North of Tyne Combined Authority

Statement of Accounts 2019/20

Contents

1.0 Statement of Responsibilities for the Statement of Accounts

1.1 The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer's Responsibilities:

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

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

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

The Chief Finance Officer has also:

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

Certification of the Accounts

I hereby certify that the Statement of Accounts for the year ended 31 March 2020, required by the Accounts and Audit Regulations 2015 are set out in the following papers. I further certify that the Statement of Accounts give a true and fair view of the financial position of the Combined Authority and Group at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Signed:

J Gillespie

Janice Gillespie, Chief Finance Officer

2.1 Movement in Reserves Statement

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

		Usable Reserves						
	Note	General Fund Balance	Earmarked General Fund Reserves*	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Transfer of Services from NECA at 2 November 2018		**(10,894)**	**(5,513)**	**-**	**(544)**	**(16,951)**	**(40,548)**	**(57,499)**
Balance at 2 November 2018		**(10,894)**	**(5,513)**	**-**	**(544)**	**(16,951)**	**(40,548)**	**(57,499)**
Total Comprehensive Income and Expenditure		(22,621)	-	-	-	**(22,621)**	-	(22,621)
Adjustments between accounting basis & funding basis under regulations	3	3,939	(1,526)	-	(3,623)	**(1,210)**	1,210	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	21	**(18,682)**	**(1,526)**	**-**	**(3,623)**	**(23,831)**	**1,210**	**(22,621)**
Transfers (To)/From Earmarked Reserves		-	-	-	-	**-**	-	-
(Increase)/Decrease in 2018/19		(18,682)	(1,526)	-	(3,623)	(23,831)	1,210	(22,621)
Balance at 31 March 2019 carried forward		**(29,576)**	**(7,039)**	**-**	**(4,167)**	**(40,782)**	**(39,338)**	**(80,120)**
Total Comprehensive Income and Expenditure		(28,563)	-	-	-	**(28,563)**	196	(28,367)
Adjustments between accounting basis & funding basis under regulations	3	3,611	-	-	(1,683)	**1,928**	(1,928)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	21	**(24,952)**	**-**	**-**	**(1,683)**	**(26,635)**	**(1,732)**	**(28,367)**
Transfers (To)/From Earmarked Reserves	21	6,434	(6,434)	-	**-**	**-**	-	-
(Increase)/Decrease in 2019/20		(18,518)	(6,434)	-	(1,683)	(26,635)	(1,732)	(28,367)
Balance at 31 March 2020 carried forward		**(48,094)**	**(13,473)**	**-**	**(5,850)**	**(67,417)**	**(41,070)**	**(108,487)**

* The 2018/19 NTCA MIRS reflect the General Fund Balances and Earmarked Reserves combined, 2019/20 NTCA MIRS reflects the split of General Fund Balances and Earmarked Reserves with 2018/19 represented to show this split also.

2.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount charged to the General Fund which is set out in the Movement in Reserves Statement.

As part of the creation of NTCA 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 as the seven Local Authorities (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 NTCA. The accounts for the Combined Authority thereby include a split of all income and expenditure relating to Transport activity assosciated with the constituent authorities of North of Tyne from 2nd November 2018, in 2018/19 accounts and full year in 2019/20 accounts.

2018/19					2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			Continuing NTCA Services	1			
3	-	3	Investment		735	-	735
528	(371)	157	Corporate Costs		2,422	(6,044)	(3,622)
-	-	-	Mayors Office		207	-	207
-	-	-	Elections		1,048	(3)	1,045
-	-	-	Adult Education Budget		136	(382)	(246)
-	-	-	Transport - Northumberland		6,094	-	6,094
-	-	-	Transport - Retained Levy Budget		114	-	114
-	-	-	Transport - Tyne and Wear		24,657	-	24,657
-	-	-	Transport - Other		9,336	(10,821)	(1,485)
-	-	-	Transport - Tyne Tunnels		11,331	(14,884)	(3,553)
531	(371)	160	**Cost of Services from Continuing Services**		**56,080**	**(32,134)**	**23,946**
			Services transferred from NECA				
2,561	-	2,561	Transport - Northumberland		-	-	-
44	-	44	Transport - Retained Levy Budget		-	-	-
9,538	-	9,538	Transport - Tyne and Wear		-	-	-
5,148	(8,786)	(3,638)	Transport - Other		-	-	-
6,993	(4,989)	2,004	Transport - Tyne Tunnels		-	-	-
24,815	**(14,146)**	**10,669**	**Cost of services**		**56,080**	**(32,134)**	**23,946**
			Financing and Investment Income and Expenditure:	4			
-	(2)	(2)	- From continuing services		3,289	(1,080)	2,209
1,598	(717)	881	- Transferred from NECA		-	-	-
			Taxation and Non-Specific Grant Income:	5			
-	(20,091)	(20,091)	- From continuing services		-	(54,718)	(54,718)
-	(13,964)	(13,964)	- Transferred from NECA - Levy		-	-	-
-	(114)	(114)	- Capital Grants (non-specific)		-	-	-
26,413	**(49,034)**	**(22,621)**	**(Surplus)/Deficit on Provision of Services**		**59,369**	**(87,932)**	**(28,563)**
			Other Comprehensive Income and Expenditure				
		-	Re-measurement of the defined benefit liability	19			196
		(22,621)	**Total Comprehensive Income and Expenditure**				**(28,367)**

2.3 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date, 31st March each year, of the assets and liabilities recognised by the Combined Authority. The Net Assets of the Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories, Usable and Unusable. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

31 March 2019 £000		Note	31 March 2020 £000
154,091	Property, Plant and Equipment	11	153,621
16,402	Long Term Debtors	15	15,595
170,493	**Long Term Assets**		**169,216**
27,720	Short Term Investments	12	35,581
1,334	Short Term Debtors	14	6,532
29,149	Cash and Cash Equivalents	16	42,704
58,203	**Current Assets**		**84,817**
(1,024)	Short Term Borrowing	12	(1,032)
(30,446)	Short Term Creditors	17	(27,606)
(503)	Grants Receipts in Advance	6	(427)
(2,255)	Public Private Partnerships	18	(2,256)
(15)	Other Current Liabilities		-
(34,243)	**Current Liabilities**		**(31,321)**
(40,585)	Public Private Partnerships	18	(38,345)
(73,648)	Long Term Borrowing	12	(75,595)
(100)	Grants Receipts in Advance	6	-
-	Pension Liability	19	(285)
(114,333)	**Long Term Liabilities**		**(114,225)**
80,120	**Net Assets**		**108,487**
(40,782)	Usable Reserves	20	(67,417)
(39,338)	Unusable Reserves	22	(41,070)
(80,120)	**Total Reserves**		**(108,487)**

Chief Finance Officer Certificate

I certify that the accounts for the period ended 31 March 2020, required by the Accounts and Audit Regulations 2015, give a true and fair view of the financial position of the North of Tyne Combined Authority and its income and expenditure for the 31 March 2020.

Signed: Janice Gillespie, Chief Finance Officer

Date: 27 November 2020

2.4 Cash Flow Statement

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

2018/19 £000		Notes	2019/20 £000
22,621	Net Surplus/(Deficit) on the provision of services		28,563
5,048	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	(7,588)
(8,807)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(11,034)
18,862	**Net cash flows from Operating Activities**		**9,941**
197	Investing Activities	25	1,651
(147)	Financing Activities	26	1,963
18,912	**Net (Decrease)/Increase in cash and cash equivalents**		**13,555**
10237*	Cash and cash equivalents at the beginning of the reporting	16	29,149
29,149	**Cash and cash equivalents at the end of the reporting period**		**42,704**

*This includes activities that are part of the services transferred from NECA and relates to the cash and cash equivalent position at the date of incorporation of the NTCA (2 November 2018).

Index to the Notes to the Financial Statements

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

Note 1: Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority

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

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

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

At its first meeting on 20 November 2018, the JTC appointed NECA as its accountable body. As the accountable body NECA must split the revenue, expenditure, assets and liabilities into those which relate to NECA and those which relate to NTCA:
- That which relates to Northumberland is wholly allocated to NTCA.
- That which relates to Durham is wholly allocated to NECA.
- That which relates to Tyne and Wear is allocated between NECA and NTCA on the basis of population using the ONS statistics used as the basis of dividing the levy contributions.

From the 1st April 2020 the NTCA will become the Accountable body for the North East Local Enterprise Partnership (LEP) with staff TUPE across from NECA to NTCA and Transport staff in the Regional Transport Team, now known as the Transport Strategy Unit will be transferred to NECA.

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

Note 2: Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (e.g. government grant 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 (including JTC) budget. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive 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.

	2019/20				
	Net Expenditure Chargeable to the General Fund	**Adjustments for Capital Purposes**	**Pension Adjustments**	**Other Differences**	**Net Expenditure in the CIES**
	£000	**£000**	**£000**	**£000**	**£000**
Investment	735	-	-	-	735
Corporate Costs	(3,713)	-	91	-	(3,622)
Mayors Office	207	-	-	-	207
Elections	1,045	-	-	-	1,045
Adult Education Budget	(246)	-	-	-	(246)
Transport - Northumberland	6,094	-	-	-	6,094
Transport - Retained Levy Budget	348	(234)	-	-	114
Transport - Tyne and Wear	24,657	-	-	-	24,657
Transport - Other	326	(1,811)	-	-	(1,485)
Transport - Tyne Tunnels	(2,570)	(983)	-	-	(3,553)
Net Cost of services	**26,883**	**(3,028)**	**91**	**-**	**23,946**
Other Income and Expenditure					
- From continuing services	(51,835)	(309)	(2)	(363)	(52,509)
- From services transferred from NECA	-	-	-	-	-
(Surplus)/Deficit on Provision of Services	**(24,952)**	**(3,337)**	**89**	**(363)**	**(28,563)**
Opening General Fund Balances	(36,615)				
Surplus on General Fund Balances in Year	(24,952)				
Closing General Fund Balances	**(61,567)**				

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

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

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

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

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

Balances transferred from NECA	(16,407)
Surplus on General Fund Balances in Year	(20,208)
Closing General Fund Balances at 31 March 2019	**(36,615)**

Note 2a: Income and Expenditure Analysed by Nature

	2018/19 £000	2019/20 £000
Expenditure		
Employee benefit expenses	40	1,723
Other service expenses	16,774	43,336
Support Service Recharges	84	298
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	7,917	10,723
Interest payments	1,598	3,289
Total expenditure	**26,413**	**59,369**
Income		
Fees, charges and other service income (Tyne Tunnels tolls)*	(4,191)	(12,616)
Interest and investment income	(719)	(1,080)
Income from transport levy	(13,964)	(33,168)
Government grants and contributions	(29,321)	(33,864)
Other income	(839)	(7,204)
Total income	**(49,034)**	**(87,932)**
Surplus/Deficit on the provision of services	**(22,621)**	**(28,563)**

* Fees, charges and other service income relates wholly to tolls paid by users of the Tyne Tunnels.

