Newcastle and North of Tyne rail line

These proposed projects are still in development and are expected to progress through the established assurance framework during the coming months.

It is anticipated that 2019/20 will continue to be a year of development of plans for the delivery of the Vision with the expectation that these plans will see more financial investment achieved in 2019/20 and beyond.

Significant issues relating to 2019/20 and beyond

As the Combined Authority was only established in November 2018, the budget for the financial year 2019/20 reflects a set up phase in which the organisation is both stabilising capacity to undertake its new responsibilities and beginning to deliver its priorities.

In developing these budget proposals, the Mayor and Cabinet have been clear in their approach to ensuring the North of Tyne Authority is a lean organisation. The budget proposals include the anticipated capacity required to deliver the ambition of the Authority and will be regularly reviewed as the delivery of key priorities and actions progress. The Authority faces a challenging time in that it is a developing organisation with a vision that it wishes to deliver to the people of the North of Tyne.

The Mayor and Cabinet will be working with officers to maximise the opportunities of the three constituent authorities in order that they work together efficiently and effectively with the North of Tyne Combined Authority. Some of this is already in place through the development of the Service Level Agreements for support services. Other opportunities exist around the consideration of how best the Procurement Strategies across the constituent authorities can support the ambition and delivery of the Vision for North of Tyne. This will be a challenging time for the Authority to ensure that the resources of the three constituent authorities work closely together for the benefit of the people of the North of Tyne.

In order to deliver the Authority's priorities and vision the social factors such as a consistently higher unemployment rate than the national average, a lower productivity than the national wage and social inequality with pockets of deprivation affecting the area will need to be considered.

Looking Ahead

It is anticipated that NTCA (under the Deed of Co-operation) will become the accountable body for the North East Local Enterprise Partnership from 1 April 2020. Finance and procurement support to the NTCA is provided by North Tyneside Council, with the Director of Resources of North Tyneside, Janice Gillespie also acting as Chief Finance Officer for NTCA. The accounting systems used by NTCA are those used by North Tyneside via their partner Engie. Procurement is also provided by North Tyneside, with legal and HR support and advice provided by Newcastle City Council in addition to IT support.

NTCA are currently located in the Cobalt Business Park within North Tyneside Estate, however, new accommodation is currently being built in Newcastle City Centre.

The focus for 2019/20 and beyond is on delivering key projects in line with the vision of the combined authority maximising the Investment Fund. On 12 March 2019 the revenue budget for the NTCA was approved for 2019/20 to 2021/22. The budget reflected revenue expenditure of £3.6m to support delivery of the organisation and the Investment Fund. The Investment Fund approval of £20m per annum is all revenue. In developing the budget proposals, the Interim Mayor and Cabinet are clear in their approach to ensuring the North of Tyne Authority is a lean organisation. The budget proposals include the anticipated capacity required to deliver the ambition of the authority and will be regularly reviewed as the delivery of key priorities and actions progress. The bulk of expenditure is funded through devolved funding secured through the devolution deal, with no change in contributions from constituent authorities compared to previous arrangements. The Interim Mayor and Cabinet will be working with officers to maximise the opportunities of the three constituent authorities working together efficiently and effectively with the North of Tyne Combined Authority. Some of this is already in place through the development of the Service level Agreements for support services such as Human Resources and Legal Services from across the three constituent authorities. A further example of this is with regard to the approach to procurement and the opportunity to consider how best the Procurement Strategies across the constituent authorities can support the ambition and delivery of the Vision for North of Tyne.

Explanation of the Key Financial Statements

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

Core Financial Statements

The Comprehensive Income & Expenditure Statement (CIES) summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.

The Movement in Reserves Statement (MIRS) shows the movement from the start of the year to the end on the different reserves held by the Authority.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority.

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 as operating, investing and financing activities.

Notes to the Accounts

The notes aim to assist in the understanding of the Statement of the Accounts. They are fundamentally important in the presentation of a true and fair view. They provide information on the basis of the preparation of the financial statements and disclose information not presented directly in the key financial statements which is relevant to the understanding of the information contained elsewhere within the Statement of Accounts.

Group Accounts and Associated Notes

The Authority is required by the Code to produce Group Accounts to include services paid to Council Tax payers in the North of Tyne area by organisations other than the Authority itself in which the Authority has an interest.

It is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Authority and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

These statements and accounts collectively provide a comprehensive view of the Authority's financial position during the period to which they relate. The format of the accounts reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) which changed the boundaries of NECA on the 2 November 2018. As a result of these governance changes, the boundaries of NECA now cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland. On the same date, the North of Tyne Combined Authority (NTCA) was established as well as the North East Joint Transport Committee (JTC), which continue to exercise the Transport functions over the area covered by the two Combined Authorities. The accounts have to show the accounting information at 31 March 2018 and information in year to the end of 1 November 2018 for the previous membership of NECA and the position at 31 March 2019 for the revised membership of NECA.

Implementation of the Devolution order.

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

1. Split the revenues between that which relates to NECA and NTCA. In this case the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).

2. The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and/or North Tyneside (allocated to NTCA), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

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

Dividing Assets and Liabilities between NECA and NTCA in the accounts.

The new Orders require the Transport assets of the North East Joint Transport Committee to be accounted for separately in the accounts and balance sheets of the two Combined Authorities. As the Transport Assets and Liabilities are related to Tyne and Wear activities, the transport accounting balances at the 2 November 2018 and at 31 March 2019 are divided between the two Combined Authorities on the basis of relative population for the year. For the 2018/19 accounts the mid-year estimated population published by the Office of National Statistics as at June 2016 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at both 2 November 2018 and 31 March 2019 is shown in Table 5 below.

Table 5 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	Mid-Year 2016 Population	Proportion
	People	**Proportion**
NECA		
- Gateshead	201,592	
- South Tyneside	149,418	
- Sunderland	277,962	
	628,972	0.55723
NTCA		
- Newcastle	296,478	
- North Tyneside	203,307	
	499,785	0.44277
Tyne and Wear Total	**1,128,757**	**1.00000**

In the Accounts for the 2018/19 year, each Combined Authority must only show the relative proportion of assets and liabilities for its area. The detailed accounting statement for NECA reflect the totality of the figures as at 1 April 2018, when NECA included all seven councils in the Joint Transport Committee and reports figures at 2 November 2018

and 31 March 2019 which includes the relevant population proportion (0.44277/0.55723) of the Tyne and Wear Transport accounting information.
The General Fund Reserve of NECA was originally created by equal contributions from each of the seven local authorities. The reserve increased from £0.311m at the start of the year to £0.340m at the period end. A repatriation of reserves to North of Tyne Combined Authority will take place once the accounts for 2018/19 have been completed and costs of transition and devolution have been provided for. It is estimated that the net NECA general fund reserve after repatriation of funds would be approximately £0.22m. A final calculation and repatriation will take place after the accounts for 2018/19 are audited.

The Statement of Accounts

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

Movement in Reserves Statement (Statement of Accounts page 32)

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

Comprehensive Income and Expenditure Statement (Statement of Accounts page 31)

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

Balance Sheet (Statement of Accounts page 33)

The Balance Sheet summarises the Authority's financial position at 31 March each year. The net assets of the Authority (total assets less total liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MiRS line "adjustments between accounting basis and funding basis under regulations". The balance sheet in the accounts follows the format advised by independent advisers Deloitte to follow proper accounting practice and discussed with our external auditors in relation to the JTC and how balances are reflected in NTCA financial

Statements in relation to NECA with regard to JTC elements as it is constituted. It does not make it easy to understand the full impact of changes at a total level for the year.

The following statements provides an illustration of the Balance Sheet showing the full consolidated accounts for both NECA and the elements that have been transferred to NTCA as they would have been shown at 31 March 2019, in a way which was comparable with the services includes in the balance sheet for NECA at 31 March 2018. This highlights the changes that occurred at a consolidated level in this very unusual transitional accounting year.

Table 6 – Illustration of a Consolidated Balance Sheet, comparable with 31 March 2018

31 March 2018	Balance Sheet Analysis	31 March 2019		
		Consolidated	NTCA	NECA
£000		£000	£000	£000
352,143	Property, Plant and Equipment	353,629	156,578	197,051
53,769	Long-term Debtors	49,073	16,402	32,671
405,912	**Long-term Assets**	**402,702**	**172,980**	**229,722**
72,000	Short-term Investments	93,000	27,719	65,281
16,575	Short-term Debtors	12,891	965	11,926
22,231	Cash and Cash Equivalents	20,761	9,041	11,720
110,806	**Current Assets**	**126,562**	**37,725**	**88,927**
(2,326)	Short-term Borrowing	(2,312)	(1,024)	(1,288)
(77,867)	Short-term Creditors	(81,034)	(29,916)	(51,118)
(2,328)	Grants Receipts in Advance	(1,708)	(503)	(1,205)
(5,092)	New Tyne Crossing – Deferred Income	(5,093)	(2,255)	(2,838)
(87,613)	**Current Liabilities**	**(90,147)**	**(33,698)**	**(56,449)**
(96,753)	New Tyne Crossing – Deferred Income	(91,661)	(40,585)	(51,076)
(167,000)	Long-term Borrowing	(166,333)	(73,648)	(92,685)
(793)	Grants Receipts in Advance	(225)	(100)	(125)
(960)	Pension Liability	(900)	-	(900)
(265,506)	**Long-term Liabilities**	**(259,119)**	**(114,333)**	**(144,786)**
163,599	**Net Assets**	**180,088**	**62,674**	**117,414**
	Usable Reserves			
(32,808)	General Fund	(32,474)	(9,644)	(22,830)
(14,650)	Earmarked	(16,831)	(7,039)	(9,792)
(692)	Capital Receipts	(2,502)	-	(2,502)
(7,727)	Capital Grant Unapplied	(15,840)	(4,167)	(11,673)
(55,877)	**Total**	**(67,647)**	**(20,850)**	**(46,797)**
(107,722)	Unusable Reserves	(112,441)	(41,824)	(70,617)
(163,599)	**Total Reserves**	**(180,088)**	**(62,674)**	**(117,414)**

Cash Flow Statement (Statement of Accounts page 34)

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

Expenditure and Funding Analysis (Statement of Accounts page 57)

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (e.g. government grants and levies) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the different areas of the NTCA budget. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Income and Expenditure Statement.

The EFA presented in the accounts reconciles between the amounts in the NTCA Movement in Reserves Statement and Comprehensive Income and Expenditure Statement which includes the period after 2 November, when some of the transport related income and expenditure is reported elsewhere in the accounts of the North of Tyne Combined Authority.

