

**NORTH
OF TYNE**
~~~~~  
**COMBINED  
AUTHORITY**

# **North of Tyne Combined Authority**

## **Statement of Accounts**

**2021/22**

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## 1.0 Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The Authority is required:

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

Signed:

Date: 28/11/2023

  
Jamie Driscoll

Mayor of the North of Tyne Combined Authority

### The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts for the period ended 31 March 2022, required by the Accounts and Audit Regulations 2015 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2022.

  
Signed:

Janice Gillespie

Chief Finance Officer (Section 73 Officer)

Date: 28/11/2023

## 2.0 Core Financial Statements and Explanatory Notes

## 2.1 Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. 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.

|                                                                        | General Fund Balances | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|------------------------------------------------------------------------|-----------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|
|                                                                        | £000                  | £000               | £000                     | £000                     | £000                  | £000              | £000                     |
| <b>Balance at 31 March 2020</b>                                        | <b>(10,691)</b>       | <b>(50,876)</b>    | -                        | <b>(5,850)</b>           | <b>(67,417)</b>       | <b>(41,070)</b>   | <b>(108,487)</b>         |
| <b>Transfer of balances from NECA 1 April 2020</b>                     | <b>(649)</b>          | <b>(17,841)</b>    | <b>(8,889)</b>           | <b>(249)</b>             | <b>(27,628)</b>       | <b>(13,724)</b>   | <b>(41,352)</b>          |
| Total Comprehensive Income & Expenditure                               | (30,707)              | -                  | -                        | -                        | (30,707)              | 1,832             | (28,875)                 |
| Adjustments between accounting basis & funding basis under regulations | 18,572                | -                  | -                        | (17,193)                 | 1,379                 | (1,379)           | -                        |
| (Increase)/ decrease in year                                           | (12,135)              | -                  | -                        | (17,193)                 | (29,328)              | 453               | (28,875)                 |
| Transfers (to)/from Earmarked Reserves                                 | 17,289                | (17,289)           | -                        | -                        | -                     | -                 | -                        |
| <b>Balance at 31 March 2021 carried forward</b>                        | <b>(6,186)</b>        | <b>(86,006)</b>    | <b>(8,889)</b>           | <b>(23,292)</b>          | <b>(124,373)</b>      | <b>(54,341)</b>   | <b>(178,714)</b>         |
| Total Comprehensive Income & Expenditure                               | (53,254)              | -                  | -                        | -                        | (53,254)              | (2,723)           | (55,977)                 |
| Adjustments between accounting basis & funding basis under regulations | 25,898                | -                  | 8,418                    | (35,178)                 | (862)                 | 862               | -                        |
| (Increase)/ decrease in year                                           | (27,356)              | -                  | 8,418                    | (35,178)                 | (54,116)              | (1,861)           | (55,977)                 |
| Transfers (to)/from Earmarked Reserves                                 | 26,478                | (26,478)           | -                        | -                        | -                     | -                 | -                        |
| <b>Balance at 31 March 2022 carried forward</b>                        | <b>(7,064)</b>        | <b>(112,484)</b>   | <b>(471)</b>             | <b>(58,470)</b>          | <b>(178,489)</b>      | <b>(56,202)</b>   | <b>(234,691)</b>         |



## 2.3 Balance Sheet as at 31 March 2022

The Balance sheet shows the values as at the Balance Sheet date, 31 March each year, of the assets and liabilities recognised by the Combined Authority. The Net Assets of the Combined Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories – Usable and Unusable. Unusable Reserves includes 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<br>2021<br>£000 |                              | Note | 31 March<br>2022<br>£000 |
|--------------------------|------------------------------|------|--------------------------|
| 153,133                  | Property, Plant & Equipment  | 13   | 152,242                  |
| 28,184                   | Long Term Debtors            | 17   | 33,748                   |
| <b>181,317</b>           | <b>Long Term Assets</b>      |      | <b>185,990</b>           |
| 142,617                  | Short Term Investments       | 14   | 202,708                  |
| 11,487                   | Short Term Debtors           | 16   | 12,302                   |