Note 3: Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2018/19					2019/20			
General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves	Adjustments between Accounting Basis and Funding Basis Under Statute	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account				
				Reversal of items debited or credited to the CIES				
(3,213)	-	-	3,213	Charges for depreciation and impairment of non current assets	(1,842)	-	-	1,842
946	-	-	(946)	Other income that cannot be credited to the General Fund	2,256	-	-	(2,256)
4,640	-	-	(4,640)	Capital grants and contributions applied	6,435	-	-	(6,435)
(4,704)	-	-	4,704	Revenue expenditure funded from capital under statute	(8,881)	-	-	8,881
				Insertion of items not debited or credited to the CIES				
429	-	-	(429)	Statutory provision for the financing of capital investment	766	-	-	(766)
-	-	-	-	Capital expenditure charged against the General Fund	4	-	-	(4)
				Adjustments primarily involving the Capital Grants Unapplied				
4,168	-	(4,168)	-	Grants and contributions unapplied credited to the CIES	4,599	-	(4,599)	-
-	-	545	(545)	Application of grants to capital financing transferred to the CAA	-	-	2,916	(2,916)
				Adjustments involving the Capital Receipts Reserve				
-	(724)	-	(724)	Loan principal repayments	-	(698)	-	698
-	724	-	724	Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
-	-	-	-	Application of Capital Receipts to repayment of debt	-	698	-	(698)
				Adjustments involving the Financial Instruments				
147	-	-	(147)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	363	-	-	(363)
				Adjustments involving the Pensions Reserve				
-	-	-	-	Reversal of items relating to retirement benefits debited or	(269)	-	-	269
-	-	-	-	Employer's pension contributions and direct payments to pensioners payable in the year	178	-	-	(178)
				Interest expense on net defined liability/(asset)	2	-	-	(2)
2,413	**-**	**(3,623)**	**1,210**	**Total Adjustments**	**3,611**	**-**	**(1,683)**	**(1,928)**

Note 4: Financing and Investment Income and Expenditure

	Note	2018/19 Continuing Services	2018/19 Transport Services transferred to NTCA - 1 April 2018 - 1 November	2019/20
		£000	£000	£000
Interest Payable and Similar Charges		-	1,598	3,289
Interest Payable on defined benefit liability	19		-	(2)
Interest Receivable and similar income		(2)	(717)	(1,078)
Total		**(2)**	**881**	**2,209**

Note 5: Taxation and Non Specific Grant Income

	2018/19 Continuing Services	2018/19 Transport Services transferred to NTCA - 1 April 2018 - 1 November	2019/20
	£000	£000	£000
Transport Levy	-	(13,964)	(33,168)
Non-Ringfenced Government Grants	(20,091)	-	(20,182)
Non Specific Capital Grants	-	(114)	(1,368)
Total	**(20,091)**	**(14,078)**	**(54,718)**

Note 6: Grant Income

	2018/19		2019/20
	Continuing Services	Transport Services transferred to NTCA - 1 April 2018 - 1 November 2018	
	£000	£000	£000
Investment Fund		(20,000)	(20,000)
Homeless Veteran Grant	(91)	-	-
Mayoral Capacity Fund	(250)	-	(1,000)
EU Exit Funding			(182)
Other Grants and Contributions (individually under £1.000m)	(4)	(640)	(114)
Local Transport Plan	-	(3,860)	(6,179)
European Grants	-	-	(220)
North East Smart Ticketing Initiative	-	-	(160)
Transforming Cities Fund	-	(4,450)	(4,386)
Office for Low Emission Vehicles	-	-	(240)
Adult Education Implentation Fund	(26)	-	(382)
Section 31 Grants			(1,001)
Total	**(371)**	**(28,950)**	**(33,864)**

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

Grants Receipts in Advance	31 March 2019 £000	31 March 2020 £000
NECA North East Smart Ticketing Initiative	(503)	(91)
NECA Office for Low Emission Vehicles	(100)	(112)
Other Grants	-	(224)
Total	**(603)**	**(427)**

Shown as Short-Term Liability on the Balance Sheet	(503)	(427)
Short as Long-Term Liability on the Balance Sheet	(100)	-
Total	**(603)**	**(427)**

Note 7: Members' Allowances

The Authority paid the following amounts to independent members of its various committees during the financial year 2019/20:

	2018/19 £000	2019/20 £000
Allowances	-	2
Total	**-**	**2**

During the financial year 2019/20 the following allowance was paid to the Elected Mayor:

	2018/19 £000	2019/20 £000
Elected Mayor Allowance	-	56
Elected Mayor National Insurance Contributions Payable	-	10
Total	-	**66**

Note 8: Officers' Remuneration

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

		Salary, Fees and Allowances £000	Pension Contributions £000	Total £000
Director of Economic Growth	2019/20	46	10	56
	2018/19	0	-	-
Director of Policy and Performance	2019/20	35	9	44
	2018/19	0	-	-
Managing Director of Transport Arrangements*	2019/20	127	-	127
	2018/19	125	21	146

*The Managing Director of Transport Arrangements is a NECA employee, working on behalf of the Joint Transport Committee, therefore under the Joint Transport Committee arrangements the remuneration paid to the Managing Director of Transport Operations is included in the table above, although NTCA are only responsible for their proportion of his salary costs based on the population split.

The three Statutory Officers of the Combined Authority, Head of Paid Service, Chief Finance Officer and Monitoring Officer are not formal employees of the Combined Authority, and are not therefore included in the statutory disclosure above. Their servcies are based on agreed number of days per week and charged including expenses by their respective Local Authority employers, these are shown in the interests of transparency. The Director of Economic Growth and Director of Policy and Performance posts were seconded to the Combined Authority however, these posts have been appointed to permanently by the NTCA midway through 2019/20.

		Payment for agreed Days £000	Expenses £000	Total £000
Pat Ritchie, Head of Paid Service to Dec 31st 2019 (SLA Newcastle City Council)	2019/20	31	-	**31**
Pat Ritchie, Head of Paid Service (SLA Newcastle City Council)	2018/19	19	-	**19**
Paul Hanson, Head of Paid Service from January 1 2020 - March 31 2020 (SLA North Tyneside)	2019/20	10	-	**10**
Janice Gillespie, Interim Chief Finance Officer, S.73 Officer (SLA North Tyneside)	2019/20	24	-	**24**
Janice Gillespie, Interim Chief Finance Officer, S.73 Officer (SLA North Tyneside)	2018/19	20	-	**20**
John Softly, Interim Monitoring Officer (SLA Newcastle City Council)	2019/20	19	-	**19**
John Softly, Interim Monitoring Officer (SLA Newcastle City Council)	2018/19	10	-	**10**
Interim Director of Economic Growth to 2 Dec 2019 (Newcastle City Council)	2019/20	115	1	**116**
Interim, Director of Economic Growth (Newcastle City Council)	2018/19	83	2	**85**
Interim Director of Policy and Performance to 2 Dec 201	2019/20	85	-	**85**
Interim Director of Policy and Performance	2018/19	-	-	**-**

The number of other officers, who are directly employed by the NTCA, who received remuneration greater than £50,000 (excluding employers' pension contributions) was as follows:

	2018/19 £000	2019/20 £000
£50,000-£54,999	0	0
£55,000-£59,999	1	0
£60,000-£64,999	0	1
£65,000-£69,999	0	0
£70,000-£74,999	0	0
£75,000-£79,999	0	0
£80,000-£84,999	0	0
£85,000-£89,999	0	0
£90,000-£94,999	0	0
£95,000-£99,999	0	0
Total	**1**	**1**

Note 9: External Audit Costs

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

	2018/19 £000	2019/20 £000
Scale fee for the audit of the Statement of Accounts	30	28
Total	**30**	**28**

Note 10: Related Parties

The Combined Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Combined Authority or to be controlled or influenced by the Combined Authority. Disclosure of these transactions allows readers to assess the extent to which the Combined Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

In this context, related parties include:
- Central Government
- Members of the Cabinet
- Officers of the Combined Authority
- NTCA Constituent Authorities
- Joint Transport Committee Constituent Authorities
- Other Public Bodies
- Other Entities

Central Government

Central Government is responsible for providing the statutory framework within which the Combined Authority operates, provides much of its funding in the form of grants and prescribes the terms of some of the transactions that the Combined Authority has with other parties. Grants received from government departments are set out in Note 6.

Elected Members of the Authority

Members of the Combined Authority have a direct control over the Combined Authority's financial and operating policies. The total of members allowances payable to elected members of the Combined Authority is shown in Note 7. During 2019/20 no works or services were commissioned from companies in which any members had an interest.

Officers

There have been no pecuniary interest involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Authority.

NTCA Constituent Authorities

The Leaders of the three consituent Authorities serve as members on the NTCA Cabinet. Details of material transactions with the seven Authorities are set out in the table below.

Joint Transport Committee Constituent Authorities

From 2 November 2018, the Joint Transport Committee has been in establishment, comprised of the seven North East local authorities. Figures reported in these accounts include the NTCA share of Joint Transport Committee activity, and details of matetrial transactions with the seven Authorities are set out in the table below.

Other Public Bodies

The Combined Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus) through the North East Combined Authority (NECA). Details of material transactions with Nexus are set out in the table below.

	2018/19				2019/20			
	Receivables	Income	Expenditure	Payables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000	£000	£000	£000
NTCA Constituent Authorities								
Newcastle	-	(3,594)	1,275	710	(783)	(7,871)	1,519	1,189
North Tyneside	-	(1,983)	279	143	(1,918)	(6,863)	1,237	286
Northumberland	-	(1,135)	1,376	54	(2,359)	(8,468)	7,507	88
NECA Constituent Authorities	-							
Durham	-	(2,896)	3,204	-	-	-	1,383	69
Gateshead	-	(2,036)	162	-	-	(4,850)	853	21
South Tyneside	-	(1,509)	180	86	-	(3,583)	535	610
Sunderland	-	(2,808)	196	19	-	(6,643)	1,000	105
Other Public Bodies								
North East Combined Authority	-	-	-	-	-	-	8	8
Nexus	(698)	(1,330)	10,668	27,178	(672)	-	27,226	22,609

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

Note 11: Property, Plant and Equipment

2019/20	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Service Concession Assets included in Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2019	1,420	166,202	7,999	**175,621**	166,202
Additions	-	-	1,373	**1,373**	-
Reclassification	334	8,104	(8,438)	**-**	8,104
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	**-**	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	**-**	-
At 31 March 2020	**1,754**	**174,306**	**934**	**176,994**	**174,306**

Accumulated Depreciation and Impairment					
At 1 April 2019	(525)	(21,005)	-	(21,530)	(21,005)
Depreciation charge for the Year	(74)	(1,768)	-	**(1,842)**	(1,768)
At 31 March 2020	**(599)**	**(22,773)**	**-**	**(23,372)**	**(22,773)**

Net Book Value					
At 1 April 2019	**895**	**145,197**	**7,999**	**154,091**	**145,197**
At 31 March 2020	**1,155**	**151,533**	**934**	**153,621**	**151,533**

2018/19	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Service Concession Assets included in Property, Plant and Equipment £000
Cost or Valuation					
Transferred from the NECA	1,420	168,729	6,817	**176,966**	**168,729**
Additions	-	19	1,182	**1,201**	**19**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(19)	-	**(19)**	**(19)**
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	(2,527)	-	**(2,527)**	**(2,527)**
At 31 March 2019	**1,420**	**166,202**	**7,999**	**175,621**	**166,202**