Group Financial Statements and Notes (Statement of Accounts pages 84 onwards)

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

Table 7 Illustration of Consolidated Group Balance Sheet, comparable with 31 March 2018

31 March 2018	Balance Sheet Analysis	31 March 2019		
		Consolidated	NTCA	NECA
£000		**£000**	**£000**	**£000**
861,545	Long-term Assets	852,262	377,356	474,906
160,375	Current Assets	160,959	71,268	89,691
(69,993)	Current Liabilities	(54,030)	(23,923)	(30,107)
(344,072)	Long-term Liabilities	(343,599)	(152,135)	(191,464)
607,855	**Net Assets**	**615,592**	**272,566**	**343,026**
(76,036)	**Usable Reserves**	(84,679)	(37,493)	(47,186)
(531,819)	**Unusable Reserves**	(530,913)	(235,072)	(295,841)
(607,855)	**Total Reserves**	**(615,592)**	**(272,566)**	**(343,026)**

Annual Governance Statement

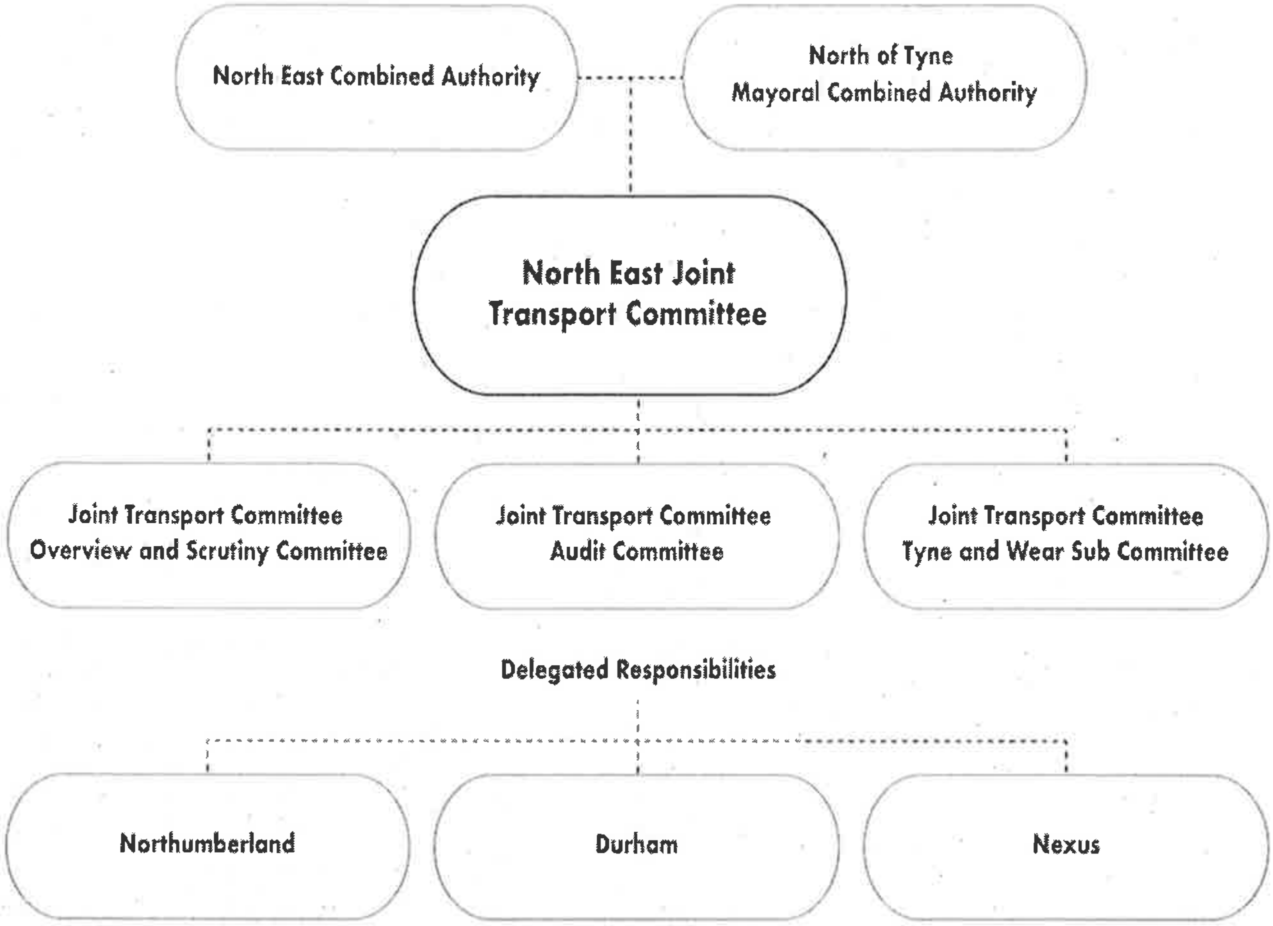
To accompany the Narrative Report and Statement of Accounts, the leadership of the Authority prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Authority's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

The North East Joint Transport Committee

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

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

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



Treasury Management

Table 6 shows that combined total of borrowing (both short and long-term) at 31 March 2019 in both the NECA and NTCA accounts was £168.645m, compared with £169.326m at 31 March 2018. The decrease is due to the regular principal repayments made on Equal Instalment of Principal (EIP) loans. The average rate of interest on external borrowing for the year was 4.3%, which is comparable with the previous year.

The Consolidated Balance Sheet also shows short term external investments of £93.0m (consolidated) and £27.719m and £65.281m in the NTCA and NECA accounts respectively at the end of the year compared to £72.0m at the end of the previous year. The total of investments included £51m of investments held on behalf of Nexus, with a further £7m cash equivalents. The increase in investments in 2018/19 compared to the previous year is primarily due to the receipt of more grants in advance; the growth in reserves, such as the Metro fleet replacement reserve, NEIF funds; and an increase in investment income held on behalf of Nexus. Investments specific to NTCA at the period ended 31 March 2019 was £19.750m which in the most part related to the first tranche of the Investment Fund money, this was invested with the Debt Management Office (DMO).

Tyne Tunnels

The Tyne Tunnels, although owned by NECA, the accounting balances are reflected in the NTCA Financial Statements due to the way the accounts are constituted as part of the JTC. The Tyne Tunnels link the A19 under the River Tyne between Howdon and Jarrow. There are two tolled vehicle tunnels, and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing from the tolls, i.e. there is no call on the Authority's budget or local tax payers to support them, and assets and liabilities associated with the tunnels are ringfenced to the Tyne and Wear constituent councils within the Authority. The refurbishment of the Tyne and Pedestrian Cycle Tunnel took significantly longer to complete than expected due to problems with contractors and asbestos contamination. The tunnels are due to be reopened in June 2019 and are expected to be fully operational in 2019/20 and the future operation of the Tunnels will be transferred to TT2 under the terms of the concession contract.

The following table of Traffic flows shows a small increase in traffic in 2018/19. The number of class 2 and exempt vehicles increased while the number of Class 1 and 3 vehicles reduced.

Table 8 Tyne Tunnel Traffic Flow data

	Class 1	Class 2	Class 3	Exempt	Total
2018/19	171,626	14,839,928	823,469	631,444	16,466,467
2017/18	172,655	14,802,233	855,656	584,809	16,415,353
2016/17	197,688	15,705,319	951,785	605,670	17,460,462
2015/16	204,751	16,218,493	989,451	581,377	17,994,072
2014/15	195,798	15,265,379	873,270	508,444	16,842,891
2013/14	185,471	13,970,360	804,147	464,529	15,424,507

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

The Tolls were increased in line with inflation on 13 May 2019 from £1.70 to £1.80 for class 2 vehicles without permits (now £1.62 with a pre-paid permit) and from £3.40 to £3.60 for class 3 vehicles (now £3.24 with a pre-paid permit). Opportunities for improving the toll collection arrangements are being explored with TT2, the Tunnel concessionaire, which will potentially involve improvements over the next three years, including the potential to move to a barrier free number plate recognition system, although this is subject to the formal approval of the North East Joint Transport Committee once a detailed proposal is presented for consideration.

Tyne and Wear Passenger Transport Executive – Nexus

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by NEXUS. The following indicators describe the general performance of public transport in Tyne and Wear during 2018/19.

- The number of passenger journeys across Tyne and Wear was estimated at 159.3million; a 0.8% increase when compared to 158.5million in the previous year.

- Bus Patronage increased slightly to 120.9m, a 0.5% increase compared with 120.3million in 2017/18.
- Metro patronage remained at 36.4million in 2018/19.
- Ferry journeys increased to 436,500 in 2018/19, an increase of 3.5% compared with 422,000 journeys the year before.
- Rail passengers increased to 1.6million, an increase of 14% on the previous year's total of 1.4million.
- Metro reliability (operated mileage) was 98.5% during 2018/19, an improvement on the 97.9% achieved in the previous year.
- Metro Charter punctuality was 79.6% during 2018/19, a significant reduction compared with the 85.1% achieved in the previous year.

Transforming Cities Fund

Last year a vision was set out for the Transforming Cities Fund (TCF) bid in the successful Expression of Interest (EOI), that demonstrated significant ambition and hinted at large-scale interventions:
"More sustainable connectivity, and more mobility, making sustainable transport the natural choice for people moving around our city region, banishing congestion and its polluting effects, and improving air quality and public health."

In March 2019, the North East was awarded a £10m Tranche 1 Transforming City grant, which was the largest award in the country. Much larger bids are being prepared for submission in 2019 in relation to: -

- **Future Mobility Zone Proposals -** The DfT's Future Mobility Zone (FMZ) funding will select areas to trial initiatives around the ability of new technology to influence future transport provision. A share of grant funding of up to £70m is available. The expression of interest was submitted to DfT on 24 May 2019. The DfT will then select six proposals from across the English city regions for further development, and we will have two months to work with the Department to develop our proposals and prepare a final submission. If successful, our Future Mobility Zone will be established in Autumn 2019.

- **Transforming Cities Fund bid Tranche 2 -** Work is underway to finalise the programme of schemes that will form our Tranche 2 bid, to be submitted to the Department for Transport (DfT) in draft form in June 2019. TCF Tranche 2 is a competitive bidding process in which the North East is competing with 11 other city regions. The funding available for Tranche 2 is much larger. It is anticipated that bids in excess of £300 million will be submitted for the JTC area (the submission of high, medium and low-cost options is a requirement of the bidding process). A period of 'co-development' with DfT will then take place over the months that follow, leading to a final submission in late November 2019.

Other key funding issues for future years relates to securing confirmation of the extension of Metro Rail operating grant and Metro Asset Renewal grant as well as securing fairer funding of concessionary travel costs. Earlier in 2019 evidence was provided to DfT of the growing gap between concessionary Travel funding and costs and oppose the proposed revenue funding arrangements that were being consulted upon by MHCLG. Continuing to make the case for and lobby for a **Fair Funding solution for Transport** will continue to be a priority for 2019 and future years.

Strategic Risk Management

A NTCA Staff Engagement Event was held on the 31 January 2019 where Officers were asked to identify the biggest threats and opportunities to the Combined Authority's aims and ambitions. This information along with comments from Members and Officers, were used as the basis for identifying the biggest threats (risks) and potential opportunities.

Risk Title & Description

1. Risk - Devolution

Failure to deliver the Devolution agenda, and secure future negotiations with Government will restrict powers in future funding years.

Cause(s):

- Decisions are not aligned to the Authority's vision and strategic framework which has already been agreed with Government
- Inability to demonstrate devolution readiness to support key aspects of the devolution deal to DfE and MHCLG
- Insufficient projects/schemes are identified to meet investment fund spending targets
- Projects and schemes are not delivered within agreed timeframes and do not satisfy key criteria or achieve required outcomes, such projects will cover all aspects of the devolution deal including:

▪ Adult Education Budget
▪ Education Challenge
▪ Housing & Land
▪ Investment Fund

Impact(s):

- Inability to demonstrate to Government that investment funding or other criteria has been met which may jeopardise future funding from Government
- Reputational damage with Government and the public

2. Risk - Operational Capacity and Resources

The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver the devolution deal within the constraints of approved funding streams, timeframes, conditions and performance criteria.

Cause:
- There is a lack of clarity and shared understanding in the constituent authorities of the roles and responsibilities of the officers working on the Devolution agenda and supporting the Combined Authority

Impact(s):
- Duplication of activity and conflicting priorities within constituent authorities

- Existing resources are not fully utilised to effectively deliver the Authority's strategic Priorities

- Projects and schemes are not delivered within the approved timeframes and do not meet performance criteria

3. Opportunity – Partnerships

The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.