| 39,055                   | Cash & Cash Equivalents      | 18   | 34,894                   |
| <b>193,159</b>           | <b>Current Assets</b>        |      | <b>249,904</b>           |
| (21,023)                 | Short Term Borrowing         | 14   | (21,025)                 |
| (51,624)                 | Short Term Creditors         | 19   | (63,067)                 |
| (2,696)                  | Grants Receipts in Advance   | 8    | (857)                    |
| (2,268)                  | Public Private Partnerships  | 20   | (2,278)                  |
| <b>(77,611)</b>          | <b>Current Liabilities</b>   |      | <b>(87,227)</b>          |
| (75,724)                 | Long Term Borrowing          | 15   | (75,766)                 |
| (36,292)                 | Public Private Partnerships  | 20   | (34,177)                 |
| (1,148)                  | Provisions                   |      | -                        |
| (4,987)                  | Pension Liability            | 21   | (4,033)                  |
| <b>(118,151)</b>         | <b>Long Term Liabilities</b> |      | <b>(113,976)</b>         |
| <b>178,714</b>           | <b>Net Assets</b>            |      | <b>234,691</b>           |
|                          | <b>Financed By:</b>          |      |                          |
| (124,373)                | Usable Reserves              | 24   | (178,489)                |
| (54,341)                 | Unusable Reserves            | 24   | (56,202)                 |
| <b>(178,714)</b>         | <b>Total Reserves</b>        |      | <b>(234,691)</b>         |

I certify that the Statement of Accounts for the period ended 31 March 2022, required by the Accounts and Audit Regulations 2015 give a true and fair view of the financial position of the Authority and its income and expenditure for the period ended 31 March 2022.

Signed:



Date: 28/11/2023

Janice Gillespie, Chief Finance Officer (Section 73 Officer)

## 2.4 Cash Flow Statement for period ended 31 March 2022

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The Statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined 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 Combined Authority.

| 2020/21<br>£000 |                                                                                                                            | Note | 2021/22<br>£000 |
|-----------------|----------------------------------------------------------------------------------------------------------------------------|------|-----------------|
| 30,707          | Net surplus on the provision of services                                                                                   |      | 53,254          |
| 10,395          | Adjustments to net surplus on the provision of services for non- cash movements                                            | 26   | 5,474           |
| (67,330)        | Adjustments for items included in the net surplus on the provision of services that are investing and financing activities | 26   | (83,408)        |
| <b>(26,228)</b> | <b>Net Cash Flows from Operating Activities</b>                                                                            |      | <b>(24,680)</b> |
| (38,879)        | Net Cash flow from Investing Activities                                                                                    | 27   | 20,306          |
| 20,106          | Net Cash flow from Financing Activities                                                                                    | 28   | 213             |
| <b>(45,001)</b> | <b>Net Increase in cash and cash equivalents</b>                                                                           |      | <b>(4,161)</b>  |
| 42,704          | Cash and cash equivalents at the beginning of the reporting period                                                         | 18   | 39,055          |
| 41,352          | Transfer from NECA in respect Local Enterprise Partnership balances                                                        |      | -               |
| <b>39,055</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>                                                        |      | <b>34,894</b>   |



## 2.5 Index to the Notes to the Financial Statements

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

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## 1. Narrative Explanatory Note on Devolution

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

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

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 a member of the new NTCA; and the business of the North East Combined Authority, and the associated assets and liabilities, relating to the geography of Newcastle upon Tyne, North Tyneside and Northumberland transferred to the new NTCA.

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

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

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

## 2. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (e.g. government grants and levies) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

It also shows how this expenditure is allocated for decision making between the different areas of the Combined Authority (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 Movement in Reserves Statement and Comprehensive Income and Expenditure Statement.