Accumulated Depreciation and Impairment					
Transfer from NECA	(508)	(20,355)	-	**(20,863)**	**(20,355)**
Depreciation charge	(17)	(650)	-	**(667)**	**(650)**
At 31 March 2019	**(525)**	**(21,005)**	**-**	**(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**

Note 12: Financial Instruments

Financial Assets

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

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Amortised cost	-	-	16,402	15,595	27,720	35,581	1,334	1,376
Total financial assets	**-**	**-**	**16,402**	**15,595**	**27,720**	**35,581**	**1,334**	**1,376**
Non-financial assets	-	-	-	-	-	-	-	5,156
Total	**-**	**-**	**16,402**	**15,595**	**27,720**	**35,581**	**1,334**	**6,532**

Financial assets at amortised cost

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

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

All of the 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 Combined 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 Combined Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Amortised cost	(73,648)	(75,595)	-	-	(1,024)	(1,032)	(28,665)	(25,416)
Total financial liabilities	**(73,648)**	**(75,595)**	**-**	**-**	**(1,024)**	**(1,032)**	**(28,665)**	**(25,416)**
Non-financial liabilities	-	-	-	-	-	-	(587)	(2,190)
Total	**(73,648)**	**(75,595)**	**-**	**-**	**(1,024)**	**(1,032)**	**(29,252)**	**(27,606)**

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

Income, Expense, Gains and Losses

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

31 March 2019				31 March 2020		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	**Financial assets: measured at amortised cost**	**Total**		**Financial Liabilities at amortised cost**	**Financial assets: measured at amortised cost**	**Total**
1,598	-	1,598	Interest expense	3,289		3,289
1,598	**-**	1,598	**Total expense in Surplus on Provision of Services**	**3,289**	**-**	**3,289**
-	(717)	(717)	Investment income	-	(1,080)	(1,080)
-	-	-	Movement on soft loans	-	-	-
-	**(717)**	(717)	**Total income in Surplus on Provision of Services**	**-**	**(1,080)**	**(1,080)**
1,598	**(717)**	**881**	**Net (gain)/loss for the**	**3,289**	**(1,080)**	**2,209**

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 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Combined 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 proporse 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 31st March 2020.

- 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 2019/20 the fair values are shown in the table below are split by their level in the fair value

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options: lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

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

		31/03/2019		31 March 2020	
	Level	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities held at amortised cost	2	(73,648)	(120,322)	(76,627)	(132,125)
Total		**(73,648)**	**(120,322)**	**(76,627)**	**(132,125)**
Financial Assets at amortised cost					
Held to maturity investments		27,720	27,720	35,581	35,581
Nexus loan debtor	2	17,099	26,979	15,595	27,152
Other loan debtors	3	-	-	-	-
Total		**44,819**	**54,699**	**51,176**	**62,733**

Note 13: Nature and Extent of risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and financial market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This deposit risk is minimised through the Treasury Management Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Statement also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the Authority's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by Treasury Management advisors and focuses on the long-term investment grade rating issued to each financial institution. The highest possible rating is AAA and the lowest rating is BBB:

Rating	2019/20 £000
A+	-
A-	-
n/a - investments with UK local authorities	33,784
n/a - investments with unrated building societies [1]	1,797
Total Short-Term Investments	**35,581**

[1] In line with its agreed Investment Strategy, NTCA at the point of these accounts, did not place investments with Building Society. NECA (in regard of those Investments which relate to JTC Investments) place investments for up to 1 year and up to £5m each with UK building societies without credit ratings with assets greater than £250m.

The Combined 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 2020 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 Combined Authority. The Combined 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 Combined 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 £000	31 March 2020 £000
Between 1-2 years	(295)	(295)
Between 2-5 years	(886)	(886)
Between 5-10 years	(738)	(443)
More than 10 years	(71,729)	(73,971)
	(73,648)	**(75,595)**
Less than 1 year	(1,024)	(1,032)
Total borrowing	**(74,672)**	**(76,627)**

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	31 March 2020 £000
Increase in interest payable on variable rate borrowing	-	-
Increase in interest receivable on variable rate investments	543	149
Impact on the (Surplus)/Deficit on Provision of Services	**543**	**149**

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 of £24.650m in the fair value of fixed rate borrowings, although this would not impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Note 14: Short Term Debtors

	31 March 2019 £000	31 March 2020 £000
Central Government bodies	510	790
Other local authorities	-	5,070
Other entities and individuals	824	672
Total	**1,334**	**6,532**

Note 15: Long Term Debtors

	31 March 2019 £000	31 March 2020 £000
Nexus borrowing	16,402	15,595
Total	**16,402**	**15,595**

Note 16: Cash and Cash Equivalents

	31 March 2019 £000	31 March 2020 £000
Cash held in Authority's bank account	6,160	7,173
Cash equivalents	22,989	35,531
Total	**29,149**	**42,704**

Note 17: Short Term Creditors

	31 March 2019 £000	31 March 2020 £000
Central government bodies	(2)	(78)
Other local authorities	(1,014)	(2,386)
Other entities and individuals	(101)	(342)
- Nexus	(27,178)	(22,441)
- TT2	(2,151)	(1,346)
- Other	-	(1,013)
Total	**(30,446)**	**(27,606)**

Note 18: Private Finance Initiatives and Similar Contracts

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

In 2019/20 the total payment under the contract was £21.123m (2018/19 £20.256m) of which £11.767m is shown in the account of NECA and £9.356m shown in the accounts of NTCA.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2019/20 value of £91.661m (2018/19 £96.753m), of which £51.061m is shown on the NECA balance sheet and £40.600m shown on the NTCA balance sheet.

	Deferred Income Release	
	2018/19	2019/20
	£000	£000
Payable in 2020/21	(2,255)	(2,256)
Payable within 2 to 5 years	(9,019)	(9,022)
Payable within 6 to 10 years	(11,274)	(11,278)
Payable within 11 to 15 years	(11,274)	(11,278)
Payable within 16 to 20 years	(9,018)	(6,766)
Total	**(42,840)**	**(40,600)**

Payments

Payments made by the Authority to TT2 Ltd are based on actual traffic volumes using the tunnel, and so will vary from year to year.

Note 19: Defined Benefit Pension Schemes

The Combined Authority currently participates in one post-employment schemes:

(i) Tyne and Wear Pension Fund administered locally by South Tyneside Council - this is a funded, defined benefit scheme, meaning that the Combined Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments.

The Tyne and Wear Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of the Fund's Pension Committee which consists of eight members from South Tyneside Council (which has legal responsibility for the Fund), four members from the other councils in Tyne and Wear, and three members each nominated by the trades unions and the employers. During 2017/18, the Fund, along with eleven other funds, created and now owns a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited.

Amounts recognised in profit and loss and other comprehensive income

	Local Government Pension Scheme	
	2018/19	2019/20
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	-	250
Past service cost	-	19
Financing and Investment Income and Expenditure		
Interest on net defined benefit liability (asset)	-	(2)
Pension expense recognised in profit and loss	**-**	**267**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Return on plan assets (in excess of)/below that recognised in net interest	-	(386)
Actuarial (gains)/losses due to changes in financial assumptions	-	(12)
Actuarial (gains)/losses due to changes in demographic assumptions	-	-
Actuarial (gains)/losses due to changes in liability assumptions	-	594
Adjustment in respect of paragraph 58	-	-
Total amount recognised in Other Comprehensive Income	**-**	**196**
Total amount recognised	**-**	**463**

Changes to the present value of net defined benefit obligation

	Local Government Pension Scheme	
	2018/19	2019/20
	£000	£000
Opening defined benefit obligation at 1 April	**-**	**2**
Current service cost	-	250
Interest expense on defined benefit obligation	-	1
Contributions by participants	-	54
Actuarial gains/(losses) on liabilities - financial assumptions	-	(12)
Actuarial gains/(losses) on liabilities - demographic assumptions	-	-
Actuarial gains/(losses) on liabilities - experience	-	594
Net benefits paid out	-	2
Past service costs	-	19
Closing defined benefit obligation at 31 March	**-**	**910**

Reconciliation of the fair value of the scheme assets:

	Local Government Pension Scheme	
	2018/19	2019/20
	£000	£000
Opening fair value of assets	**-**	**2**
Interest income on assets	-	3
Remeasurement gains/(losses) on assets	-	386
Employer contributions	-	178
Contributions by scheme participants	-	54
Net benefits paid out	-	2
Closing fair value of assets	**-**	**625**

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

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

Scheme History	2018/19 £000	2019/20 £000
Fair value of LGPS assets	**-**	**625**
Present value of liabilities: - Funded Defined Benefit Obligation	-	(910)
Funding Status	**-**	**(285)**
Unrecognised Asset	-	-
Asset/ (Liability) shown on the Balance Sheet	**-**	**(285)**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows: active members 100%, deferred pensioners 0% and pensioners 0%.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £0.910m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £0.285m. 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 2021 is £0.071m In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2021 are nil in relation to unfunded benefits.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been assessed by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

The impact of the McCloud judgement has been allowed for in these figures. The approach taken was that where the employer accounted for a potential McCloud liabilitly at the last accounting date (which would have been treated as a past service cost in last year), any change in the allowance over the period has been treated as an experience item through the Comprehensive Income. Where the employer chose not to account for a potential McCloud liability has been presented as a past service cost this year. As NTCA did not have a pension liability in the last financial year a past service cost has been calculated this year of £0.018m, which is recognised at 1 April 2019. Interest is added to this cost over the year within the past service cost line. The current service costs includes a prospective allowance for McClound liabilities of 0.40% of Pensionable Pay over the period.

A small proportion (9%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of these unquoted assets than would normally be the case. There is a risk that current valuations may be under or overstated in the accounts.

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years.

The principal assumptions used by the actuary have been:

	Local Government	
	31-Mar-19	31-Mar-20
Mortality assumptions:		
Pensioner member aged 65 at accounting date (male)	21.8	21.8
Pensioner member aged 65 at accounting date (female)	24.9	25.0
Active member aged 45 at accounting date (male)	23.4	23.5
Active member aged 45 at accounting date (female)	26.7	26.8
Rate for discounting scheme liabilities	**% pa**	**%pa**
Rate for inflation - Retail Price Index	2.50%	2.30%
Rate of inflation - Consumer Price Index	2.10%	1.80%
Rate of increase in pensions	2.10%	1.80%
Pension accounts revaluation rate	2.10%	1.80%
Rate of increase in salaries	3.60%	3.30%

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

	31 March 2019	31 March 2020		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	66.1%	48.0%	6.8%	54.8%
Property	9.0%	0.0%	9.0%	9.0%
Government bonds	3.9%	4.1%	0.0%	4.1%
Corporate bonds	11.5%	15.3%	0.0%	15.3%
Cash	3.9%	2.3%	0.0%	2.3%
Other*	5.6%	8.5%	6.0%	14.5%
Total	**100.0%**	**78.2%**	**21.8%**	**100.0%**

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

Actual Return on Assets

	Local Government	
	31-Mar-19	31-Mar-20
	£000	£000
Interest Income on Assets	-	3
Remeasurement gain/(loss) on assets	-	386
Actual Return on Assets	**-**	**389**

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 senstivity analysis below did not change from those used in the previous period.