Benefits:
- Strengthening the synergy between Cabinet, the North East Local Enterprise Partnership and Local Authorities

- Influencing regional approaches to growth

- Improving how we work with Government, business, investors and partners

Barriers:
The success of the Combined Authority will rely on the on-going commitment of all member authorities and how NTCA works with other partners in the region

- It is important that Cabinet share the same vision and commitment to the Combined Authority, ensuring individual plans are aligned

- It is recognised that there are a number of partners, therefore effective and timely communications and consultation are vitally important to reduce reputational impact

The Authority seeks to make the best possible use of resources available with regards to economy, efficiency and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2019/20, available on the NTCA website (North of Tyne Combined Authority 2019/20 Financial Plan and Budget) sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance since establishment. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

If you would like further information about these accounts, please contact Janice Gillespie, Chief Finance Officer, c/o North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

Janice Gillespie
Chief Finance Officer
Date: 20 December 2019

2.0 Independent Auditor's Report to the Members of North of Tyne Combined Authority

Report on the financial statements

Opinion

We have audited the financial statements of North of Tyne Combined Authority and its Group ("NTCA") for the period ended 31 March 2019, which comprise NTCA and Group Movement in Reserves Statement, NTCA and Group Comprehensive Income and Expenditure Statement, NTCA and Group Balance Sheet, NTCA and Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of NTCA and the Group as at 31st March 2019 and of the NTCA's and the Group's expenditure and income for the period then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about NTCA and the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements
As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless NTCA and the Group is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for NTCA and the Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

Matters on which we are required to report by exception under the Code of Audit Practice
We are required by the Code of Audit Practice to report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.
Conclusion on NTCA and the Group's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, NTCA and the Group has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2019.

Basis for conclusion
We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether NTCA and the Group had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether NTCA and the Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, NTCA and the Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that NTCA and the Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of NTCA and the Group's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

Certificate
We certify that we have completed the audit of NTCA and the Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Cw Waddell

Cameron Waddell
Partner
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham DH1 5TS
20 December 2019

3.0 Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the 2018-19 CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('The Code').

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts for the period ended 31 March 2019, required by the Accounts and Audit Regulations 2015 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2019.

Signed:
Janice Gillespie
Chief Finance Officer
Date: 20 December 2019

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4.0 Core Financial Statements and Explanatory Notes

4.1 Comprehensive Income and Expenditure Statement for the period ended 31 March 2019

This Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the levy and other sources of income which is set out in the Movement in Reserves Statement.

*As part of the creation of the Authority it was stated that a Joint Transport Committee (JTC) must be appointed which is endowed with the powers of the Integrated Transport Authority which were previously endowed upon the North East Combined Authority (NECA). NECA was appointed as the accountable body for the JTC.

NECA as the accountable body must split revenue, expenditure, assets and liabilities into those which relate to NECA and the NTCA Authority. The accounts for the Authority thereby include a split of all income and expenditure relating to Transport activity associated with the constituent authorities of North of Tyne from the 2 November 2018.

	2018/19		
	Gross Exp £000s	**Gross Inc £000s**	**Net Exp £000s**
Continuing NTCA Services			
Investment	3	0	3
Corporate Costs	528	(371)	157
Services transferred from North East Combined Authority*:			
- Transport - Retained Budget Levy	44	0	44
- Transport - Tyne and Wear	9,538	0	9,538
- Transport - Northumberland	2,561	0	2,561
- Transport - Tyne Tunnels	6,993	(4,989)	2,004
- Transport - Other	5,148	(8,786)	(3,638)
Cost of Services	**24,815**	**(14,146)**	**10,669**
Financing and Investment Income and Expenditure:			
Continuing NTCA Services	0	(2)	(2)
Transferred from North East Combined Authority	1,598	(717)	881
Taxation and Non-Specific Grant Income			
Continuing Services	0	(20,091)	(20,091)
Transferred from North East Combined Authority:			
- Levy	0	(13,964)	(13,964)
- Capital Grants (non-specific)	0	(114)	(114)
(Surplus)/Deficit on Provision of Services	**26,413**	**(49,034)**	**(22,621)**
Other Comprehensive Income and Expenditure			**0**
Total Comprehensive Income and Expenditure			**(22,621)**

4.2 Movement in Reserves Statement

This Statement shows the movement from the start of the period (date of establishment 2 November 2018) to the end of the financial year 31 March 2019 on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required for the purpose of setting the budget. The net increase/decrease line shows the statutory General Fund Balance Account Balance movements in the year following those adjustments.

	General Fund Balances & Reserves £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s
Transfer from North East Combined Authority	**(16,407)**	**(544)**	**(16,951)**	**(40,548)**	**(57,499)**
<u>Movement in Reserves during 2018/19</u>					
Total Comprehensive Income & Expenditure	(22,621)	0	(22,621)	0	(22,621)
Adjustments between accounting basis & funding basis under regulations	2,413	(3,623)	(1,210)	1,210	0
Increase/(decrease) in 2018/19	(20,208)	(3,623)	(23,831)	1,210	(22,621)
Balance at 31 March 2019	**(36,615)**	**(4,167)**	**(40,782)**	**(39,338)**	**(80,120)**

4.3 Balance Sheet as at 31 March 2019

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. 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.

The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the 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 regulations'.

	Notes	31 March 2019 £000s
Property, Plant & Equipment	14	154,091
Long Term Debtors	20	16,402
Long Term Assets		**170,493**
Short Term Investments	26	27,720
Short Term Debtors	16	1,334
Cash & Cash Equivalents	17	29,149
Current Assets		**58,203**
Short Term Borrowing	19	(1,024)
Short Term Creditors	18	(30,446)
Grants Receipts in Advance	9	(503)
Public Private Partnerships	22	(2,255)
Other Current Liabilities		(15)
Current Liabilities		**(34,243)**
Long Term Borrowing	21	(73,648)
Public Private Partnerships	22	(40,585)
Capital Grants Receipts in Advance	9	(100)
Long Term Liabilities		**(114,333)**
Net Assets		**80,120**
Financed By:		
Usable Reserves	23	(40,782)
Unusable Reserves	25	(39,338)
Total Reserves		**(80,120)**

I certify that the Statement of Accounts for the period ended 31 March 2019, required by the Accounts and Audit Regulations 2015 are set out in pages **31 to 83** and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2019.

Signed: **Date:** 20 December 2019

Janice Gillespie, Chief Finance Officer

4.4 Cash Flow Statement for period ended 31 March 2019

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 as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Notes	2018/19 £000s
Net surplus on the provision of services		22,621
Adjustments to net surplus on the provision of services for non-cash movements	27	5,048
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	27	(8,807)
Net Cash Flows from Operating Activities		**18,862**
Net Cash flow from Investing Activities	28	197
Net Cash flow from Financing Activities	29	(147)
Net Increase in cash and cash equivalents		**18,912**
Cash and cash equivalents at the beginning of the reporting period*	17	10,237
Cash and cash equivalents at the end of the reporting period		**29,149**

*This is in respect of the activities that are part of the services transferred from the North East Combined Authority and relates to the cash and cash equivalent position at the date of incorporation (2 November 2018).

4.5 Index to the Notes to the Financial Statements

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.

Narrative Note

Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority

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

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

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

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

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

The NECA accounts for 2018/19 therefore include all income and expenditure relating to Transport activity up to 1 November 2018. From 2 November 2018 to 31 March 2019, all income and expenditure relating to Transport activity is split between NECA and NTCA as described above. The same approach has been taken for the production of the Group accounts.

During 2019/20 it is expected that Transport staff in the Regional Transport Team will be transferred to NECA. It is expected that the NTCA will be the accountable body for the North East LEP and as such staff will transfer to the NTCA. The date for transfer is anticipated to be 1 April 2020.

Paragraph 2.1.2.6 of the Code makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. The establishment

of the NTCA and decisions about accountable body status therefore have no impact on the going concern basis of the NECA accounts.
The code requires that the Notes to the Accounts of the new Authority shall include an opening Balance Sheet as at the point of creation of the Authority (2 November 2018).

NTCA Opening Balance Sheet as at 2 November 2018

	2 November 2018 £000s
Property, Plant & Equipment	156,103
Long Term Debtors	16,087
Long Term Assets	**172,190**
Short Term Investments	20,810
Short Term Debtors	878
Cash & Cash Equivalents	10,237
Current Assets	**31,925**
Short Term Borrowing	(1,312)
Short Term Creditors	(27,221)
Grants Receipts in Advance	(464)
Public Private Partnerships	(927)
Current Liabilities	**(29,924)**
Long Term Borrowing	(73,501)
Public Private Partnerships	(42,840)
Capital Grants Receipts in Advance	(351)
Long Term Liabilities	**(116,692)**
Net Assets	**57,499**
Financed By:	
Usable Reserves	(16,951)
Unusable Reserves	(40,548)
Total Reserves	**(57,499)**

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the period 2 November 2018 to 31 March 2019. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with property accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

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 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 payable 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 unless the difference is immaterial; and

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise the levy to fund depreciation, revaluation and impairment losses or amortisations to General Fund Assets. 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, the Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. The Minimum Revenue Provision policy is approved annually by the Authority as part of the budget setting process.

Estimation Techniques

Estimation techniques are the methods adopted to arrive at estimated monetary amounts for the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their exact value. Except where specified in the CIPFA Code, the Authority has determined the estimation techniques that most closely reflect the economic reality of the transactions.

Events after the Reporting Period

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

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

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

Fair Value measurement

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

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or

- Level 3 – unobservable inputs for the asset or liability.

Financial Instruments

The accounting policy for Financial Instruments are in line with IFRS 9 requirements.

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.

The majority of the Authority's borrowing is held on the Balance Sheet as the principal outstanding (plus accrued interest) and interest is charged to the Comprehensive Income and Expenditure Statement as 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 charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

- Amortised Cost – assets held within a business model with the sole objective of collecting contractual cash flows on specified dates that are solely payments of principal and interest;

- Fair value through other comprehensive income (FVOCI) – assets held within a business model with the objective to either sell the asset or collect contractual cash flows on specified dates that are solely payments of principal and interest; and,

- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

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

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

Amortised Cost

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

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cashflows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since and instrument was initially recognised, losses are assessed on a lifetime basis expected losses.

Fair Value through other Comprehensive Income

Changes in fair value are recorded against Other Comprehensive Income and Expenditure gain/loss by an entry in the Financial Instrument Revaluation Reserve through the Movement in Reserves Statement.

However, interest is charged to the Surplus/Deficit on the Provision of Services as though the asset had been measured at amortised cost

Where assets are identified as impaired because of a likelihood arising from a future event that cashflows due under the contract will not be made a charge for the value of the impairment is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding entry being recognised in Other Comprehensive Income through the Financial Instruments Revaluation Reserve on the Balance Sheet.

When the asset is de-recognised the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from the Financial Instrument Revaluation Reserve to the Surplus/Deficit on the Provision of Services as a reclassification adjustment.

Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Soft Loans

A Soft Loan is a loan made to a third party at a preferential rate of interest, i.e. below market rate. In accordance with the Code of Practice on Local Authority Accounting, when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable 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 Comprehensive Income and Expenditure Statement 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.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and
- 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 there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied or for which there is not reasonable assurance that they will be satisfied are carried in the Balance Sheet as creditors (revenue grants) or capital grants receipts in advance (capital grants).