## 2021/22

|                                        | Net Exp<br>Chargeable<br>to General<br>Fund | Adjs for<br>Capital<br>Purposes | Pension<br>Adjs | Other Adjs   | Net Exp<br>in CIES |
|----------------------------------------|---------------------------------------------|---------------------------------|-----------------|--------------|--------------------|
|                                        | £000                                        | £000                            | £000            | £000         | £000               |
| Investment Fund                        | 14,003                                      | -                               | 347             | (26)         | 14,324             |
| Corporate Costs                        | 5,350                                       | -                               | 344             | (21)         | 5,673              |
| Adult Education Budget                 | (2,704)                                     | -                               | -               | -            | (2,704)            |
| Joint Transport Committee              | 30,222                                      | (32,072)                        | -               | -            | (1,850)            |
| Invest North East                      | 247                                         | -                               | 62              | -            | 309                |
| Local Enterprise Partnership           | 4,385                                       | 8,418                           | 914             | (104)        | 13,613             |
| <b>Net Cost of Services</b>            | <b>51,503</b>                               | <b>(23,654)</b>                 | <b>1,667</b>    | <b>(151)</b> | <b>29,365</b>      |
| Other Income & Expenditure             | (78,859)                                    | (4,852)                         | 102             | 990          | (82,619)           |
| <b>Surplus on Provision of Service</b> | <b>(27,356)</b>                             | <b>(28,506)</b>                 | <b>1,769</b>    | <b>839</b>   | <b>(53,254)</b>    |

|                                               |                |
|-----------------------------------------------|----------------|
| Opening General Fund Balances                 | (6,186)        |
| Surplus on General Fund Balances in Year      | (27,356)       |
| Transfer to Earmarked Reserves                | 26,478         |
| <b>General Fund Balances at 31 March 2022</b> | <b>(7,064)</b> |

## 2020/21

|                                        | Net Exp<br>Chargeable<br>to General<br>Fund | Adjs for<br>Capital<br>Purposes | Pension<br>Adjs | Other Adjs | Net Exp<br>in CIES |
|----------------------------------------|---------------------------------------------|---------------------------------|-----------------|------------|--------------------|
|                                        | £000                                        | £000                            | £000            | £000       | £000               |
| Investment Fund                        | 5,585                                       | -                               | 197             | 50         | 5,832              |
| Corporate Costs                        | 7,032                                       | -                               | 2,051           | 32         | 9,115              |
| Adult Education Budget                 | (1,277)                                     | -                               | 33              | 9          | (1,235)            |
| Joint Transport Committee              | 35,289                                      | (16,956)                        | -               | -          | 18,333             |
| Invest North East                      | 66                                          | -                               | 30              | -          | 96                 |
| Local Enterprise Partnership           | 31,394                                      | 249                             | 510             | 465        | 32,618             |
| <b>Net Cost of Services</b>            | <b>78,089</b>                               | <b>(16,707)</b>                 | <b>2,821</b>    | <b>556</b> | <b>64,759</b>      |
| Other Income & Expenditure             | (90,224)                                    | (4,862)                         | 49              | (429)      | (95,466)           |
| <b>Surplus on Provision of Service</b> | <b>(12,135)</b>                             | <b>(21,569)</b>                 | <b>2,870</b>    | <b>127</b> | <b>(30,707)</b>    |

|                                                               |                |
|---------------------------------------------------------------|----------------|
| Opening General Fund Balances                                 | (10,691)       |
| Transfer from NECA in respect of Local Enterprise Partnership | (649)          |
| Surplus on General Fund Balances in Year                      | (12,135)       |
| Transfer to Earmarked Reserves                                | 17,289         |
| <b>General Fund Balances at 31 March 2021</b>                 | <b>(6,186)</b> |

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

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

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

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits related expenditure and income:

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

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

- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and
- For services this includes adjustments made from accruing compensated absences earned but not taken in the year

### 3. Income and Expenditure Analysed by Nature

| 2020/21          |                                                                                             | 2021/22          |                            |                  |
|------------------|---------------------------------------------------------------------------------------------|------------------|----------------------------|------------------|
| Total            |                                                                                             | Cost of Service  | Other Income & Expenditure | Total            |
| £000             |                                                                                             | £000             | £000                       | £000             |
| 9,064            | Employee benefit expenses                                                                   | 8,077            | -                          | 8,077            |
| 77,961           | Other service expenses                                                                      | 88,951           | -                          | 88,951           |
| 421              | Support service recharges                                                                   | 536              | -                          | 536              |
| 49,160           | Depreciation, impairment and revenue expenditure funded from capital under statute (REFCUS) | 49,920           | -                          | 49,920           |
| 3,295            | Interest payments                                                                           | -                | 4,561                      | 4,561            |
| <b>139,901</b>   | <b>Total Expenditure</b>                                                                    | <b>147,484</b>   | <b>4,561</b>               | <b>152,045</b>   |
| (19,406)         | Fees, charges and other service income (Tyne Tunnels tolls)*                                | (35,249)         | -                          | (35,249)         |
| (2,060)          | Interest and Investment Income                                                              | -                | (644)                      | (644)            |
| (33,450)         | Income from transport levy                                                                  | -                | (33,666)                   | (33,666)         |
| (111,683)        | Government grants and contributions                                                         | (74,718)         | (52,870)                   | (127,588)        |
| (4,009)          | Other Income                                                                                | (8,152)          | -                          | (8,152)          |
| <b>(170,608)</b> | <b>Total Income</b>                                                                         | <b>(118,119)</b> | <b>(87,180)</b>            | <b>(205,299)</b> |
| <b>(30,707)</b>  | <b>Surplus on the provision of services</b>                                                 | <b>29,365</b>    | <b>(82,619)</b>            | <b>(53,254)</b>  |

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

#### 4. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure recognised by the Combined Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Combined Authority to meet future capital and revenue expenditure.