Discount rate assumption	**+0.1% p.a.**	**Base Figure**	**-0.1% p.a.**
Adjustment to discount rate			
Present value of total obligation (£M)	0.884	0.910	0.937
% change in present value of total obligation	-2.9%		3.0%
Projected service cost (£M)	0.428	0.445	0.462
Approximate % change in projected service cost	-3.8%		3.9%

Rate of general increase in salaries	**+0.1% p.a.**	**Base Figure**	**-0.1% p.a.**
Adjustment to salary increase rate			
Present value of total obligation (£M)	0.910	0.910	0.910
% change in present value of total obligation	0.0%		0.0%
Projected service cost (£M)	0.445	0.445	0.445
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	**+0.1% p.a.**	**Base Figure**	**-0.1% p.a.**
Adjustment to pension increase rate			
Present value of total obligation	0.937	0.910	0.884
% change in present value of total obligation	3.0%		-2.9%
Projected service cost (£M)	0.462	0.445	0.428
Approximate % change in projected service cost	3.9%		-3.8%

Post retirement mortality assumption **Adjustment to mortality age rating assumption***	**- 1 year**	**Base Figure**	**+ 1 year**
Present value of total obligation (£M)	0.938	0.910	0.882
% change in present value of total obligation	3.1%		-3.1%
Projected service cost (£M)	0.463	0.445	0.427
Approximate % change in projected service cost	4.0%		-4.0%

* a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Note 20: Usable Reserves

	Note	31 March 2019* £000	31 March 2020 £000
General Fund Balance	21	(29,576)	(48,094)
Earmarked Reserves	21	(7,039)	(13,473)
Capital Receipts Reserve		-	-
Capital Grants Unapplied Reserve		(4,167)	(5,850)
Total		**(40,782)**	**(67,417)**

* The 2018/19 NTCA MIRS reflect the General Fund Balances and Earmarked Reserves combined, 2019/20 NTCA MIRS reflects the split of General Fund Balances and Earmarked Reserves with 2018/19 represented to show this split also.

Earmarked Reserves are amounts which the authority has chosen to set aside from the General Fund Balance to be used for specific purposes.

The **Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

The **Capital Grants Unapplied Reserve** holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Note 21: Transfers (to)/From Earmarked Reserves

This note sets out amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Balances Transferred from NECA	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund Balances							
General Fund	10,894	(1,251)	**-**	**9,643**	**-**	**1,048**	**10,691**
Total General Fund Balances	10,894	(1,251)	-	9,643	-	1,048	10,691
General Fund Reserves							
Investment Fund Reserve	-	-	19,551	**19,551**	-	17,289	36,840
Business Rates Pool	-	-	-	**-**	-	4,909	4,909
Metro Reinvigoration Reserve	4,037	-	22	**4,059**	-	34	4,093
Metro Fleet Replacement	1,476	-	1,488	**2,964**	-	1,507	4,471
Strategic Reserve	-	-	200	**200**	-	-	200
Grant Reserves	-	-	198	**198**	(17)	182	363
Total General Fund Reserves	**5,513**	**-**	**21,459**	**26,972**	**(17)**	**23,921**	**50,876**
Total Balances & Reserves	**16,407**	**(1,251)**	**21,459**	**36,615**	**(17)**	**24,969**	**61,567**

Note 22: Unusable Reserves

Summary

	31 March 2019 £000	31 March 2020 £000
Capital Adjustment Account	(36,456)	(38,174)
Financial Instruments Adjustment Account	788	425
Revaluation Reserve	(3,670)	(3,606)
Pension Reserve	-	285
Total	**(39,338)**	**(41,070)**

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The CAA is credited with the amounts set aside by the Combined Authority as finance for the costs of acquisition, construction adn 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 CAA, apart from those involving the Revaluation Reserve.

	2018/19 £000	2019/20 £000
Transfer from NECA (2018/19)/ Opening Balance 1 April 2019	**(37,748)**	**(36,456)**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	**3,213**	**1,842**
Write down of New Tyne Crossing deferred income balance	**(927)**	**(2,256)**
Revenue expenditure funded from capital under statute	**4,704**	**8,881**
Write down of long term debtors	**725**	**698**
Adjusting amounts written out of the Revaluation Reserve	**(65)**	**(64)**
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(5,185)	(9,351)
Statutory provision for the financing of capital investment	(429)	(766)
Capital expenditure charged against the General Fund	(19)	(4)
Debt redeemed using capital receipts	(725)	(698)
Balance at 31 March	**(36,456)**	**(38,174)**

Financial Instruments Adjustment Account

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

	2018/19	2019/20
	£000	£000
Transferred from NECA/Opening Balance 1 April 2019	**935**	**788**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements finance costs chargeable in the year in accordance with statutory requirements	(147)	(363)
Balance at 31 March	**788**	**425**

Revaluation Reserve

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

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

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

	2018/19	2019/20
	£000	£000
Transferred from NECA/Opening Balance 1 April 2019	**(3,735)**	**(3,670)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	**65**	**64**
Balance at 31 March	**(3,670)**	**(3,606)**

Pensions Reserve

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

	2018/19	2019/20
	£000	£000
Opening Balance 1 April	**-**	**-**
Remeasurements of the net defined benefit liability (asset)	-	196
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-	269
Employer's pension contributions and direct payments to pensioners payable in the year	-	(178)
Interest expense on net defined liability/ (asset)	-	(2)
Balance at 31 March	**-**	**285**

Note 23: Capital Expenditure and Capital Financing

	2018/19 £000	2019/20 £000
Opening Capital Financing Requirement 1 April	**86,805**	**86,352**
Capital Investment		
Property, Plant and Equipment	1,201	1,373
Revenue Expenditure Funded from Capital Under Statute	4,704	8,881
Sources of Finance		
Capital receipts - repayment of principal from long term debtors	(725)	(698)
Government Grants and other contributions	(5,185)	(9,351)
Sums set aside from revenue		
Direct revenue contributions	(19)	(4)
Minimum Revenue Provision	(307)	(766)
Additional Voluntary Provision	(122)	
Closing Capital Financing Requirement 31 March	**86,352**	**85,787**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(453)**	**(565)**
Decrease in Capital Financing Requirement	**(453)**	**(565)**

Note 24: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities

	2018/19 £000	2019/20 £000
Surplus/(Deficit) on the provision of services	22,621	28,563
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	3,213	1,842
(Increase)/Decrease in Creditors	3,245	(2,862)
Increase/(Decrease) in Debtors	(483)	(4,418)
Movement in Pension Liability	-	89
Other non-cash items charged to the net surplus or deficit on the provision of services	(927)	(2,239)
	5,048	**(7,588)**
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital grants credited to surplus/(deficit) on provision of services	(8,807)	(11,034)
Net cash flow from operating activities	**18,862**	**9,941**

The cash flows for operating activities include the following items:

	2018/19 £000	2019/20 £000
Interest received	717	1,080
Interest paid	(1,598)	(3,289)

Note 25: Cash Flow Statement - Investing Activities

	2018/19 £000	2019/20 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,201)	(1,371)
Purchase of short-term and long-term investments	(26,983)	(90,393)
Proceeds from short-term and long-term investments	20,074	80,393
Other receipts from investing activities	8,307	13,022
Net cash flows from investing activities	**197**	**1,651**

Note 26: Cash Flow Statement - Financing Activities

	2018/19 £000	2019/20 £000
Repayments of short and long-term borrowing	(147)	1,963
Net cash flows from financing activities	**(147)**	**1,963**

Note 26a: Reconciliation of liabilities arising from Financing activities

	1 April 2019	Financing Cash Flows	Changes which are not financing cash flows		31 March 2020
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long Term Borrowings	(73,648)	(1,947)	-	-	(75,595)
Short Term Borrowings	(1,024)	(0)	-	(8)	(1,032)
Total Liabilities arrising from Financing Activities	**(74,672)**	**(1,947)**	**-**	**(8)**	**(76,627)**

	1 April 2018	Financing Cash Flows	Changes which are not financing cash flows		31 March 2019
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long Term Borrowings	-	(147)	(73,501)		(73,648)
Short Term Borrowings	-	6	(1,312)	282	(1,024)
Total Liabilities arrising from Financing Activities	**-**	**(141)**	**(74,813)**	**282**	**(74,672)**

Note 27: Accounting Standards Issued, Not Yet Adopted

Impact of the adoption of new accounting standards on the 2019/20 Financial Statements

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020. Work to date has shown that NECA leases identified will not have a material effect on the 2020/21 statements.

IAS 19 Employee Benefits specifies how local authorities account for a defined benefit plan. When a change to a plan i.e. an amendment, curtailment or settlement, takes place, IAS 19 requires the local authority to remeasure its net defined liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

IAS 28 Investments in Associates and Joint Ventures requires an investor to account for its investment in associates and joint ventures using the equity method. This does not apply to the North East Combined Authority.

Annual Improvements to IFRS Standards 2015-2017 Cycle have been issued as part of the International Accounting Standards Board process for maintaining IFRS Standards. Amendments either clarify the wording of an IFRS Standard or correct oversights or contflicts between existing requirements of IFRS Standards.

IFRS 3 Business Combinations

Clarifies that when a local authority obtains control of a joint operation it remeasures interests that were previously held with that business.

IFRS 11 Joint Arrangements

Clarifies that when a local authority obtains joint control of a joint operation it does not remeasure interests that were previously held with that business.

IAS 12 Income Taxes

Clarifies that local authorities should account for all income tax consequences of dividend payments in the same way.

IAS 23 Borrowing Costs

Clarifies that local authorities should treat any borrowings originally made to develop an asset as part of general borrowings, when the asset is ready for its intended use or sale.

Most of these standards will not apply to the Authority or the Group. For those that do apply, they are not anticipated to have a material impact on the financial statements.

Note 28: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these accounts, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Service Concession Arrangements

The Local Authority Accounting Code of Practice requires arrangements where private sector contractors provide a service for a period using a dedicated asset to be assessed under an application of the principles within IFRIC 12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC 12:

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

For arrangements falling under the scope of IFRIC 12, the public sector entity will recognise the cost of the Property, Plant and Equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing concession has been judged to meet both of the IFRIC 12 criteria and, accordingly, the cost of the new Tunnel and the refurbishment of the existing Tunnel are recorded within the Authority's Property, Plant and Equipment on the Balance Sheet.

Transferred Assets and Liabilities in Local Government Pension Scheme transferred to TT2 Ltd

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

Accounting for the North East Joint Transport Committee

As set out in Note 1, on 2 November 2018 the boundaries of NECA changed and the North East Joint Transport Committee was created. The assets and liabilities which transferred from the former Tyne and Wear Integrated Transport Authority to NECA on its creation in April 2014 are now jointly owned by NECA and the NTCA, and assets, liabilities, income and expenditure (from the date of establishment) must be divided between the accounts of the two Combined Authorities.

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

Note 29: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2020 and the projected service cost for the year ending 31 March 2021 are set out below. Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £0.884m, a variance of £0.026m, whereas a decrease of (0.1%) p.a. results in an increase to £0.937m. The percentage change in the present value of the total obligation would be (2.9%) and 3% respectively.
		Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption: an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation to £0.937m (variance of £0.27m), whereas a decrease of (0.1%) p.a. results in a decrease to £0.884m, a variance of £0.26m. The percentage change in the present value of the total obligation would be 3.0% and (2.9%) respectively.
		Post retirement mortality assumption: an adjustment to the mortality age rating assumption of 1 year would change the present value of the total obligation to £0.938m, an increase of £0.028m, whereas a adjustment of +1 year results in a reduction to £0.882m, a variance of £0.028m. The percentage change in the present value of the total obligation would be 3.1% and (3.1%) respectively.