When conditions are satisfied or reasonable assurance is achieved, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Group Accounts

The Authority is required by the Code to produce Group Accounts to include services paid to Council Tax payers in the North of Tyne area by organisations other than the Authority itself in which the Authority has an interest.

It is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Authority and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

Overheads and Support Services

The costs of overheads and support services (such as Finance and Legal services) are shown within the Corporate Costs line on the Comprehensive Income and Expenditure Statement on the basis of Service Level Agreements in accordance with the Authority's arrangements for accountability and financial performance.

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

The following useful economic lives are used for PPE assets in relation to NECA: Tyne Tunnels 120 years, Tunnels vehicles, Plant and Equipment 30 years.

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The work is carried out on behalf of the Authority by the Property Services division of Newcastle City Council. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>De Minimis Levels</u>

The Authority has set a de minimis level for the recognition of capital assets of £0.010m for all capital expenditure.

<u>Impairment</u>

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Deprecation on all Property, Plant and Equipment assets is calculated by taking the asset value at the 31 March divided by remaining life expectancy. Depreciation is therefore charged in the year of acquisition, but not the year of disposal.

Revaluation gains are also depreciation, with an amount equal to the difference between current value depreciation that would have been charged based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

Disposals and Non-Current Assets Held for Sale

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

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and

Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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.

Provisions and Contingent Liabilities

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 instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

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.

Public Private Partnership (PPP) Contracts

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

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

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

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

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

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

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

- In each month a Shadow Toll is paid to the operator, this being a fixed amount per vehicle, adjusted for changes in RPI;

- Throughout the term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls; and

- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by 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 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.

Reserves

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

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

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

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 charges so that there is not impact on the levy.

Tyne Tunnels Income

The majority of the income from tolls is received on a cash basis. Accruals are made to apportion income credited to the bank account to the correct financial year. Prepayments on permit accounts are also received, and the balance on these accounts are accrued as income received in advance at the period end.

Value Added Tax (VAT)

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

Joint Transport Committee

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

The reconfiguration of NECA has been classed as a transfer by absorption meaning:
- NECA has accounted for its control up to the date of the reconfiguration albeit with clear disaggregation of the financial results relating to the functions being transferred; and
- Assets and liabilities transferred at book value.

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

In order to comply with CIPFA Code, NECA must:

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

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area provides that “those costs and liabilities which are attributable to the exercise of functions exclusively in the area of the Tyne and Wear Authorities shall be shared between the Tyne and Wear Authorities on a per capita basis relating to their resident populations at that time.”
By similar rationale and argument, the division of assets, liabilities and expenditure incurred will also be divided on this basis.

2 Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 has introduced changes in accounting policy which will be required from 1 April 2019 and may require retrospective application. The accounting policies have been reviewed and it has been concluded that the changes will not have a material impact on the Statement of Accounts.

The changes that have been introduced are in relation to the following International Financial Reporting Standard (IFRS) statements, International Financial Reporting Interpretations Committee (IFRIC) and International Accounting Standards (IAS):

- IAS 40 Investment Property: Transfers of Investment Property - amendments have been made in that now an entity shall transfer a property, to or from, investment property, when, and only when, there is evidence of a change in use. A change of use occurs if a property meets, or ceases to meet, the definition of investment property. It is not expected that this amendment will have an impact on the Authority as it does not currently have any investment properties.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration – clarification is provided around the accounting treatment for transactions that include the receipt or payment of advance consideration in a foreign currency. It is not expected that this guidance will have an impact on the Authority as it does not currently have any foreign currency transactions.

- IFRIC 23 Uncertainty over Income Tax Treatments – clarification is provided around the accounting treatment of uncertainties in income tax. The interpretation is to be applied to the determination of taxable profit/loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It is not expected that this guidance will have an impact on the Authority as it is not a profit-making entity.

- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation – entities who have financial assets with negative compensation prepayment features can now be measured at amortised cost or fair value through other comprehensive income. This standard is not expected to have an impact on the Authority as prepayment features are not part of financial instruments currently held.

- Annual improvements to IFRS Standards 2014-2016 Cycle – the amendments under this set of annual improvements that apply to local authorities relate to scope changes for the disclosure requirements of interests in other entities and measuring an associate or joint venture at fair value. This standard is not expected to have a major impact on the Authority.

3 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure recognised by the 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 together with movements in reserves under statute.

2018/19	Usable Reserves			
	General Fund Balances £000s	Capital Receipts £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:				
• Charges for depreciation and impairment of non-current assets	(3,213)	0	0	3,213
• Other income that cannot be credited to the General Fund	946	0	0	(946)
• Capital Grants and contributions applied	4,640	0	0	(4,640)
• Revenue expenditure funded from capital under statute	(4,704)	0	0	4,704
• Statutory provision for the financing of capital investment	429	0	0	(429)
• Capital Receipts applied to fund capital expenditure	0	724	0	724
• Loan Principal Repayments	0	(724)	0	(724)
Adjustments primarily involving the Capital Grants Unapplied Account:				
• Grants and contributions unapplied credited to CIES	4,168	0	(4,168)	0
• Application of grants to capital financing transferred to Capital Adjustment Account	0	0	545	(545)
Adjustments to Revenue Resources				
• Financial Instruments (transferred to Financial Instruments Adjustment Account)	147	0	0	(147)
Total Adjustments	**2,413**	**0**	**(3,623)**	**(1,210)**

4 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making between the Authority's service areas. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19	**Net Expenditure Chargeable to the GF Balances**	**Adjustments for Capital Purposes**	**Pension Adjustments**	**Other Adjustments**	**Net Expenditure in CIES**
	£000	**£000**	**£000**	**£000**	**£000**
Continuing NTCA Services					
Investment	3	0	0	0	3
Corporate Costs	157	0	0	0	157
Services Transferred from NECA					
Transport -Northumberland	2,561	0	0	0	2,561
Transport - Retained Levy	161	(117)	0	0	44
Transport -Tyne and Wear	9,538	0	0	0	9,538
Transport - Other	466	(4,104)	0	0	(3,638)
Transport – Tunnels	49	1,955	0	0	2,004
Net Cost of Services	**12,935**	**(2,266)**	**0**	**0**	**10,669**
Other Income & Expenditure					
- From continuing services	(20,093)	0	0	0	(20,093)
- From services transferred from NECA	(13,050)	0	0	(147)	(13,197)
Surplus on Provision of Service	**(20,208)**	**(2,266)**	**0**	**(147)**	**(22,621)**

Balances transferred from North East Combined Authority	**(16,407)**
Surplus on General Fund Balances in Year	(20,208)
General Fund Balances at 31 March 2019	**(36,615)**

Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

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

- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts.

2018/19	**Adjs. for Capital Purposes £000s**	**Other Adjs. £000s**	**Total Adjs. £000s**
Investment	0	0	0
Corporate Costs	0	0	0
Transfer from NECA	2,266	147	2,413
Net Cost of Services			
Difference between General Fund surplus and Comprehensive Income & Expenditure Statement surplus	**2,266**	**147**	**2,413**

5 Nature of Expenses

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is on the basis of budget reports analysed by Cabinet. The following analysis provides a breakdown of the figures in the Comprehensive Income and Expenditure Statement by subjective category.

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges*	(4,191)	0	(4,191)
Government Grants & Contributions	(9,116)	(20,205)	(29,321)
Income from Transport Levy	0	(13,964)	(13,964)
Other Income	(839)	0	(839)
Interest and Investment Income	0	(719)	(719)
Total Income	**(14,146)**	**(34,888)**	**(49,034)**
Employee Expenses	40	0	40
Other Service Expenses	16,774	0	16,774
Support Service Recharges	84	0	84
Depreciation, amortisation, impairment and other capital charges	7,917	0	7,917
Interest Payments	0	1,598	1,598
Total Operating Expenses	**24,815**	**1,598**	**26,413**
Surplus on the provision of services	**10,669**	**(33,290)**	**(22,621)**

*Fees and Charges and other service income relates wholly to balances transferred from NECA and relates specifically to tolls paid by users of the Tyne Tunnels.

6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 39-54, 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:

<u>IFRIC 12 Service Concession Arrangements</u>

An examination of the Authority's contracts has determined that the New Tyne Crossing concession has been judged to meet the criteria of IFRIC 12 and, accordingly, the cost of the new Tunnel and refurbishment of the existing Tunnel are recorded within the Authority's Property, Plant & Equipment on the Balance Sheet.

Transferred assets and liabilities

Assets and liabilities in the Local Government Pension Scheme transferred to TT2 Ltd on 1 February 2008 relating to membership accrued before that date. The project agreement provides that should there be a shortfall in the TT2 fund at the actuarial valuation, which can be attributed to pre-2008 benefits, the Authority will be required to reimburse the shortfall. As a result of the most recent triennial valuation, there is currently no reimbursement due.

Accounting for the North East Joint Transport Committee

As set out in the Narrative Note (page 14), on 2nd November 2018 the boundaries of NECA changed and the North East Joint Transport Committee was created. The assets and liabilities which transferred from the former Tyne and Wear Integrated Transport Authority to NECA on its creation in April 2014 are now jointly owned by NECA and NTCA, and assets, liabilities, income and expenditure (from the date of establishment) must be divided between the accounts of the two Combined Authorities.

For many of the assets and liabilities and revenue streams, these cannot be separated into those which relate to the authorities which are part of NECA and those which relate to the authorities which are part of NTCA. As a result, these balances have been apportioned between the two Combined Authorities on the basis of Tyne and Wear population.

7 Financing and Investment Income and Expenditure

The financing and investment income & expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

	2018/19 £000s
Interest payable and similar charges	1,598
Interest receivable and similar income	(719)
Total	**879**

8 Taxation and Non-Specific Grant Income

The taxation and non-specific grant income shown in the Comprehensive Income and Expenditure Statement consists of:

	2018/19 £000s
Non-Ringfenced Government Grants	(20,091)
Transport Levy	(13,964)
Capital Grants, Contributions & Donated Assets	(114)
Total	**(34,169)**

9 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

	2018/19 £000s
Non-Ringfenced Government Grants	
Investment Fund	(20,000)
Other non-ringfenced government grants (individually under £1.000m)	(91)
	(20,091)
Capital Grants, Contributions and Donations	
Capital Grants, contributions & donations (individually under £1.000m)	(114)
Total	**(20,205)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

	31 March 2019 £000s
Capital Grants, Contributions and Donations in advance	
Short Term	
Grants & Contributions (individually under £1.000m)	(503)
Long Term	
Grants & Contributions (individually under £1.000m)	(100)
Total	**(603)**

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2018/19.

	31 March 2019 £000s
Homeless Veteran Grant	(91)
Adult Education Budget – Devolution Implementation Fund	(26)
Mayoral Capacity Fund	(250)
Transforming Cities Fund	(4,450)
Local Transport Plan	(3,860)
Other Grants & Contributions (individually under £1m)	(439)
Total	**(9,116)**

10 Officers' Remuneration

At present the Authority has one employee in the position of Head of Inclusive Growth which was filled at the beginning of March 2019. The full-time equivalent salary band of this employee is shown below:

Salary Banding	2018/19
£50,000-£54,999	-
£55,000-£59,999	1
£60,000-£64,999	-
£65,000-£69,999	-
£70,000-£74,999	-
£75,000-£79,999	-
£80,000-£84,999	-
£85,000-£89,999	-
£90,000-£94,999	-
£95,000-£99,999	-

The statutory posts of the Head of Paid Service, the Chief Finance Officer and Monitoring Officer are directly employed from the three local authorities within the North of Tyne. A recharge for their time is included within the accounts of the Authority and equates to £0.048m. Under the Joint Transport Committee arrangements, the remuneration paid to Managing Director of Transport Operations is shown in the table below:

		FTE	Salary Fees and Allowances £000	Pension Contributions £000	Total £000
2018/19	**Managing Director of Transport Arrangements**	1.0	125	21	**146**

11 Members' Allowances and Expenses

Allowances were paid to two independent Members following their appointment in March 2019. The value of these allowances is less than £0.001m.