| 2020/21                                                                     |                          |                          |                   | 2021/22      |                          |                          |                   |
|-----------------------------------------------------------------------------|--------------------------|--------------------------|-------------------|--------------|--------------------------|--------------------------|-------------------|
| General Fund                                                                | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves | General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Unusable Reserves |
| £000                                                                        | £000                     | £000                     | £000              | £000         | £000                     | £000                     | £000              |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>       |                          |                          |                   |              |                          |                          |                   |
| (1,930)                                                                     | -                        | -                        | 1,930             | (1,931)      | -                        | -                        | 1,931             |
| 2,268                                                                       | -                        | -                        | (2,268)           | 2,278        | -                        | -                        | (2,278)           |
| 48,614                                                                      | -                        | -                        | (48,614)          | 43,877       | -                        | -                        | (43,877)          |
| (47,230)                                                                    | -                        | -                        | 47,230            | (47,989)     | -                        | -                        | 47,989            |
| 1,117                                                                       | -                        | -                        | (1,117)           | 804          | -                        | -                        | (804)             |
| 15                                                                          | -                        | -                        | (15)              | 354          | -                        | -                        | (354)             |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b> |                          |                          |                   |              |                          |                          |                   |
| 18,715                                                                      | -                        | (18,715)                 | -                 | 39,530       | -                        | (39,530)                 | -                 |
| -                                                                           | -                        | 1,522                    | (1,522)           | -            | -                        | 4,352                    | (4,352)           |

## 2020/21

## 2021/22

| General Fund<br>£000                                          | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Unusable Reserves<br>£000 |                                                                                                                                                                               | General Fund<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Unusable Reserves<br>£000 |
|---------------------------------------------------------------|----------------------------------|----------------------------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------|----------------------------------|---------------------------|
| <b>Adjustments involving the Capital Receipts Reserve</b>     |                                  |                                  |                           |                                                                                                                                                                               |                      |                                  |                                  |                           |
| -                                                             | (676)                            | -                                | 676                       | Loan principal repayments                                                                                                                                                     | -                    | (654)                            | -                                | 654                       |
| -                                                             | -                                | -                                | -                         | Use of Capital Receipts to finance new capital expenditure                                                                                                                    | (8,418)              | 8,418                            | -                                | -                         |
| -                                                             | 676                              | -                                | (676)                     | Application of capital receipts to repayment of debt                                                                                                                          | -                    | 654                              | -                                | (654)                     |
| <b>Adjustments involving the Financial Instruments</b>        |                                  |                                  |                           |                                                                                                                                                                               |                      |                                  |                                  |                           |
| 429                                                           | -                                | -                                | (429)                     | Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements                           | (990)                | -                                | -                                | 990                       |
| <b>Adjustments involving the Accumulated Absences Reserve</b> |                                  |                                  |                           |                                                                                                                                                                               |                      |                                  |                                  |                           |
| (556)                                                         | -                                | -                                | 556                       | Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 151                  | -                                | -                                | (151)                     |
| <b>Adjustments involving the Pensions Reserve</b>             |                                  |                                  |                           |                                                                                                                                                                               |                      |                                  |                                  |                           |
| (3,036)                                                       | -                                | -                                | 3,036                     | Reversal of items relating to retirement benefits debited or credited to CIES                                                                                                 | (1,930)              | -                                | -                                | 1,930                     |
| 215                                                           | -                                | -                                | (215)                     | Employer's pension contributions and direct payments to pensioners payable in the year                                                                                        | 263                  | -                                | -                                | (263)                     |
| (49)                                                          | -                                | -                                | 49                        | Interest expense on net defined liability/(asset)                                                                                                                             | (102)                | -                                | -                                | 102                       |
| <b>18,572</b>                                                 | <b>-</b>                         | <b>(17,193)</b>                  | <b>(1,379)</b>            | <b>Total Adjustments</b>                                                                                                                                                      | <b>25,898</b>        | <b>8,418</b>                     | <b>(35,178)</b>                  | <b>862</b>                |

## 5. Leasing

The Combined Authority entered into a short term building lease on the 10<sup>th</sup> August 2021 which is classified as a short-term lease. The total rents payable in 2021/22 were £0.049m.