Tyne and Wear Pension Fund Accounts - Covid 19 Impact	Tyne & Wear Pension Fund's accounts reference a material uncertainty in respect to direct property valuations and pooled residential property funds	A small proportion (9%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of these unquoted assets than would normally be the case. There is a risk that current valuations may be under or
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 rates and future availability of funding could potentially impact on 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 within unusable reserves.
Covid-19	The exact consequences of the outbreak from Covid-19 virus are currently unknown. Some possible areas of concern are: - - Possible reduction in Government funding to local authorities; - Possible reduction in income from Tyne Tunnels due to changes in working practices and Government guidelines.	Possibility of local authorities reducing their spend on Transport related services/schemes as they prioritise services. This would lead to a reduction in the levy income. Could lead to a reduction in Tunnel use due to employers new ways of working, which in turn would reduce income from the Tunnels. This would impact on the finances of the company who run the Tunnels on behalf of the authority.

Note 30: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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.

2. Accruals of Income and Expenditure

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

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

3. Cash and Cash Equivalents

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

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

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

5. Charges to Revenue for Non-Current Assets

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

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

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

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

6. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

No such amounts are payable in 2019/20.

7. Post-Employment Benefits

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

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

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

· The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

· Liabilities are discounted to their value at current prices, using a discount rate determined annually, based on the indicative rate of return on high quality corporate bonds.

· The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities at current bid price.
- Unquoted securities based on professional estimate.
- Unitised securities at current bid price.
- Property at market value.

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

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

b) Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the NTCA and NECA Corporate line.

c) Net interest on the net defined liability, i.e. net interest expense for the Authority the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

d) Remeasurements comprising:

· the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income & Expenditure

· actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

e) Contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Further details are provided in Note 19 to the accounts.

8. Events after the Balance Sheet Date

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

· Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

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

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

9. Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

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

10. Financial Instruments

Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net 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.
- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

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

- An equity instrument can be elected into FVOCI rather than FVPL if it is not held for trading.
- Any financial asset can be designated as measured 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 credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the CIES to net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

Fair Value Through Other Comprehensive Income

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

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

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

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

Fair Value through Profit and Loss (FVPL)

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

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

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

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

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

11. Government Grants & Contributions

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

- The Authority will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify 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 are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions and capital grants used to fund Revenue Expenditure Financed from Capital Under Statute) 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 Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Property, Plant & Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The work is carried out on behalf of the Authority by the Property Services division of Newcastle City Council. These revaluations are detailed within the Notes to the Core Financial Statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

De Minimis Levels

The use of a deminimis level for capital expenditure means that in the above categories assets below the deminimis level are charged to the revenue account and are not classified as capital expenditure, i.e. the asset is not included in the balance sheet unless they are part of an overall project costing more than the established deminimis level. For all capital expenditure the de-minimis level is £10,000.

Impairment

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

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

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

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

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

Depreciation

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

Depreciation on all Property, Plant and Equipment assets (except vehicles) is calculated by taking the asset value at 31 March 2020, divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

Disposals

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

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

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

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

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

13. Public Private Partnership (PPP) Contracts

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

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

Arrangements fall in scope of the Application where both of the following 'IFRIC 12' criteria are met:
- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the Application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria, and NECA therefore recognises the costs of the new tunnel on its Balance Sheet.

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

The provisions within the Payment Mechanism for payment of toll revenue to the operator are as follows:
- In each month NECA pays a Shadow Toll to the Operator; this being a fixed amount per vehicle, adjusted for changes in RPI;
- Throughout the Term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls;
- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by NECA. If NECA varies a Real Toll from its corresponding Formula Toll beyond a certain level, the Operator is compensated for the effect of this adjustment on demand.

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

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

In relation to such an arrangement, the Code and the accompanying notes do not provide clear guidance. However, the guidance notes accompanying the Code suggest that the credit that matches the asset should be a deferred income balance. NECA has therefore recognised a deferred credit balance, added to as each of Phase 1 and Phase 2 of the project were completed, and equal to the fair value of the asset addition under each Phase. This balance is then released to the Comprehensive Income and Expenditure Statement over the life of the contract.

14. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will 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.

15. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2019/20.

16. Reserves

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

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

17. Revenue Expenditure Funded from Capital under Statute

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

18. VAT

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

19. Overheads

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

20. 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 year end.

21. Group Accounts

NECA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 to produce Group Accounts to include services provided to Council Tax payers in the North East by organisations other than the Authority itself in which the Authority has an interest.

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

For the 2019/20 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2019/20 and comparators for 2018/19. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

22. Joint Transport Committee

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

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

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

- Assets and liabilities transferred at book value.

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

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

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

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

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

Note 31: Events After the Balance Sheet Date

Adjusting events after the Balance Sheet date

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

Non-adjusting Events after the Balance Sheet date

Where events take place after 31 March which do not relate to conditions at 31 March but which provide information that is relevant to an understanding of the Authority's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed. A key non-adjusting event after the balance sheet date is the transfer of the North East LEP across from NECA as accountable body to NTCA being the accountable body as of 1st April 2020. The 2020/21 NTCA Statement of Accounts will include all North East LEP income and expenditure and assets and liabilities consolidated within the NTCA accounts.

3.0 Group Financial Statements and Explanatory Notes

Contents Page

3.1 Group Movement in Reserves Statement

	NTCA/NECA Usable Reserves	NTCA/NECA Unusable Reserves	Total NECA Reserves	Authority Share of Nexus	Total Group Reserves
	£000	£000	£000	£000	£000
Transfer of Services to the NTCA at 2 November 2018	**(16,951)**	**(40,548)**	**(57,499)**	**(195,896)**	**(253,395)**
Acturarial Adjustment*				**(7,472)**	**(7,472)**
Balance at 2 November 2018	**(16,951)**	**(40,548)**	**(57,499)**	**(203,368)**	**(260,867)**
Total Comprehensive Income and Expenditure	(22,621)	-	**(22,621)**	**579**	**(22,042)**
Adjustments between accounting basis & funding basis under regulations	(1,210)	1,210	-	7,472	7,472
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(23,831)**	**1,210**	**(22,621)**	**8,051**	**(14,570)**
Transfers (To)/From Earmarked Reserves			-		-
(Increase)/Decrease in 2018/19	**(23,831)**	**1,210**	**(22,621)**	**8,051**	**(14,570)**
Balance at 31 March 2019 carried forward	**(40,782)**	**(39,338)**	**(80,120)**	**(195,317)**	**(275,437)**
Total Comprehensive Income and Expenditure	(28,563)	196	**(28,367)**	(14,379)	(42,746)
Adjustments between accounting basis & funding basis under regulations (prior to transfer of services)	1,928	(1,928)	-	-	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(26,635)**	**(1,732)**	**(28,367)**	**(14,379)**	**(42,746)**
(Increase)/Decrease in 2019/20	**(26,635)**	**(1,732)**	**(28,367)**	**(14,379)**	**(42,746)**
Balance at 31 March 2020 carried forward	**(67,417)**	**(41,070)**	**(108,487)**	**(209,696)**	**(318,183)**

*Adjustment made for actual acturarial position in the Nexus Group Accounts as at November 2nd.

3.2 Group Comprehensive Income and Expenditure Statement

2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure		Note	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure
£000	£000	£000			£000	£000	£000
			Continuing NTCA Services				
3	-	3	Investment		735	-	735
528	(371)	157	Corporate Costs		2,422	(6,044)	(3,622)
-	-	-	Mayors Office		207	-	207
-	-	-	Elections		1,048	(3)	1,045
-	-	-	Adult Education Budget		136	(382)	(246)
-	-	-	Transport - Retained Levy Budget		114	-	114
-	-	-	Transport - Northumberland		6,094	-	6,094
-	-	-	Transport - Tyne and Wear		74,418	(35,693)	38,725
-	-	-	Transport - Other		9,336	(10,821)	(1,485)
-	-	-	Transport - Tyne Tunnels		11,331	(14,884)	(3,553)
531	**(371)**	**160**	**Cost of Services from Continuing Services**		**105,841**	**(67,827)**	**38,015**
			Services transferred from NECA				
2,561	-	2,561	Transport - Northumberland		-	-	-
44	-	44	Transport - Retained Levy Budget		-	-	-
32,096	(14,763)	17,333	Transport - Tyne and Wear		-	-	-
3,661	(8,785)	(5,124)	Transport - Other		-	-	-
6,993	(4,989)	2,004	Transport - Tyne Tunnels		-	-	-
45,886	**(28,908)**	**16,978**			**105,841**	**(67,827)**	**38,015**
			Financing and Investment Income and Expenditure	G3			
-	(2)	(2)	- From continuing services		4,225	(757)	3,468
1,984	(565)	1,419	- From services transferred from NECA		-	-	-
			Taxation and Non-Specific Grant Income				
-	(20,091)	(20,091)	- From continuing services	G4	-	(75,607)	(75,607)
-	(14,825)	(14,825)	- From services transferred from NECA - Levy		-	-	-
-	(3,690)	(3,690)	Capital Grants (non-specific) - Nexus		-	-	-
-	-	-	Gain/Loss on Disposal of Non Current Assets		-	93	93
47,870	**(68,081)**	**(20,211)**	**(Surplus)/Deficit on Provision of Services**		110,066	(144,098)	(34,032)
	(95)	**(95)**	Taxation credit charge for the year		(348)		**(348)**
		(20,306)	**Group (Surplus)/Deficit after taxation**				**(34,380)**
-	-	(1,736)	Re-measurement of the defined benefit liability	G12	-	-	(7,577)
-	-	-	Gains on Revaluation of Property		-	-	(785)
		(22,042)	**Total Comprehensive Income and Expenditure**				**(42,742)**

3.3 Group Balance Sheet

31 March 2019 £000		Note	31 March 2020 £000
370,855	Property, Plant and Equipment	G6	380,884
1,178	Intangible Assets	G7	1,988
-	Long Term Debtors		-
-	Long Term Investments		-
372,033	**Long Term Assets**		**382,872**
27,720	Short Term Investments	G8	35,581
6,935	Short Term Debtors	G9	13,486
37,290	Cash and Cash Equivalents	G10	55,830
1,309	Inventories		1,596
73,254	**Current Assets**		**106,493**
(1,023)	Short Term Borrowing	G8	(1,032)
(14,315)	Short Term Creditors	G11	(18,679)
(503)	Grants Receipts in Advance	G5	(427)
(2,255)	Public Private Partnerships		(2,256)
(15)	Other Current Liabiliites		-
(18,111)	**Current Liabilities**		**(22,394)**
(40,585)	Public Private Partnerships		(38,344)
(73,508)	Long Term Borrowing	G8	(75,595)
(100)	Grants Receipts in Advance	G5	-
(33,461)	Pension Liability	G12	(30,826)
(2,036)	Provisions		(2,304)
(2,049)	Deferred Taxation	G13	(1,719)
(151,739)	**Long Term Liabilities**		**(148,788)**
275,437	**Net Assets**		**318,183**
(49,877)	Usable Reserves	G14	(83,962)
(225,560)	Unusable Reserves	G15	(234,221)
(275,437)	**Total Reserves**		**(318,183)**

Chief Finance Officer Certificate

I certify that the accounts set out on pages 65 to 96 give a true and fair view of the financial position of the North of Tyne Combined Authority Group as at the 31 March 2020.