12 Related Party Transactions

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.

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of grants. Grants received from government departments are set out in **Note 5** – Nature of Expenses. **Note 9** – Grant Income details grant income reported in the Comprehensive Income and Expenditure Statement.

Members of the Cabinet have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in **Note 11**. During 2018/19, the Authority had no material dealings with companies in which one or more Members have an interest.

Officers – During 2018/19 there have been no pecuniary interests involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Authority.

Other public bodies – The Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus) through the North East Combined Authority (NECA). Transactions relating to North of Tyne Combined Authority's element of the overall transactions NECA has with the constituent authorities who serve on the NECA board and Nexus are shown in the table overleaf. Full details of the transactions are provided in NECA's accounts.

	Expenditure £000s	Creditors £000s	Income £000s	Debtors £000s
Durham County Council	3,204	0	(2,896)	0
Gateshead Council	162	0	(2,036)	0
Newcastle City Council	1,275	710	(3,594)	0
Nexus	10,668	27,178	(1,330)	(698)
North Tyneside Council	279	143	(1,983)	0
Northumberland County Council	1,376	54	(1,135)	0
South Tyneside Council	180	86	(1,509)	0
Sunderland City Council	196	19	(2,808)	0
Total	**17,340**	**28,190**	**(17,291)**	**(698)**

13 Audit Costs

In 2018/19 the Authority incurred the following fees relating to external audit.

	2018/19 £000s
Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014	30

14 Property, Plant and Equipment

2018/19	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	Service Concession Assets included in PPE £000s
Cost or Valuation					
Transfer from NECA	1,420	168,729	6,817	176,966	168,729
Additions	0	19	1,182	1,201	19
Revaluations decreases recognised in the Surplus on the Provision of Services	0	(19)	0	(19)	(19)
Impairment recognised in the Surplus on the Provision of Services	0	(2,527)	0	(2,527)	(2,527)
At 31 March 2019	**1,420**	**166,202**	**7,999**	**175,621**	**166,202**
Accumulated Depreciation & Impairments					
Transfer from NECA	(508)	(20,355)	0	(20,863)	(20,355)
Depreciation charge	(17)	(650)		(667)	(650)
At 31 March 2019	**(525)**	**(21,005)**	**0**	**(21,530)**	**(21,005)**
Net Book Value					
Balances transferred from NECA	912	148,374	6,817	156,103	148,374
At 31 March 2019	**895**	**145,197**	**7,999**	**154,091**	**145,197**

Costs of land intrinsically linked to the original Tyne Tunnel are included within the valuation of that Tunnel and therefore is shown as part of the Infrastructure Assets balance within the above table.

15 Summary of Capital Expenditure and Sources of Finance

	2018/19 £000s
Opening Capital Financing Requirement	**86,805**
Capital Investment	
Property, Plant and Equipment	1,201
Revenue Expenditure Funded from Capital Under Statute	4,704
	5,905
Sources of Finance	
Government Grants and Other Contributions	(5,185)
Capital Receipts – repayment of principal from long-term debtors	(725)
Direct Revenue Contributions	(19)
Minimum Revenue Provision	(307)
Additional Voluntary Provision	(122)
	(6,358)
Closing Capital Financing Requirement	**86,352**
Explanation of Movements in Year	
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(453)
Decrease in Capital Financing Requirement	**(453)**

16 Short Term Debtors

This table shows the amounts owed to the Authority for which payments have not been received by 31 March 2019, but which should be repaid within one year.

	31 March 2019 £000s
Central Government Bodies	510
Other Entities and Individuals	824
Total	**1,334**

17 Cash and Cash Equivalents

	31 March 2019 £000s
Cash held by the Authority	6,160
Short term deposits	22,989
Total	**29,149**

18 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2019.

	31 March 2019 £000s
Central Government Bodies	(2)
Other Local Authorities	(1,014)
Other Entities and Individuals	(29,430)
Total	**(30,446)**

19 Short Term Borrowing

The table below shows an analysis of the Authority's short term borrowing as at the 31 March 2019.

	31 March 2019 £000s
Public Works Loans Board (PWLB)	(574)
Market Loans (including other local authorities)	(450)
Total	**(1,024)**

20 Long Term Debtors

The table below shows an analysis of the Authority's long-term debtors as at the 31 March 2019 which relate to historic borrowing undertaken on behalf of Nexus.

	31 March 2019 £000s
Other Local Authorities	16,402
Total	**16,402**

21 Long Term Borrowing

The table below shows an analysis of the Authority's long term borrowing as at the 31 March 2019

	31 March 2019 £000s
(a) by lender category	
Public Works Loan Board (PWLB)	(34,241)
Lender Option Borrower Option (LOBO)	(39,407)
	(73,648)
(b) by maturity	
Maturing between 1 and 2 years	(295)
Maturing between 2 and 5 years	(886)
Maturing between 5 and 10 years	(738)
Maturing more than 10 years	(71,729)
	(73,648)

22 Public Private Partnerships and Similar Contracts

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

In 2018/19 the total payment under the contract was £20.256m (2017/18 £19.487m) of which £3.602m is shown in the accounts of the Authority with the remaining £16.654m being shown in the accounts of the North East Combined Authority.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2018/19 total value of £96.753m (2017/18 £101.845m), of which £42.840m is shown in the accounts of the Authority with the remaining £53.913m being shown in the accounts of the North East Combined Authority. The table below shows an analysis of the Authority's deferred income balances.

	2018/19 £000s
Payable in 2019/20	(2,255)
Payable within 2 to 5 years	(9,019)
Payable within 6 to 10 years	(11,274)
Payable within 11 to 15 years	(11,274)
Payable within 16 to 20 years	(9,018)
Total	**(42,840)**

	2018/19 £000s
Shown within Other Current Liabilities on Balance Sheet	(2,255)
Shown within Other Long-Term Liabilities on Balance Sheet	(40,585)
Total	**(42,840)**

23 Usable Reserves

	31 March 2019 £000s
General Fund Balances and Reserves	36,615
Capital Grants Unapplied	4,167
Total Usable Reserves	**40,782**

23 (a) General Fund Balance including Earmarked Reserves Balances

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payment 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. Note 24 provides more details on the Authority's reserves and balances position.

23 (b) Capital Grants Unapplied

The Capital Grants Unapplied Account 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.

24 Reserves & Balances

	Balances Transferred from NECA £000s	Transfers out 2018/19 £000s	Transfers in 2018/19 £000s	Balance 31 March 2019 £000s
General Fund Balances				
General Fund	10,894	(1,251)	0	9,643
Total General Fund Balances	**10,894**	**(1,251)**	**0**	**9,643**
General Fund Reserves				
Investment Fund Reserve	0	0	19,551	19,551
Metro Reinvigoration Reserve	4,037	0	22	4,059
Metro Fleet Replacement Reserve	1,476	0	1,488	2,964
Strategic Reserve	0	0	200	200
Grant Reserves (individual balances under £0.100m)	0	0	198	198
Total General Fund Reserves	**5,513**	**0**	**21,459**	**26,972**
Total Balances & Reserves	**16,407**	**(1,251)**	**21,459**	**36,615**

Purpose of main General Reserves

Reserve	**Purpose**
Investment Fund Reserve	The purpose of the Investment Fund is to support the delivery of the programme of work of the Authority in future years.
Metro Reinvigoration Reserve	Established to support the replacement of the Metro Fleet in future years.
Metro Fleet Replacement Reserve	Established to support the replacement of the Metro Fleet in future years.
Strategic Reserve	Established to address future potential significant external pressures on the Authority's budget.

25 Unusable Reserves

	31 March 2019 £000s
Revaluation Reserve	(3,670)
Capital Adjustment Account	(36,456)
Financial Instruments Adjustment Account	788
Total Unusable Reserves	**(39,338)**

25(a) Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date on which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2018/19 £000s
Transfer from NECA	(3,735)
Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account	65
Balance at 31 March	**(3,670)**

25(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 3) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2018/19 £000s	
Transfer from NECA		(37,748)
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation & impairment of non-current assets	3,213	
Write down of New Tyne Crossing deferred income balance	(927)	
Revenue expenditure funded from capital under statute	4,704	
Write down of long-term debtors	725	7,715
Adjusting amounts written out of the Revaluation Reserve		(65)
Net written out amount of the cost of non-current assets consumed in the year		
Capital grants & contributions credited to the CIES that have been applied to capital financing	(5,185)	
Statutory provision for the financing of capital investment charged against the General Fund	(429)	
Capital expenditure charged against the General Fund	(19)	
Debt redeemed using capital receipts	(725)	(6,358)
Balance at 31 March		**(36,456)**

25(c) Financial Instruments Adjustment Account

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

	2018/19 £000s
Transfer from NECA	935
Proportion of premiums incurred in previous financial years within former NECA accounts to be charged in accordance with statutory requirements	(147)
Balance at 31 March	**788**

26 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes or government grants, do not give rise to financial instruments.

Financial instruments are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cash flow characteristics.

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.

From the 1 April 2018 a new accounting standard, IFRS 9 Financial Instruments, applies which changes the accounting treatment of financial instruments. Under the new arrangements, financial assets must be reviewed and reclassified into one of three categories:

- Financial assets held at amortised costs. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and as specified amounts. The amount presented in the balance sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement. All the loans & receivables financial assets held by the Authority are classified at amortised cost.

- Fair value through other comprehensive income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of (the Authority is deemed not to have any assets of this type).

- Fair value through profit and loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the Comprehensive Income and Expenditure Statement as they occur.

The short-term debtors classified as financial assets are trade receivables. These are amounts due for goods and services delivered and they are generally due for settlement within 30 days and are therefore classified as current. 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.

Financial Liabilities – 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. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Authority's borrowing this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest).

The financial assets of the Authority are held under the following classifications:

Financial Assets	**Non-current**		**Current**	
	Investments	**Debtors**	**Investments**	**Debtors**
	31 March 2019 £000s	**31 March 2019 £000s**	**31 March 2019 £000s**	**31 March 2019 £000s**
Amortised cost	0	16,402	27,720	960
Total Financial Assets	**0**	**16,402**	**27,720**	**960**
Non-financial Assets	0	0	0	0
Total	**0**	**16,402**	**27,720**	**960**

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. All the loans and receivables financial assets held by the Authority are classified at amortised cost.

The short-term debtors classified as financial assets are trade receivables. These are amounts due for goods and services delivered and they are generally due for settlement within 30 days and are therefore classified as current. 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.

Financial Liabilities – 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. The financial liabilities held during the year are measured at amortised cost.

Financial Liabilities

	Non-current		Current	
	Borrowings	Creditors	Borrowings	Creditors
	31 March 2019 £000s	31 March 2019 £000s	31 March 2019 £000s	31 March 2019 £000s
Amortised cost	(73,648)	0	(1,024)	(28,665)
Total Financial Liabilities	**(73,648)**	**0**	**(1,024)**	**(28,665)**
Non-financial Liabilities	0	0	0	(587)
Total	**(73,648)**	**0**	**(1,024)**	**(29,252)**

Financial instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2018/19		
	Financial Liabilities measured at Amortised Cost £000s	Financial Assets – at Amortised Cost £000s	Total £000s
Interest Expense	1,598	0	1,598
Surplus on the Provision of Services	**1,598**	**0**	**1,598**
Investment Income	0	(717)	(717)
Other Comprehensive Income & Expenditure	**0**	**(717)**	**(717)**
Net gain/(loss) for the year	**1,598**	**(717)**	**881**

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 2019, 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 on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;
- No early repayment or impairment is recognised for any financial instrument; and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximate to the carrying amount.