Undischarged operating lease rentals at 31 March 2022 amounted to £0.722m, comprising of the following elements:

|                  | <b>31<br/>March<br/>2022<br/>£000</b> |
|------------------|---------------------------------------|
| Due Year 1       | 151                                   |
| Due Year 2-5     | 571                                   |
| Due after Year 5 | -                                     |
| <b>Total</b>     | <b>722</b>                            |

## 6. Financing and Investment Income and Expenditure

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

|                                        | <b>Note</b> | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|----------------------------------------|-------------|-------------------------|-------------------------|
| Interest payable and similar charges   |             | 3,246                   | 4,459                   |
| Interest on defined benefit liability  | 21          | 49                      | 102                     |
| Interest receivable and similar income |             | (2,060)                 | (644)                   |
| <b>Total</b>                           |             | <b>1,235</b>            | <b>3,917</b>            |

## 7. Taxation and Non-Specific Grant Income

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

|                                  | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|----------------------------------|-------------------------|-------------------------|
| Transport Levy                   | (33,450)                | (33,666)                |
| Non-ringfenced Government Grants | (20,000)                | (20,000)                |
| Non Specific Capital Grants      | (43,251)                | (32,870)                |
| <b>Total</b>                     | <b>(96,701)</b>         | <b>(86,536)</b>         |

## 8. Grants and Contributions Income

The Combined 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 would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:



|                                                    | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|----------------------------------------------------|-----------------------------------|-----------------------------------|
| <u>Capital Receipts in Advance</u>                 |                                   |                                   |
| Covid 19 Grants                                    | (2,583)                           | -                                 |
| NECA Office for Low Emission Vehicles              | (56)                              | (23)                              |
| Other Grants                                       | (57)                              | (834)                             |
| <b>Total</b>                                       | <b>(2,696)</b>                    | <b>(857)</b>                      |
| Shown as Short-Term Liability on the Balance Sheet | (2,696)                           | (857)                             |
| <b>Total</b>                                       | <b>(2,696)</b>                    | <b>(857)</b>                      |

The following grants were credited to the net cost of service within the Comprehensive Income and Expenditure Statement during the year:

|                                                             | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|-------------------------------------------------------------|-------------------------|-------------------------|
| Adult Education Budget                                      | (15,064)                | (25,449)                |
| Transforming Cities Fund                                    | (11,170)                | (25,617)                |
| Local Transport Plan                                        | (6,213)                 | (9,022)                 |
| Active Travel Fund                                          | (3,225)                 | (6,280)                 |
| Covid 19 Business Support                                   | (5,168)                 | (1,149)                 |
| Mayoral Capacity Fund                                       | (1,000)                 | (1,000)                 |
| Community Renewal Fund                                      | -                       | (1,002)                 |
| Growth Hub                                                  | (410)                   | (780)                   |
| European Grants                                             | (1,178)                 | (674)                   |
| Made Smarter Fund                                           | -                       | (624)                   |
| Business Recovery Grant                                     | -                       | (558)                   |
| LEP Core Funding                                            | (600)                   | (500)                   |
| Brownfield Housing Fund                                     | (551)                   | -                       |
| Enterprise Advisor Programme                                | (487)                   | -                       |
| Local Growth Fund                                           | (409)                   | -                       |
| Peer Networks                                               | (292)                   | (313)                   |
| Education Vision                                            | (263)                   | (206)                   |
| Section 31 Grants                                           | (228)                   | (26)                    |
| Education Challenge                                         | (144)                   | -                       |
| Adult Education Implementation Fund                         | (116)                   | -                       |
| EY Primary Pilot                                            | (115)                   | (281)                   |
| EU Exit Funding                                             | (109)                   | -                       |
| North East Smart Ticketing Initiative                       | (91)                    | -                       |