Signed: Janice Gillespie, Chief Finance Office

J Gillespie

3.4 Group Cash Flow Statement

2018/19 £000		Note	2019/20 £000
20,307	Surplus/(Deficit) on the provision of services	G16	34,032
12,973	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G16	16,766
(12,854)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G16	(33,258)
215	Financing costs and investment	G16	470
20,641	**Net cash flows from Operating Activities**	G16	**18,010**
(593)	Investing Activities	G17	(299)
(999)	Financing Activities	G18	829
19,049	**Net (Decrease)/Increase in cash and cash equivalents**		**18,540**
18,241	Cash and cash equivalents at the beginning of the reporting period		37,290
37,290	**Cash and cash equivalents at the end of the reporting period**	G10	**55,830**

3.5 Explanatory Notes to the Group Financial Statements

G1 Group Accounts

Under 9.1.17 of the Code of Practice for Local Authority Accounting 2019/20, authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

The Group Accounts include the accounts of NEXUS (in relation only to the proportion relating to the North of Tyne Combined Authority population basis), and have been prepared on a consolidation basis. The accounting policies adoped by Nexus are largely aligned with those of NECA and NTCA with the following minor differences:

Deferred Taxation

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

Property, Plant and Equipment and Intangible Assets

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

- Freehold buildings - 40 years
- Short leasehold buildings - over the lease term
- Infrastructure assets - 20 to 50 years
- Plant and Equipment - 5 to 30 years
- Vehicles - 5 to 10 years
- Marine Vessels - 30 years
- Intangibles - 5 to 10 years

Details of NTCA depreciation policy can be found on page 57 of the single entity accounts.

Nexus' policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NTCA and NECA charges a full year of depreciation in the year of acquisition.

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

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

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

Assumptions made about the future and other major sources of uncertainty

The Groups net pension liability includes a share of the overall Pension Fund investment assets. The Pension Fund has disclosed a material uncertainty, due to Covid-19, in respect of pension investments (direct property valuations and pooled residential property funds).

Please see Note 29 of the single entity accounts for NTCA's assumptions made about the future and other major sources of estimation uncertainity. Significant Accounting Judgements, Estimates and Assumptions for Nexus can be found in the Nexus accounts at www.nexus.org.uk.

Note 2: Expenditure and Funding Analysis

	2019/20				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Investment	735	-	-	-	735
Corporate Costs	(3,713)	-	91	-	(3,622)
Mayors Office	207	-	-	-	207
Elections	1,045	-	-	-	1,045
Adult Education Budget	(246)	-	-	-	(246)
Transport - Northumberland	6,094	-	-	-	6,094
Transport - Retained Levy Budget	348	(234)	-	-	114
Transport - Tyne and Wear	19,479	10,053	9,193	-	38,725
Transport - Other	325	(1,810)	-	-	(1,485)
Transport - Tyne Tunnels	(2,571)	(982)	-	-	(3,553)
Net Cost of services	**21,703**	**7,027**	**9,284**	**-**	**38,015**
Other Income and Expenditure	(54,106)	(22,533)	3,819	773	(72,047)
(Surplus)/Deficit on Provision of Services	**(32,402)**	**(15,506)**	**13,103**	**773**	**(34,032)**
Opening General Fund Balances	(45,710)				
Surplus on General Fund Balances in Year	(32,402)				
Closing General Fund Balances at 31 March 20	**(78,112)**				

Adjustments for Capital Purposes

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

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

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

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

	2018/19				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Continuing NTCA Services					
Investment	3	-	-	-	3
Corporate Costs	157	-	-	-	157
Services Transferred from the NECA	-				
Transport - Northumberland	2,561	-	-	-	2,561
Transport - Retained Levy Budget	161	(117)	-	-	44
Transport - Tyne and Wear	14,948	542	1,843		17,333
Transport - Other	(1,020)	(4,104)	-	-	(5,124)
Transport - Tyne Tunnels	49	1,955	-	-	2,004
Cost of services relating to continuing services excluding operations transferred to the NTCA	**16,859**	**(1,724)**	**1,843**	**-**	**16,978**
Other Income and Expenditure					
- From continuing services	(20,188)	-	-	-	(20,188)
- From services transferred from NECA	(16,949)	-	-	(147)	(17,096)
(Surplus)/Deficit on Provision of Services	**(20,278)**	**(1,724)**	**1,843**	**(147)**	**(20,306)**

Balances transferred from NECA	(25,432)
Surplus on General Fund Balances in Year	(20,278)
Closing General Fund Balances at 31 March 2019	**(45,710)**

Note 2a: Income and Expenditure Analysed by Nature

	2018/19 £000	2019/20 £000
Expenditure		
Employee benefit expenses	9,008	24,744
Other service expenses	23,449	56,038
Support Service Recharges	460	1,872
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	12,969	23,187
Interest payments	1,984	4,225
Total expenditure	**47,870**	**110,066**
Income		
Fees, charges and other service income (Tyne Tunnels tolls)*	(13,918)	(35,393)
Interest and investment income	(565)	(757)
Income from transport levy	(14,825)	(33,168)
Government grants and contributions	(38,050)	(67,639)
Other income	(723)	(7,141)
Total income	**(68,081)**	**(144,098)**
Surplus/Deficit on the provision of services	**(20,211)**	**(34,032)**

* Fees, charges and other service income relates wholly to tolls paid by users of the Tyne Tunnels.

Note G3: Financing and Investment Income and Expenditure

	Note	2018/19	2019/20
		£000	£000
Interest Payable and Similar Charges		1,661	3,434
Interest Payable on defined benefit liability	G12	323	791
Interest Receivable and similar income		(565)	(756)
Total		**1,419**	**3,468**

Note G4: Taxation and Non Specific Grant Income

	2018/19	2019/20
	£000	£000
Transport Levy	(14,825)	(33,168)
Capital Grants, Contributions and Donated Assets	(3,690)	(22,257)
Non-Ringfenced Government Grants	(20,091)	(20,182)
Total	**(38,606)**	**(75,607)**

Note G5: Grant Income

The following grants and contributions were credited to the Group Comprehensive Income and Expenditure Statement within the Cost of Services in 2019/20:

	2018/19	2019/20
	£000	£000
Investment Fund	(20,000)	(20,000)
Homeless Veteran Grant	(91)	-
Adult Education Budget - Devolution Implementation Fund	(26)	(382)
Mayoral Capacity Fund	(250)	(1,000)
EU Exit Funding	(91)	(182)
Other Grants & Contributions (individually under £1m)	(765)	(114)
Local Transport Plan	(3,860)	(6,179)
European Grants	-	(220)
North East Smart Ticketing Initiative	-	(160)
Transforming Cities Fund	(4,450)	(4,386)
Office for Low Emission Vehicles	-	(240)
Other Grants	-	(1,215)
Section 31 Grants		(1,001)
Metro Rail Grant	(4,827)	(11,556)
Heavy Rail Grant	-	(114)
Nexus Non-specific Grants	(3,690)	(20,890)
Total	(38,050)	(67,639)

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

Grants Receipts in Advance	**31 March 2019 £000**	**31 March 2020 £000**
Grants & Contributions (individually under £1m) - Short-Term	(503)	(427)
Grants & Contributions (individually under £1m) - Long-Term	(100)	-
Total	**(603)**	**(427)**

Shown as Short-Term Liability on the Balance Sheet	(503)	(427)
Short as Long-Term Liability on the Balance Sheet	(100)	-
Total	**(603)**	**(427)**

Note G6: Property, Plant and Equipment

2019/20	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation						
At 1 April 2019	**16,570**	**483,334**	**18,851**	**770**	**519,525**	**166,202**
Additions	-	-	24,996	-	**24,996**	-
Transfers from Assets Under Construction	334	21,878	(22,212)	-	**-**	8,104
Transfers between categories	-	115	-	(115)	**-**	-
Intangibles	-	-	(655)	-	**(655)**	-
Derecognition - Disposals	(49)	(1,470)	(277)	-	**(1,796)**	-
Revaluation Recognised in Revaluation Reserve	-	-	-	785	**785**	-
At 31 March 2020	**16,855**	**503,857**	**20,703**	**1,440**	**542,855**	**174,306**
Accumulated Depreciation and Impairment						
At 1 April 2019	**(10,382)**	**(137,976)**	**-**	**(312)**	**(148,670)**	**(21,005)**
Depreciation charge	(852)	(13,307)	-	(18)	**(14,177)**	(1,768)
Derecognition - Disposals	49	827	-	-	**876**	-
At 31 March 2020	**(11,185)**	**(150,456)**	**-**	**(330)**	**(161,971)**	**(22,773)**
Net Book Value						
At 1 April 2019	**6,188**	**345,358**	**18,851**	**458**	**370,855**	**145,197**
At 31 March 2020	**5,670**	**353,401**	**20,703**	**1,110**	**380,884**	**151,533**

2018/19	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation						
Transferred from Group	16,118	481,108	18,847	770	**516,843**	168,729
Additions	-	19	5,870	-	**5,889**	19
Transfers from Assets Under Construction	470	5,396	(5,866)	-	**-**	-
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	(19)	-	-	**(19)**	(19)
Impairment recognised in Surplus/Deficit on Provision of Services	-	(2,527)	-	-	**(2,527)**	**(2,527)**
Derecognition - Disposals	(18)	(643)	-	-	**(661)**	-
At 31 March 2019	**16,570**	**483,334**	**18,851**	**770**	**519,525**	**166,202**
Accumulated Depreciation and Impairment						
Transferred from Group	(9,902)	(133,489)	-	(305)	**(143,696)**	(20,355)
Depreciation charge for the period 2/4/18-31/3/19	(498)	(5,096)	-	(7)	**(5,601)**	(650)
Derecognition - Disposals	18	609	-	-	**627**	-
At 31 March 2019	**(10,382)**	**(137,976)**	**-**	**(312)**	**(148,670)**	**(21,005)**
Net Book Value						
At 31 March 2019	**6,188**	**345,358**	**18,851**	**458**	**370,855**	**145,197**

Note G7: Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

2019/20	2018/19 £000	2019/20 £000
Cost or Valuation		
Opening Balance	-	3,800
Transferred from Group	3,720	-
Additions	78	316
Transfers from assets under construction	-	655
Derecognition - Disposals	-	(31)
Total	**3,798**	**4,740**
Amortisation		
Opening Balance	-	(2,621)
Transferred from Group	(2,506)	-
Amortisation provided during the period	(114)	(131)
Total	**(2,620)**	**(2,752)**
Net Book Value at 31 March	**1,178**	**1,988**

Note G8: Financial Instruments

Financial Assets

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

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Amortised cost	-	-	-	-	27,720	35,581	6,935	6,436
Total financial assets	**-**	**-**	**-**	**-**	**27,720**	**35,581**	**6,935**	**6,436**
Non-financial assets	-	-	-	-	-	-	-	7,050
Total	**-**	**-**	**-**	**-**	**27,720**	**35,581**	**6,935**	**13,486**

Financial assets at amortised cost

Financial assets are classifed at amortised cost only if both of the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest

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

Trade receivables

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

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

Financial Liabilities held at amortised cost

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

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Amortised cost	(73,508)	(75,595)	-	-	(1,023)	(1,032)	(14,315)	(14,333)
Total financial liabilities	**(73,508)**	**(75,595)**	**-**	**-**	**(1,023)**	**(1,032)**	**(14,315)**	**(14,333)**
Non-financial liabilities	-	-	-	-	-	-	-	(4,346)
Total	**(73,508)**	**(75,595)**	**-**	**-**	**(1,023)**	**(1,032)**	**(14,315)**	**(18,679)**

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

Income, Expense, Gains and Losses

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

31 March 2019 £000 Financial Liabilities at amortised cost	£000 Financial assets: measured at amortised cost	£000 Total		31 March 2020 £000 Financial Liabilities at amortised cost	£000 Financial assets: measured at amortised cost	£000 Total
1,661	-	1,661	Interest expense	4,225	-	4,225
1,661	**-**	**1,661**	**Total expense in Surplus on Provision of Services**	**4,225**	**-**	**4,225**
-	(565)	(565)	Investment income	-	(757)	(757)
-		-	Movement on soft loans adjustment	-	-	-
-	**(565)**	**(565)**	**Total income in Surplus on Provision of Services**	**-**	**(757)**	**(757)**
1,661	**(565)**	**1,096**	**Net (gain)/loss for the year**	**4,225**	**(757)**	**3,468**

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 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st 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 2019/20 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.