For 2018/19 the fair values shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices;
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of "Lender's Option Borrower's Options" (LOBO) loans have been increased by the value of the embedded options: lenders' options to propose an increase to the interest rate on the loan have been valued according to a p proprietary model for Bermudan cancellable swaps; borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Level 3 – fair value is determined using unobservable inputs e.g. non-market data such as cash flows forecasts or 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:

	Fair Value Level	Carrying Amount 31 March 2019 £000s	Fair Value 31 March 2019 £000s
Financial Liabilities held at amortised cost			
Lender option borrower option loan	2	39,407	64,381
PWLB – EIP Loans	2	34,241	55,941
Total Financial liabilities		**73,648**	**120,322**
Financial Assets at amortised cost			
Held to Maturity Investments		27,720	27,720
Loan Debtors (amortised cost) *	2	17,099	26,979
Total Financial Assets		**44,819**	**54,699**

The fair value of short-term financial liabilities including trade payables and short-term financial assets including trade receivables is assumed to be approximate to the carrying amount.

The fair value differs from the carrying value as fair value is assessed according to market rates relating to the outstanding life of the loan. Carrying amount relates to the actual interest rate applicable to the loan outstanding. The fair value differences for financial instruments relates to the fact that the Authority has loans at fixed rates that result in it paying a higher interest charge than if it had taken out variable rate loans.

* The fair value of loans to Nexus has been estimated by applying a proportion of the Authority's overall fair value of borrowing.

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:

Rating	2018/19 £000
A+	6,863
A-	2,214
n/a – investments with UK Local Authorities	11,693
n/a – investments with unrated building societies[1]	6,950
Total Short-Term Investments	27,720

1 In line with its agreed Investment Strategy, NECA to which relates to JTC Investments places 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 2019 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.
Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Authority. The Authority has a low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

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

Liquidity Risk

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

	31 March 2019 £000s
Less than 1 year	(1,024)
Between 1 and 2 years	(295)
Between 2 and 5 years	(886)
Between 5 and 10 years	(738)
More than 10 years	(71,729)
	(74,672)

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

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates - the fair value of liabilities will fall;
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Interest rate sensitivity analysis: an example of the impact of a change in interest rates is calculated in the risk assessment shown below. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal and maturity periods being held constant). The results of this assessment are shown in the following table:

	31 March 2019 £000
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rare investments	543
Impact on the (Surplus)/Deficit on Provision for Services	**543**

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease 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.

27 Notes to the Cash Flow – Operating Activities

The surplus on the provision of services has been adjusted for the following non-cash movements:

	2018/19 £000s
Depreciation & Impairment	3,213
Increase in Creditors	3,245
(Increase)/Decrease in Debtors	(483)
Other non-cash items charged to the surplus on the provision of services	(927)
	5,048

The surplus on the provision of services has been adjusted for the following items that are investing and financing activities:

	2018/19 £000s
Capital grants credited to surplus/deficit on the provision of services	(8,807)
	(8,807)

The operating activity cash flows that relate to interest received and interest paid

	2018/19 £000s
Interest Received	717
Interest Paid	(1,598)

28 Notes to the Cash Flow – Investing Activities

Operating activities within the Cash Flow Statement include the following cash flows relating to investing activities.

	2018/19 £000s
Purchase of Property, Plant & Equipment	(1,201)
Purchase of short- and long-term investments	(26,983)
Proceeds from short-term and long-term investments	20,074
Other receipts from Investing Activities	8,307
Net Cash Flows from Investing Activities	**197**

29 Notes to the Cash Flow – Financing Activities

	2018/19 £000s
Repayment of short and long-term borrowing	(147)
Net Cash Flows from Financing Activities	**(147)**

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 2019 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
Brexit	The outcome of Brexit negotiations has implications for each local authority in the sense that any subsequent volatility in stock markets, exchange rates, interest rate and future availability of funding could potentially impact on the amounts disclosed within the financial statements.	Areas impacted could include: • The availability of grant funding and impact on other funding streams. • The fair value of long-term borrowing (but not the principal sum or interest payable). • The liability related to defined benefit pension schemes, which is dependent on a large number of factors including investment performance, bond yields and inflation. • Unusable reserves – any movement in the liability related to defined benefit pension schemes will be offset with unusable reserves.

31 Events after the Balance Sheet Date

Adjusting events after the Balance Sheet date

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

Non-adjusting Events after the Balance Sheet date

Where events take place after 31 March which do not relate to conditions at 31 March, but which provide information that is relevant to an understanding of the Authority's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed. No such events have taken place.

5.0 Group Financial Statements and Explanatory Notes

5.1 Group Comprehensive Income and Expenditure Statement for the period ended 31 March 2019

	2018/19		
	Gross Exp £000s	Gross Inc £000s	Net Exp £000s
Continuing NTCA Services			
Investment	3	0	3
Corporate Costs	528	(371)	157
Services transferred from North East Combined Authority			
- Transport – Retained Budget Levy	44	0	44
- Transport – Tyne and Wear	32,096	(14,763)	17,333
- Transport – Northumberland	2,561	0	2,561
- Transport – Tyne Tunnels	6,993	(4,989)	2,004
- Transport – Other	3,661	(8,785)	(5,124)
Cost of Services	**45,886**	**(28,908)**	**16,978**
Financing and Investment Income and Expenditure			
Transferred from North East Combined Authority and NTCA continuing services	1,984	(565)	1,419
Continuing NTCA Services (Gain)/Loss on Disposal	0	(2)	(2)
Taxation and Non-Specific Grant Income			
Continuing Services	0	(20,091)	(20,091)
Transferred from North East Combined Authority:			
- Levy	0	(14,825)	(14,825)
- Capital Grants (non-specific)			
Nexus	0	(3,690)	(3,690)
Surplus on Provision of Services	**47,870**	**(68,081)**	**(20,211)**
Taxation of Group Entities			(95)
Surplus on Provision of Services after Taxation			(20,306)
Remeasurement of Net Defined Benefit			(1,736)
Other Comprehensive Income and Expenditure			**(1,736)**
Total Surplus on Comprehensive Income and Expenditure			**(22,042)**

5.2 Group Movement in Reserves Statement

	NTCA Usable Reserves £000s	NTCA Unusable Reserves £000s	Total NTCA Reserves £000s	Authority Share of Nexus £000s	Total Group Reserves £000s
	(16,951)	**(40,548)**	**(57,499)**	**(195,896)**	**(253,395)**
Actuarial adjustment*				(7,472)	(7,472)
Balance at 2 November 2019				**(203,368)**	**(260,867)**
Movement in Reserves during 2018/19					
Total Comprehensive Income & Expenditure	(22,621)	0	(22,621)	579	(22,042)
Adjustments between accounting basis & funding basis under regulations	(1,210)	1,210	0	7,472	7,472
Increase/(decrease) in 2018/19	(23,831)	1,210	(22,621)	8,051	(14,570)
Balance at 31 March 2019	**(40,782)**	**(39,338)**	**(80,120)**	**(195,317)**	**(275,437)**

- Adjustment made for actual actuarial pension position in respect of Nexus Group as at 2 November 2018

5.3 Group Balance Sheet as at 31 March 2019

	Notes	31 March 2019 £000s
Property, Plant & Equipment	G6	370,855
Intangible Assets	G8	1,178
Long Term Assets		**372,033**
Short Term Investments		27,720
Short Term Debtors	G9	6,935
Cash & Cash Equivalents	G10	37,290
Inventories		1,309
Current Assets		**73,254**
Short Term Borrowing		(1,023)
Short Term Creditors	G11	(14,315)
Grants Receipts in Advance		(503)
Public Private Partnerships		(2,255)
Other Current Liabilities		(15)
Current Liabilities		**(18,111)**
Long Term Borrowing	G14	(73,508)
Provisions		(2,036)
Deferred Taxation	G15	(2,049)
Public Private Partnerships		(40,585)
Pension Liability	G7	(33,461)
Capital Grants Receipts in Advance		(100)
Long Term Liabilities		**(151,739)**
Net Assets		**275,437**
Financed By:		
Usable Reserves	G12	(49,877)
Unusable Reserves	G13	(225,560)
Total Reserves		**(275,437)**

I certify that the Statement of Accounts for the period ended 31 March 2019 required by the Accounts and Audit Regulations 2015 are set out in pages **85 to 111** and that they give a true and fair view of the financial position of the Authority and its income expenditure for the period ended 31 March 2019.

Signed:

Janice Gillespie, Chief Finance Officer

5.4 Group Cash Flow Statement for period ended 31 March 2019

	Notes	2018/19 £000s
Net surplus on the provision of services after taxation of Group Entities		20,307
Adjustments to net surplus on the provision of services for non-cash movements	G16	12,973
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	G16	(12,854)
Financing Costs and Investment	G16	215
Net Cash Flows from Operating Activities		**20,641**
Net Cash Flow from Investing Activities	G17	(593)
Net Cash Flow from Financing Activities	G18	(999)
Net Increase in cash and cash equivalents		**19,049**
Cash and cash equivalents at the beginning of the reporting period		18,241
Cash and cash equivalents at the end of the reporting period		**37,290**

5.5 Index to the Notes to the Group Financial Statements

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.

G1 Group Accounts

Under the Code authorities with interest in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material. Nexus is the only subsidiary for the North of Tyne Combined Authority, and the Group Accounts have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of NTCA with the following minor differences:

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

Property, Plant and Equipment and Intangible Assets

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

Asset	**Estimated Useful Life**
Freehold buildings	40 years
Short leasehold buildings	Over the lease term
Infrastructure assets	20 to 50 years
Plant and Equipment	5 to 30 years
Vehicles	5 to 10 years
Marine Vessels	30 years
Intangibles	5 to 10 years

Details of NTCA's depreciation policy can be found on page 49 of the single entity accounts. Nexus's policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NTCA charges a full year depreciation in the year of acquisition.

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

Copies of the single entity accounts for Nexus are available at www.nexus.org.uk

As described in the Narrative Note on page 37, the establishment of the North of Tyne Combined Authority (NTCA) and the North East Joint Transport Committee on 2 November 2018 necessitates the division of income and expenditure, assets and liabilities relating to Joint Transport Committee activity between the NECA and NTCA accounts. Since all Nexus activity reported in the NECA Group Accounts relates to Transport at the Tyne and Wear level, it has been fully apportioned between NECA and NTCA on the basis of Tyne ad

Wear population using the ONS statistics used as the basis of dividing the levy contributions.

The NECA Group accounts for 2018/19 therefore include all Nexus income and expenditure up to 1 November 2018. From 2 November 20108 to 31 March 2019, all income and expenditure is split between NECA and NTCA as described above. For more details see Narrative Note page 37.

The code requires that the Group Notes to the Accounts of the new Authority shall include a Group opening Balance Sheet as at the point of creation to the Authority (2 November 2018).

Group Opening Balance Sheet as at 2 November 2018

	2 November 2018 £000s
Property, Plant & Equipment	373,147
Intangible Assets	1,215
Long Term Assets	**374,362**
Short Term Investments	20,810
Inventories	1,290
Short Term Debtors	7,574
Cash & Cash Equivalents	18,241
Current Assets	**47,915**
Short Term Borrowing	(1,462)
Short Term Creditors	(12,476)
Grants Receipts in Advance	(464)
Public Private Partnerships	(927)
Current Liabilities	**(15,329)**
Long Term Borrowing	(73,966)
Deferred Taxation	(2,074)
Provisions	(1,781)
Capital Grants Receipts in Advance	(351)
Net Pension Liabilities	(25,069)
NTC Deferred Income LT	(42,840)
Long Term Liabilities	**(146,081)**
Net Assets	**260,867**
Financed By:	
Usable Reserves	(25,977)
Unusable Reserves	(234,890)
Total Reserves	**(260,867)**

G2 Other Operating Expenditure

The other operating expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

	2018/19 £000s
(Gain)/Loss on the disposal of non-current assets	(2)
Total	**(2)**

G3 Financing and Investment Income and Expenditure

The financing and investment income & expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

	2018/19 £000s
Interest payable and similar charges	1,661
Net Interest Expense (Pensions)	323
Interest receivable and similar income	(565)
Total	**1,419**

G4 Taxation and Non-Specific Grant Income

The taxation and non-specific grant income shown in the Comprehensive Income & Expenditure Statement consists of:

	2018/19 £000s
Non-Ringfenced Government Grants	(20,091)
Transport Levy	(14,825)
Capital Grants, Contributions & Donated Assets	(3,690)
Total	**(38,606)**

G5 Grant Income and Other Contributions

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

	2018/19 £000s
Non-Ringfenced Government Grants	
Investment Fund	(20,000)
Other Non-Ringfenced Government Grants (individually under £1m)	(91)
	(20,091)
Capital Grants, Contributions and Donations	
Other Grants and Contributions (individually under £1m)	(3,690)
	(23,781)

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2018/19:

	31 March 2019 £000s
Homeless Veteran Grant	(91)
Adult Education Budget – Devolution Implementation Fund	(26)
Mayoral Capacity Fund	(250)
Transforming Cities Fund	(4,450)
Metro Rail	(4,827)
Local Transport Plan	(3,860)
Other Grants & Contributions (individually under £1m)	(765)
Total	**(14,269)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

	31 March 2019 £000s
Capital Grants, Contributions and Donations in advance	
Short Term	
Grants & Contributions (individually under £1m)	(503)
Long Term	
Grants & Contributions (individually under £1m)	(100)
Total	**(603)**

G6 Property, Plant and Equipment

2018/19	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Land & Buildings £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	Service Concession Assets included in PPE £000s
Cost or Valuation						
Transferred from Group	16,118	481,108	770	18,847	516,843	168,729
Additions	0	19	0	5,870	5,889	19
Revaluations (decreases) recognised in the Surplus on the Provision of Services	0	(19)	0	0	(19)	(19)
Impairment recognised in the Surplus on the Provision of Services	0	(2,527)	0	0	(2,527)	(2,527)
Transfers from assets under construction	470	5,396	0	(5,866)	0	0
Derecognition – disposals	(18)	(643)	0	0	(661)	0
At 31 March 2019	**16,570**	**483,334**	**770**	**18,851**	**519,525**	**166,202**
Transferred from Group	(9,902)	(133,489)	(305)	0	(143,696)	(20,355)
Depreciation charge	(498)	(5,096)	(7)	0	(5,601)	(650)
Derecognition – disposals	18	609	0	0	627	
At 31 March 2019	**(10,382)**	**(137,976)**	**(312)**	**0**	**(148,670)**	**(21,005)**
Net Book Value At 31 March 2019	**6,188**	**345,358**	**458**	**18,851**	**370,855**	**145,197**

Costs of land intrinsically linked to the original Tyne Tunnel are included within the valuation of that Tunnel and therefore is shown as part of the Infrastructure Assets balance within the above table.

G7 Defined Benefit Pension Schemes

The details provided within this note relate only to costs associated with defined benefit pension costs within the accounts of Nexus that have been consolidated within the production of the group accounts of the Authority.

Nexus participates in the Tyne & Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme, meaning that the authorities and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash must be generated to meet actual pension payments as they eventually fall due.

Consolidated Pension Liability

The Group pension liability is the sum of, Nexus and NEMOL pension liability. The details of the NEMOL pension liability of £32.152m are set out within the NEMOL Annual Report and Accounts using the FRS101 disclosure framework.

Transactions relating to post-employment Benefits

The following transactions relating to the LGPS and Unfunded Benefits have been included in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Pension Revenue Summary	2018/19		
	LGPS	Discretionary Benefits	Total
	£000	£000	£000
Comprehensive Income & Expenditure Statement Cost of Services			
Current Service Costs	2,136	0	2,136
Past Service Costs	1,421	0	1,421
Financing and Investment Income and Expenditure			
Interest Cost	305	18	323
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	3,862	18	3,880
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement			
Return on plan assets (excluding the amount included in the net interest expense)	(2,364)	0	(2,364)
Remeasurement of the net Defined Benefit Liability	646	(18)	628
Total Amount recognised in Other Comprehensive Income & Expenditure	(1,718)	(18)	(1,736)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	2,144	0	2,144

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2018/19		
	LGPS £000s	Discretionary Benefits £000s	Total £000s
Opening fair value of scheme assets	133,153	0	133,153
Interest Income	1,387	0	1,387
Remeasurement gain on plan assets	2,364	0	2,364
Contributions from employer	1,159	65	1,224
Contributions from employees into the scheme	456	0	456
Benefits paid	(1,826)	(65)	(1,891)
Closing fair value of scheme assets	136,693	0	136,693

Reconciliation of present value of the scheme liabilities

	2018/19		
	LGPS £000s	Discretionary Benefits £000s	Total £000s
Opening balance at 1 April	(164,057)	(1,637)	(165,694)
Current Service Cost	(2,136)	0	(2,136)
Interest Cost	(1,692)	(18)	(1,710)
Contributions by participants	(456)	0	(456)
Remeasurement of the Net Defined Liability	(646)	18	(628)
Net Benefits paid	1,826	65	1,891
Past Service Costs	(1,421)	0	(1,421)
Closing balance at 31 March	**(168,582)**	**(1,572)**	**(170,154)**

Scheme History	2018/19 £000s
Fair Value of LGPS Assets	**136,693**
Present value of LGPS liabilities	(168,582)
Deficit on funded defined benefit scheme	**(31,889)**
Discretionary benefits	(1,572)
Total Deficit	**(33,461)**

Actual Return on Assets	**2018/19 £000s**
Interest Income on Assets	1,387
Remeasurement gain on assets	2,364
Total Deficit	**3,751**

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

	Nexus	**NEMOL**
Active members	34%	100%
Deferred pensioners	10%	0%
Pensioners	56%	0%

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years for Nexus and 22.4 years for NEMOL.
The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £168.582m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £33.461m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2020 is £3.20m for Nexus and £3.083m for NEMOL, NTCA have yet to receive a report from the actuary due to 2019/20 being the first year that accounting for pensions will feature. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2020 are £0.350m in relation to unfunded benefits for Nexus.

Local Government Pension Scheme assets comprised

The assets allocated to the employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence, there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures split by quoted and unquoted investments.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

	Asset Split 31 March 2019 %		
	Quoted	Unquoted	Total
Equities	58.0	7.0	65.0
Property	0	8.8	8.8
Government Bonds	4.1	0.0	4.1
Corporate Bonds	11.7	0	11.7
Cash	2.7	0	2.7
Other*	3.5	4.2	7.7
Total Assets	80.0	20.0	100.0

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

Basis for estimating assets and liabilities

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries. The latest actuarial valuation of the Authority's liabilities (in respect of the LGPS) took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

	2018/19	
Nexus	**LGPS**	**Discretionary Benefits**
Mortality assumptions		
Longevity at 65 for current pensioners:		
• Men	22.2	22.2
• Women	25.3	25.3

	TWPF Funded	
Nexus	**LGPS**	**Discretionary Benefits**
Rate of Inflation (RPI)	3.3%	3.3%
Rate of Inflation (CPI)	2.2%	2.2%
Pensions accounts revaluation rate	2.2%	n/a
Rate of increase in salaries	3.7%	n/a
Rate of increase in pensions	2.2%	2.2%
Rate for discounting scheme liabilities	2.4%	2.4%

NEMOL	2018/19	
	LGPS	**Discretionary Benefits**
Mortality assumption		
Longevity at 65 for current pensioners:		
• Men	22.2	22.2
• Women	25.3	25.3

NEMOL	TWPF Funded	
	LGPS	**Discretionary Benefits**
Rate of Inflation (RPI)	3.2%	3.3%
Rate of Inflation (CPI)	2.1%	2.2%
Pensions accounts revaluation rate	2.1%	n/a
Rate of increase in salaries	3.6%	n/a
Rate of increase in pensions	2.1%	2.2%
Rate for discounting scheme liabilities	2.5%	2.5%

Sensitivity Analysis

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

Discount rate assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to discount rate			
Present value of total obligation (£M)	279.62	284.64	289.75
% change in present value of total obligation	-1.80%		1.80%
Projected service cost (£M)	6.79	7.00	7.21
Approximate % change in projected service cost	-3.00%		3.10%

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)	285.93	284.64	283.37
% change in present value of total obligation	0.50%		-0.40%
Projected service cost (£M)	7.00	7.00	7.00
Approximate % change in projected service cost	0.00%		0.00%

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	288.45	284.64	280.88
% change in present value of total obligation	1.30%		-1.30%
Projected service cost (£M)	7.21	7.00	6.79
Approximate % change in projected service cost	3.10%		-3.00%

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	293.69	284.64	275.68
% change in present value of total obligation	3.20%		-3.10%
Projected service cost (£M)	7.27	7.00	6.73
Approximate % change in projected service cost	3.90%		-3.80%

*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

G8 Intangible Assets

	2018/19 £000s
Cost or Valuation	
Transferred from Group	3,720
Additions	78
At 31 March 2019	**3,798**
Accumulated Depreciation & Impairments	
Transferred from Group	(2,506)
Amortisation provided during the period	(114)
At 31 March 2019	**(2,620)**
Net Book Value	
At 31 March 2019	**1,178**

G9 Short Term Debtors

This table shows the amounts owed to the Authority for which payments have not been received by 31 March 2019, but which should be repaid within one year.

	31 March 2019 £000s
Central Government Bodies	4,923
Other Local Authorities	2,082
NHS Bodies	36
Other Entities and Individuals	(106)
Total	**6,935**

G10 Cash and Cash Equivalents

	31 March 2019 £000s
Cash	8,823
Short term deposits	28,467
Total	**37,290**

G11 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2019.

	31 March 2019 £000s
Central Government Bodies	(411)
Other Local Authorities	(1,258)
Other Entities and Individuals	(12,646)
Total	**(14,315)**

G12 Usable Reserves

	31 March 2019 £000s
General Fund Balances and Reserves	(36,615)
Capital Grants Unapplied	(4,167)
Nexus Revenue Reserve	(8,718)
Nexus Capital Reserve	(14,613)
Pensions NEMOL	14,236
Total Usable Reserves	**(49,877)**

G13 Unusable Reserves

Details of the movement on the Financial Instruments Adjustment Account, is shown on page 73 of the NTCA single entity accounts. This reserve relates to NTCA only.