The fair values calculated are as follows:

		31 March 2019		31 March 2020	
	Note	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities held at amortised cost	2	(74,531)	(120,323)	(76,627)	(132,125)
Total		**(74,531)**	**(120,323)**	**(76,627)**	**(132,125)**
Financial Assets at amortised cost					
Held to maturity investments		27,720	27,720	35,581	35,581
Total		**(46,811)**	**(92,603)**	**(41,046)**	**(96,544)**

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

Details of the nature and extent of risks arising from Financial Instruments are set out in Note 13 of the single entity accounts.

Note G9: Short Term Debtors

	31 March 2019 £000	31 March 2020 £000
Central Government bodies	4,923	6,282
Other local authorities	2,082	6,732
NHS bodies	36	2
Other entities and individuals	(106)	470
Total	**6,935**	**13,486**

Note G10: Cash and Cash Equivalents

	31 March 2019 £000	31 March 2020 £000
Cash	8,823	20,299
Short-term deposits with financial institutions	28,467	35,531
Total	**37,290**	**55,830**

Note G11: Short Term Creditors

	31 March 2019 £000	31 March 2020 £000
Central government bodies	(411)	(1,192)
Other local authorities	(1,258)	(2,888)
Other entities and individuals	(12,646)	(14,599)
- Nexus	-	-
- TT2	-	-
- Other	-	-
Total	**(14,315)**	**(18,679)**

Note G12: Defined Benefit Pension Schemes

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

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

Consolidated Pension Liability

The Group pension liability of £30.826m (2019 £33.461m) is the sum of the NTCA, NECA, Nexus and NEMOL pension liability. The details of the NEMOL pension liability of £13.702m (2019 £32.152m) are set out within the NEMOL Annual Report and Accounts using the FRS 101 disclosure framework.

Following the TUPE of employees from NEMOL to Nexus on 1 November 2019, the associated pension assets and liabilities have transferred to Nexus. In the Nexus Group accounts this has resulted in a one-off loss of £3.039m arising from differences in actuarial assumptions between NEMOL and Nexus, the NTCA Group share of this loss being £1.346m. This is presented in the disclosures below as well as in the Comprehensive Income and Expenditure Statement as an exceptional item.

Transactions Relating to Post-employment Benefits

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

Comprehensive Income and Expenditure Statement

	LGPS		Discretionary Benefits	
	2018/19	**2019/20**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**
Cost of Services:				
Current service cost	2,136	6,119	-	-
Past service cost	1,421	71	-	-
Exceptional loss on transfer of pension liability loss	-	1,346	-	-
Financing and Investment Income and Expenditure				
Interest cost	305	4,042	18	35
Expected Return on Scheme Assets	-	(3,289)	-	-
Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services	**3,862**	**8,289**	**18**	**35**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of)/below that recognised in net interest	(2,364)	(14,355)	-	-
Remeasurement of the net Defined Benefit Liability	646	7,013	(18)	(235)
Adjustment in respect of paragraph 58			-	
Total amount recognised in Other Comprehensive Income and Expenditure	**(1,718)**	**(7,342)**	**(18)**	**(235)**
Total amount recognised in CIES	**2,144**	**947**	**-**	**(200)**

Reconciliation of the Present Value of Scheme Liabilities:

	LGPS		Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Opening balance at 1 April	**(164,057)**	**(168,580)**	**(1,637)**	**(1,580)**
Current Service Cost	(2,136)	(5,634)	-	-
Interest Cost	(1,692)	(4,043)	(18)	(35)
Contributions by participants	(456)	(1,146)	-	-
Remeasurements of the Net Defined Liability	(646)	(5,849)	18	234
Net benefits paid	1,826	5,490	65	151
Past service costs	(1,421)	(34)	-	-
Net increase in liabilities from NEMOL transfer	-	(1,346)	-	-
Closing balance at 31 March	**(168,582)**	**(181,142)**	**(1,572)**	**(1,230)**

Reconciliation of the Fair Value of the Scheme Assets:

	LGPS		Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Opening fair value of scheme assets	**133,153**	**136,697**	**-**	**-**
Interest income	1,387	3,294	-	-
Remeasurement gains/(losses) on plan assets	2,364	14,356	-	-
Employer contributions	1,159	3,243	65	155
Contributions by scheme participants	456	1,254	-	-
Net benefits paid out	(1,826)	(5,486)	(65)	(155)
Closing fair value of scheme assets	**136,693**	**153,358**	**-**	**-**

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

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

Scheme History	2018/19	2019/20
	£000	£000
Fair value of LGPS assets	**136,693**	**153,358**
Present value of liabilities:		
- LGPS liabilities	(168,582)	(182,952)
- Impact of minimum funding	-	-
Deficit on funded defined benefit scheme	**(31,889)**	**(29,596)**
Discretionary benefits	(1,572)	(1,230)
Total (Deficit)	**(33,461)**	**(30,826)**

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

	NTCA	NECA	Nexus	NEMOL
Active members	100%	9%	37%	85%
Deferred pensioners	0%	13%	13%	5%
Pensioners	0%	78%	50%	10%

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years for NTCA, 13.5 years for NECA, 19.3 years for Nexus and 25.6 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 £182.953m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £30.826m. 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 2021 is £0.071m for NTCA, nil for NECA, £3.030m for Nexus and £0.380m for NEMOL (of which £1.340m and £0.170m respectively attributed to NTCA) . In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2021 is Nil for NTCA, £0.350m in relation to unfunded benefits for Nexus (of which £0.155m attributed to NTCA).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

NTCA	Local Government	
	31-Mar-19	31-Mar-20
Mortality assumptions:		
Pensioner member aged 65 at accounting date (male)	21.8	21.8
Pensioner member aged 65 at accounting date (female)	24.9	25.0
Active member aged 45 at accounting date (male)	23.4	23.5
Active member aged 45 at accounting date (female)	26.7	26.8
Rate for discounting scheme liabilities	**% pa**	**%pa**
Rate for inflation - Retail Price Index	2.50%	2.30%
Rate of inflation - Consumer Price Index	2.10%	1.80%
Rate of increase in pensions	2.10%	1.80%
Pension accounts revaluation rate	2.10%	1.80%
Rate of increase in salaries	3.60%	3.30%

Nexus	LGPS		Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2	21.8	22.2	21.8
Women	25.3	25.0	25.3	25.0
Longevity at 65 for future pensioners:				
Men	23.9	23.5	n/a	n/a
Women	27.2	26.8	n/a	n/a
Active member at 65 (male)	23.9	23.5	-	-
Active member at 65 (female)	27.2	26.8	-	-
Rate for discounting scheme liabilities	2.4%	2.3%	2.4%	2.3%
Rate of inflation - Retail Price Index	3.3%	n/a	3.3%	n/a
Rate of inflation - Consumer Price Index	2.2%	2.0%	2.2%	2.0%
Rate of increase in pensions	2.2%	2.0%	2.2%	2.0%
Pension accounts revaluation rate	2.2%	2.0%	n/a	n/a
Rate of increase in salaries	3.7%	3.5%	n/a	n/a

NEMOL	LGPS	
	2018/19	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2	21.8
Women	25.3	25.0
Longevity at 65 for future pensioners:		
Men	23.9	23.5
Women	27.2	26.8
Rate for discounting scheme liabilities	2.5%	2.3%
Rate of inflation - Retail Price Index	3.2%	n/a
Rate of inflation - Consumer Price Index	2.1%	1.9%
Rate of increase in pensions	2.1%	1.9%
Pension accounts revaluation rate	2.1%	1.9%
Rate of increase in salaries	3.6%	3.4%

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

	31 March 2019	31 March 2020		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	65.0%	48.0%	6.8%	54.8%
Property	8.8%	0.0%	9.0%	9.0%
Government bonds	4.1%	4.1%	0.0%	4.1%
Corporate bonds	11.7%	15.3%	0.0%	15.3%
Cash	2.7%	2.3%	0.0%	2.3%
Other*	7.7%	8.5%	6.0%	14.5%
Total	**100.0%**	**78.2%**	**21.8%**	**100.0%**

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

Actual Return on Assets

	Local Government	
	2018/19	2019/20
	£000	£000
Interest Income on Assets	1,387	3,294
Remeasurement gain/(loss) on assets	2,364	14,356
Actual Return on Assets	**3,751**	**17,650**

Sensitivity Analysis

Sensitivity analysis of NTCA pension liabilities is set out in Note 19 of the single entity accounts. Sensitivity analysis of the Nexus pension liabilities is shown below.

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

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

Discount rate assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to discount rate			
Present value of total obligation (£M)	361.31	368.31	375.31
% change in present value of total obligation	-1.90%	-	1.90%
Projected service cost (£M)	11.02	11.43	11.85
Approximate % change in projected service cost	-3.60%		3.70%

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)	369.41	368.31	367.21
% change in present value of total obligation	0.30%		-0.30%
Projected service cost (£M)	11.43	11.43	11.43
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	374.20	368.31	362.42
% change in present value of total obligation	1.60%		-1.60%

Projected service cost (£M)	11.85	11.43	11.02
Approximate % change in projected service cost	3.70%		-3.60%

Post retirement mortality assumption	**-1 year**	**Base Figure**	**+1 year**
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	380.10	368.31	356.52
% change in present value of total obligation	3.20%	-	-3.20%
Projected service cost (£M)	11.88	11.43	10.98
Approximate % change in projected service cost	3.90%	-	-3.90%

* 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.

A small proportion (9%) of the Pension Fund’s investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund’s property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of these unquoted assets than would normally be the case. There is a risk that current valuations may be under or overstated in the accounts.