	31 March 2019 £000s
Revaluation Reserve	(3,974)
Capital Adjustment Account	(241,599)
Financial Instruments Adjustment Account	788
Pension Reserve	19,225
Total Unusable Reserves	**(225,560)**

G13(a) Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date on which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2018/19 £000s
Balance at 1 April	
Transfer from Group	(4,039)
Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account	65
Balance at 31 March	**(3,974)**

G13(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive

Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2018/19 £000s	
Transfer from Group		(243,433)
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation & impairment of non-current assets	7,932	
Write down of New Tyne Crossing deferred income balance	(927)	
Nexus movement between usable and unusable reserves	564	
Amounts of non-current assets written off on disposal or sale	636	
Revenue expenditure funded from capital under statute	4,704	
Write down of long-term debtors	725	13,634
Adjusting amounts written out of the Revaluation Reserve		(65)
Net written out amount of the cost of non-current assets consumed in the year		
Capital grants & contributions credited to the CIES that have been applied to capital financing	(10,246)	
Statutory provision for the financing of capital investment charged against the General Fund	(429)	
Capital expenditure charged against the General Fund	(335)	
Debt redeemed using capital receipts	(725)	(11,735)
Balance at 31 March		**(241,599)**

G13© Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19 £000s
Balance at 1 April	
Transfer from Group	19,118
Remeasurements of the net defined benefit liability (asset)	(1,360)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES	2,122
Employer's pension contributions and direct payments to pensioners	(655)
Balance at 31 March	**19,225**

G14 Financial Instruments

Reclassification and Remeasurement of financial instruments at 1 April 2018

From 1 April 2018 a new accounting standard, IFRS 9 Financial instruments, applies which changes the accounting treatment of financial instruments. Under the new arrangements, financial assets must be reviewed and reclassified into new categories. Full details of financial instruments and how they are recognised are outlined in Note 26 of the single entity accounts.

Categories of Financial Instrument

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.

The following categories of Financial Instrument are carried on the balance sheet:

	Current
	31 March 2019 £000s
Financial Assets at Amortised Cost	
Financial Assets held at amortised cost	27,720
Debtors	7,657
Total Financial Assets	**35,377**

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 NTCA's financial assets fit these criteria and are classified at amortised cost.

Trade receivables

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

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

Financial Liabilities held at amortised cost

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

	Non-current 31 March 2019 £000s	Current 31 March 2019 £000s
Financial Liabilities at Amortised Cost		
Financial liabilities at amortised cost – borrowings	(73,508)	(1,023)
Creditors	0	(15,101)
Total Financial Liabilities	**(73,508)**	**(16,124)**

The contractual terms for the 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

	Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
	31 March 2019		
	£000	**£000**	**£000**
Interest expense	1,661		1,661
Total expense in Surplus on Provision of Services	**1,661**		**1,661**
Investment Income		(565)	(565)
Total income in Surplus on Provision of Services		**(565)**	**(565)**
Net (gain)/loss for the year	**1,661**	**(565)**	**1,096**

as follows:

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019, using the following method 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.

For 2018/19 the fair values are shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options: lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

		Carrying Amount £000	Fair Value £000
Financial liabilities at amortised cost	2	(73,508)	(120,323)
Financial Assets at amortised cost	2	27,720	27,720
Total		**(45,788)**	**(92,603)**

G15 Deferred Tax Liability

The movement for the year comprises:

	2018/19 £000s
Excess of capital allowances over depreciation	25
Transfer to Group	(2,074)
Total	(2,049)

The balance at the year-end comprises:

	2018/19 £000s
Excess of capital allowances over depreciation	(1,504)
Roll over relief on capital gains	(545)
Total	(2,049)

G16 Notes to the Cash Flow – Operating Activities

The surplus on the provision of services has been adjusted for the following non-cash movements:

	2018/19 £000s
Depreciation & Impairment	8,262
Loss on disposal of non-current assets	31
Movement in Pension Liability	2,657
Decrease in Creditors	4,561
Decrease in Debtors	(1,592)
Decrease in Inventories	(19)
Other non-cash items charged to the surplus/deficit on the provision of services	(927)
	12,973

The surplus on the provision of services has been adjusted for the following investing and financing activities:

	2018/19 £000s
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	(12,854)
Financing costs and Investment	215
Capital Grants credited to the surplus on the provision of services	**(12,639)**

G17 Notes to the Cash Flow – Investing Activities

Operating activities within the Cash Flow Statement include the following cash relating to Investing activities:

	2018/19 £000s
Purchase of Property, Plant & Equipment, investment property & intangible assets	(5,967)
Purchase of short and long-term investments	(26,983)
Proceeds from short-term and long-term investments	20,074
Other receipts from Investing Activities	12,283
Net Cash Flows from Investing Activities	**(593)**

G18 Notes to the Cash Flow – Financing Activities

	2018/19 £000s
Repayment of short and long-term borrowing	(499)
Other payments for financing activities	(579)
Other receipts for financing activities	79
Net Cash Flows from Financing Activities	**(999)**

G19 Summary of Capital Expenditure and Sources of Finance

	2018/19 £000s
Opening Capital Financing Requirement	**86,805**
Capital Investment	
Property, Plant & Equipment	6,500
Intangible Assets	78
Revenue Expenditure Funded from Capital Under Statute	4,704
	11,282
Sources of Finance	
Government Grants and Other Contributions	(10,246)
Capital Receipts – repayment of principal from long-term debtors	(725)
Direct Revenue Contributions	(335)
Minimum Revenue Provision	(307)
Additional Voluntary Provision	(122)
	(11,735)
Closing Capital Financing Requirement	**86,352**
Explanation of Movements in Year	
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(453)
Decrease in Capital Financing Requirement	**(453)**

G20 Events after the Balance Sheet Date

Adjusting events after the Balance Sheet date

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

Non-adjusting Events after the Balance Sheet date

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

On 1 November 2019, 424 employees were the subject of a TUPE transfer from North East Metro Operations Ltd, a wholly owned subsidiary of Nexus into Nexus. This left 123 employees employed directly by North East Metro Operations at the date of transfer.

North East Metro Operations Ltd will continue to trade, supported by Nexus, until such time that Nexus enters into contract with the preferred supplier of its new fleet of Metrocars, who will take on responsibility for the maintenance of the old fleet prior to the introduction of the new fleet. This subsequent TUPE transfer to the new maintainer is expected to occur within 2020/21.

G21 Group External Audit Fees

	2018/19 £000s
North of Tyne Combined Authority	30
Nexus Group including additional fees charged	42
	72

6.0 Glossary of Terms

A

Accounting period: the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

Accounting policies: are the specific principles, bases, conventions, rules and practices applied in preparing and presenting these accounts.

Accruals basis: the method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Amortised: reducing the value of a balance in an accounting period. The reduction in value is transferred from the balance sheet to the Comprehensive Income and Expenditure Statement.

Amortised Cost: is the amount at which an asset or liability is measured (usually at cost) plus or minus accumulated interest.

Appropriations: transferring of an amount between specific reserves in the Comprehensive Income and Expenditure Statement.

Asset: something of value which is measurable in monetary terms.

Assets Held for Sale: these are assets previously used in the provision of services by the Council which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

Authority: this is the corporate body of North of Tyne Combined Authority

Available for Sale financial assets: financial instruments that either do not have fixed or determinable payments or whose prices are quoted on an active market.

B

Balances: the reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.

Balance Sheet: a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

C

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated under The Code and are financed through the capital controls systems.

Capital Charges: charges to services for the use of assets. They comprise depreciation, based on the current value of the assets used in the provision of services.

Capital expenditure: expenditure on the acquisition or enhancement of non-current assets. Capital expenditure can be incurred in some instances (where no asset is created) if Secretary of State permission is granted (e.g. equal pay, redundancy costs or where grants are made to other organisations for capital projects).

Capital receipts: the proceeds from the sale of a fixed asset, or the repayment of some grants or loans made by the Authority.

Cash and cash equivalents: this comprises cash in hand, cash overdrawn and short-term investments which are readily convertible into known amounts of cash.

Cashflow: movement in cash and cash equivalents by the Authority in the accounting period.

CIPFA/LASAAC Code of Practice on Local Authority Accounting (The Code): the code of practice applicable to preparing the accounts.

Comprehensive Income & Expenditure Statement: the account, that sets out the Authority's income and expenditure for the year for non-capital spending. It is sometimes referred to as the Revenue Account.

Consistency: the concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Consolidated: added together with adjustments to avoid double counting of income, expenditure, or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the Authority which are reported on as a whole in the section on consolidated financial accounts.

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.

Contingencies: sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.

Creditors: amounts owed by the Authority for work done, goods received, or services rendered to the Authority during the accounting period, but for which payment has not been made by the Balance Sheet date.

Current assets: which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

Current liabilities: amounts that the Authority owes to other bodies and due for payment within 12 months.

D

Debtors: amounts due to the Authority which relate to the accounting period and have not been received by the Balance Sheet date.

Deferred Liabilities: these are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

Depreciation: the measure of the wearing out, consumption or other reduction in the useful economic life of an asset.

Derecognition: financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

E

Earmarked reserves: these reserves represent the monies set aside that can only be used for a specific usage or purpose (see Reserves definition for more information).

Estimation Techniques: methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Balance Sheet Date: events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

Expenditure: costs incurred by the Authority for goods received, services rendered or other value consumables during the accounting period, irrespective of whether any movement of cash has taken place.

F

Fair Value: fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

Financial Asset: a right to future economic benefits controlled by the Authority that is represented by: cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity.

Financial Liability: an obligation to transfer economic benefits controlled by the Authority that is represented by: a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity.

G

General Reserves and Balances: monies held by the Council to deal with unforeseen events that might arise. The Council must maintain a prudent level of such balances.

Government grants: grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority.

H

Historical cost: the actual cost of assets, goods or services, at the time of their acquisition.

I

Impairment: a reduction in the value of a fixed asset, measured by specific means, below its stated carrying amount in the Balance Sheet.

Infrastructure Assets: assets such as highways, bridges, street lights and footpaths.

International Accounting Standards (IAS): international accounting standards issued by the International Accounting Standards Board. They are authoritative statements of how particular types of transactions and other events should be reflected in financial statements.

Investments: items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

L

Liabilities: amounts due to individuals or organisations, which will have to be paid at some time in the future.

Long Term Assets: assets which have value to the Authority for more than one year, e.g. land, buildings, equipment (also known as non-current assets).

M

Material: the concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP): is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities (repayment of debt), as required by the Local Government Act 1989.

N

Net Book Value: the amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided by depreciation.

Net Realisable Value: the open market value of the asset in its existing use (or open market value in the case of investment Property), less the expenses to be incurred in realising the asset.

Non-Current Asset: assets which have value to the Authority for more than one year e.g. land, buildings, equipment (also known as Long Term Assets).

P

Provisions: amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Property, Plant and Equipment (PPE): Property, Plant and Equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Prudential Code: The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.

Prudence: this accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Public Works Loan Board (PWLB): a central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow for their requirements to finance capital expenditure from this source.

R

Related Parties: individuals, or bodies, who have the potential to influence or control the Authority or to be influenced or controlled by the Authority.

Replacement Cost: cost of replacement of the asset at the balance sheet date.

Reserves: amounts set aside in the accounts to meet expenditure which the Authority may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Revaluation Reserve: records unrealised revaluation gains arising (since 1 April 2007) from holding property, plant & equipment. This reserve is matched by fixed assets within the Balance sheet; therefore, they are not resources available to the Authority.

Revenue Contributions: method of financing capital expenditure directly from revenue.

S

Section 73 Officer: the officer designated under Section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the Authority.

U

Unusable Reserves: The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'adjustments between accounting basis and funding basis under regulation.'

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.