Note G13: Deferred Taxation

The movement for the year comprises:

	2018/19 £000	2019/20 £000
Capital Allowances	25	(248)
Roll over relief on capital gains	-	-
Other timing differences	-	(83)
Transfer from Group	(2,074)	
Total	**(2,049)**	**(331)**

The balance at the year end comprises:

	31 March 2019 £000	31 March 2020 £000
Excess of capital allowances over depreciation	(1,504)	(1,256)
Roll over relief on capital gains	(545)	(546)
Other timing differences	-	-
Tax effect of losses	-	83
Total	**(2,049)**	**(1,719)**

Note G14: Usable Reserves

	31 March 2019 £000	31 March 2020 £000
General Fund Balance	(29,575)	(70,703)
Earmarked Reserves	(30,355)	(13,473)
Capital Receipts Reserve	-	-
Capital Grants Unapplied Reserve	(4,183)	(5,850)
Pensions (NEMOL)	14,236	6,064
Total	**(49,877)**	**(83,962)**

Note G15: Unusable Reserves

Summary

	31 March 2019 £000	31 March 2020 £000
Capital Adjustment Account	(241,599)	(254,701)
Financial Instruments Adjustment Account	788	425
Revaluation Reserve	(3,974)	(4,695)
Pension Reserve	19,225	24,750
Total	**(225,560)**	**(234,221)**

Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:
- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

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

	£000
Transferred from Group	**(4,039)**
the CAA	65
Balance at 31 March 2019	**(3,974)**
the CAA	64
Revaluation Gain recognised in Revaluation Reserve	(785)
Balance at 31 March 2020	**(4,695)**

Pensions Reserve

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

	£000
Transfer from the 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 or Deficit on the Provision of Services in the CIES to 2 November 2018	2,122
year	(655)
Balance as at 31 March 2019	**19,225**
Remeasurements of the net defined benefit liability to 31 March 2020	(7,578)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2020	8,955
Employer's pension contributions and direct payments to pensioners to 31 March 2020	(2,304)
Nemol Pension Transfer	6,454
Interest expense on net defined liability/(asset)	(2)
Balance at 31 March 2020	**24,750**

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	£000
Transferred from Group	**(243,433)**
Reversal of items relating to capital expenditure debited or credited to the CIES to 31 March 2019:	
Charges for depreciation and impairment of non current assets	7,932
Amounts of non-current assets written off on disposal or sale	636
Other income that cannot be credited to the General Fund	4,704
Revenue expenditure funded from capital under statute	-
Write down of long term debtors	(202)
Nexus movement between usable and unusable reserves	564
Adjusting amounts written out of the Revaluation Reserve to 31 March 2019	**(65)**
Capital financing applied in the year to 31 March 2019	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(10,246)
Statutory provision for the financing of capital investment	(429)
Capital expenditure charged against the General Fund	(335)
Debt redeemed using capital receipts	(725)
Balance at 31 March 2019	**(241,599)**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	13,532
Amounts of non-current assets written off on disposal or sale	785

Other income that cannot be credited to the General Fund	(2,256)
Revenue expenditure funded from capital under statute	8,881
Write down of long term debtors	698
Adjusting amounts written out of the Revaluation Reserve	(64)
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(31,574)
Statutory provision for the financing of capital investment	(766)
Capital expenditure charged against the General Fund	(1,640)
Debt redeemed using capital receipts	(698)
Balance at 31 March 2020	**(254,701)**

Note G16: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities

	2018/19 £000	2019/20 £000
Surplus/(Deficit) on the provision of services	20,307	34,032
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation, Impairment and Amortisation	8,262	13,991
Loss on disposal of non-current assets	31	943
(Increase)/Decrease in Creditors	4,561	5,148
Increase/(Decrease) in Debtors	(1,592)	(6,004)
Increase/(Decrease) in Inventories	(19)	(287)
Movement in Pension Liability	2,657	4,932
Other non-cash items charged to the net surplus or deficit on the provision of services	(927)	(1,957)
	12,973	**16,766**
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital grants credited to surplus/(deficit) on provision of services	(12,854)	(33,258)
Other adjustments for items that are financing or investing activities	215	470
Net cash flow from operating activities	**20,641**	**18,010**

The cash flows for operating activities include the following items:

	2018/19 £000	2019/20 £000
Interest received	717	1,080
Interest paid	(1,598)	(3,289)

Note G17: Cash Flow Statement - Investing Activities

	2018/19 £000	2019/20 £000
Purchase of property, plant and equipment, investment property and intangible assets	(5,967)	(24,915)
Purchase of short-term and long-term investments	(26,983)	(90,393)
Other payments for investing activities		21,560
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		8
Proceeds from short-term and long-term investments	20,074	80,419
Other receipts from investing activities	12,283	13,022
Net cash flows from investing activities	**(593)**	**(299)**

Note G18: Cash Flow Statement - Financing Activities

	2018/19 £000	2019/20 £000
Repayments of short and long-term borrowing	(499)	1,265
Other payments and receipts for financing activities	(500)	(436)
Net cash flows from financing activities	**(999)**	**829**

Note G18a Reconciliation of liabilities arising from Financing Activities

	1 April 2019	Financing Cash Flows	Changes which are not financing cash flows		31 March 2020
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(73,508)	(2,087)	-	-	(75,595)
Short term borrowings	(1,023)	-	-	(9)	(1,032)
Total Liabilities from financing Activities	**(74,531)**	**(2,087)**	**-**	**(9)**	**(76,627)**

	Pre JTC split	Balances transferred from NECA/JTC 2-11-18			
	1 April 2018	Financing Cash Flows	Changes which are not financing cash flows		31 March 2019
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	-	458	(73,966)	-	(73,508)
Short term borrowings	-	439	(1,462)	-	(1,023)
Total Liabilities from financing Activities	**-**	**897**	**(75,428)**	**-**	**(74,531)**

Note G19: Capital Expenditure and Capital Financing

	£000
Transfer from Group	**86,805**
Capital Investment to 31 March 2019	
Property, Plant and Equipment	6,500
Intangible Assets	78
Revenue Expenditure Funded from Capital Under Statute	4,704
Sources of Finance to 31 March 2019	
Capital receipts - repayment of principal from long term debtors	(10,246)
Government Grants and other contributions	(725)
Direct revenue contributions	(335)
Minimum Revenue Provision	(307)
Additional Voluntary Provision	(122)
Closing Capital Financing Requirement 31 March 2019	**86,352**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(453)**

	£000
Opening Capital Financing Requirement 1 April 2019	**86,352**
Capital Investment	
Property, Plant and Equipment	24,918
Intangible Assets	316
Revenue Expenditure Funded from Capital Under Statute	8,881
Sources of Finance	
Capital receipts - repayment of principal from long term debtors	(698)
Government Grants and other contributions	(31,574)
Sums set aside from revenue	
Direct revenue contributions	(1,640)
Minimum Revenue Provision	(766)
Additional Voluntary Provision	-
Closing Capital Financing Requirement 31 March 2020	**85,789**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(563)**

Note G20: Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

	31 March 2019 £000	Adjustment £000	31 March 2019 Restated £000
	-	-	-
	-	-	-
	-	**-**	**-**

	1 April 2018 £000	Adjustment £000	1 April 2018 Restated £000
	-	-	-
	-	-	-
	-	**-**	**-**

4.0 Supplemental Information

4.1 Glossary of Terms

Abbreviations	The symbol 'k' following a figure represents £ thousand. The symbol 'm' following a figure represents £ million.
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Accounting policies	Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.
Actuarial gains or losses (Pensions)	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.
Amortise	To write off gradually and systematically a given amount of money within a specific number of time periods.
Assets	Items of worth which are measurable in terms of money.
Assets Held for Sale	Those assets, primarily long-term assets, that the Authority wishes to dispose of through sale to others.
Balances	The total level of surplus funds the Authority has accumulated over the years.
Budgets	A statement of the Authority's forecast expenditure, that is, net revenue expenditure for the year.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
Capital Adjustment Account	The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Receipts	Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority.

Code of Practice on Local Authority Accounting in the UK	The Code specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of a local authority.
Comprehensive Income & Expenditure Statement	This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the financial year.
Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Asset	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.
Contingent Liability	A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
Corporate & Democratic Core	The corporate & democratic core comprises all activities which local authorities engage in specifically because they are elected, multipurpose authorities.
Creditors	An amount owed by the Authority for work done, goods received or services rendered, but for which payment has not been made.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment (Pensions)	For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.
Debtors	Monies owed to the Authority but not received at the balance sheet date.

Defined Benefit Scheme (Pensions)	A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.
Earmarked Reserve	A sum set aside for a specific purpose.
Emoluments	Payments received in cash and benefits for employment.
Events after the Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the statement of Accounts is authorised for issue.
Expected Rate of Return on Pensions Assets	This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.
Fees and Charges	Income arising from the provision of services, for example, charges for the use of leisure facilities.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
Financial Instrument	Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Financial Instruments Adjustment Account	The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

General Fund	The total services of the Authority.
Going Concern	The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.
Intangible Assets	An asset that is not physical in nature, e.g. software licences.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment Properties	Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.
Liabilities	Any amounts owed to individuals or organisations which will have to be paid at some time in the future.
Liquid Resources	Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.
Materiality	An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.
Minimum Revenue Provision (MRP)	An amount charged by the Authority to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.
Movement in Reserves Statement	The statement shows the movement in the year on the different reserves held by the Authority.
Net Book Value	The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.
Net Debt	The Authority's borrowings less cash and liquid resources.

Operating Leases	Leases other than a finance lease.
Property, Plant & Equipment (PPE)	Assets that yield benefits to the Authority and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.
Provisions	These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.
Public Works Loan Board	This is a Government agency which provides loans to local authorities at favourable rates.
Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.
Reserves	These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.
Residual Value	The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.
Revaluation Reserve	The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.
Revenue Expenditure	Expenditure on providing day-to-day services, for example employee costs and premises costs.
Revenue Expenditure Funded from Capital under Statute	Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority e.g. grants to other organisations for capital purposes.

Unusable Reserves	The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulation'.
Usable Reserves	Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
Useful Life	The period over which the Authority will derive benefits from the use of a fixed asset.

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

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 (NTCA) and Group for the year ended 31 March 2020, 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of NTCA and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 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, 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.

Material uncertainty relating to valuations of the NTCA and Group's share of Pension Fund property investments

We draw attention to Note 19 and 29 and Group Note 1 and 12 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the NTCA and Group's share of the Tyne and Wear Pension Fund's property investments as at 31 March 2020. As disclosed in Note 19 and 29 and Group Note 1 and 12 of the financial statements, the outbreak of Covid-19 has had a significant impact on global financial markets. As such the Pension Fund's property investment manager, has included a material valuation uncertainty clause in some of their 31 March 2020 valuation reports due to the possible impact of Covid-19. Therefore, there is less certainty and a higher degree of caution should be attached to valuations of unquoted property assets than would normally be the case. Our opinion is not modified in respect of this matter.

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 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, 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 2019/20, 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 2019/20 and prepare the financial statements on a going concern basis, unless NTCA and 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 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 Council'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 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 April 2020, we are satisfied that, in all significant respects, NTCA and Group has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 April 2020, as to whether NTCA and 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 Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of NTCA and Group

NTCA and 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 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 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 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 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 Group, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the NTCA and Group's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the NTCA and Group's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Cameron Waddell
Key Audit Partner
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

27-Nov-20