| Office for Low Emission Vehicles                            | (57)                    | -                       |
| Careers Grant                                               | -                       | (134)                   |
| Skills Bootcamp                                             | -                       | (171)                   |
| Youth Employment Partnership                                | -                       | (187)                   |
| Other grants and contributions (individually under £0.100m) | (1,542)                 | (745)                   |
| <b>Total</b>                                                | <b>(48,432)</b>         | <b>(74,718)</b>         |

## 9. Members' Allowances

Allowances  
Total

| 31 March<br>2021<br>£000 | 31 March<br>2022<br>£000 |
|--------------------------|--------------------------|
| 67                       | 67                       |
| 67                       | 67                       |

## 10. Officers' Remuneration

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

**Table 1**

| 2020/21                           |                               |               |                                              | 2021/22                           |                               |               |
|-----------------------------------|-------------------------------|---------------|----------------------------------------------|-----------------------------------|-------------------------------|---------------|
| Salary, Fees & Allowances<br>£000 | Pension Contributions<br>£000 | Total<br>£000 |                                              | Salary, Fees & Allowances<br>£000 | Pension Contributions<br>£000 | Total<br>£000 |
| 135                               | 7                             | 142           | Chief Executive (LEP)                        | 137                               | 7                             | 144           |
| 130                               | 7                             | 137           | Director of Economic Growth**                | 132                               | 7                             | 139           |
| 109                               | 6                             | 115           | Director of Performance and Policy           | 110                               | 6                             | 116           |
| 94                                | 5                             | 99            | Innovation Director (LEP)                    | 95                                | 5                             | 100           |
| 68                                | 4                             | 72            | Director Invest North East                   | 71                                | 4                             | 75            |
| 68                                | 4                             | 72            | Skills Director (LEP)                        | 71                                | 4                             | 75            |
| 69                                | 4                             | 72            | Strategy & Policy Director (LEP)             | 71                                | 4                             | 75            |
| 68                                | 4                             | 72            | Business Growth Director (LEP)               | 71                                | 4                             | 75            |
| 131                               | -                             | 131           | Managing Director of Transport Arrangements* | 133                               | -                             | 133           |
| <b>872</b>                        | <b>41</b>                     | <b>913</b>    | <b>Total</b>                                 | <b>891</b>                        | <b>41</b>                     | <b>932</b>    |

\* 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.

\*\*From the 8<sup>th</sup> of June 2021 this post now includes the responsibilities of the Statutory post of Head of Paid Service.

Two of the Statutory Officers of the Combined Authority - Monitoring Officer and Chief Finance Officer are not formal employees of the Combined Authority, and are not therefore included in the statutory disclosures above. Their services 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. Prior to the 8<sup>th</sup> of June 2021 the Head of Paid Service was not a formal employee of the Combined Authority. The role has now transferred to an existing employee within the Combined Authority.

**Table 2**

| 2020/21                 |          |           |                                                                                               | 2021/22                 |          |           |
|-------------------------|----------|-----------|-----------------------------------------------------------------------------------------------|-------------------------|----------|-----------|
| Payment for agreed days | Expenses | Total     |                                                                                               | Payment for agreed days | Expenses | Total     |
| £000                    | £000     | £000      |                                                                                               | £000                    | £000     | £000      |
| 40                      | -        | 40        | Paul Hanson, Head of Paid Service from 1 Jan 2020 to 7 June 2021 (SLA North Tyneside Council) | 7                       | -        | 7         |
| 25                      | -        | 25        | Janice Gillespie, Interim Chief Finance Officer, S.73 Officer (SLA North Tyneside Council)    | 23                      | -        | 23        |
| 29                      | -        | 29        | John Softly Interim Monitoring Officer (SLA Newcastle City Council)                           | 28                      | -        | 28        |
| <b>94</b>               | <b>-</b> | <b>94</b> | <b>Total</b>                                                                                  | <b>58</b>               | <b>-</b> | <b>58</b> |

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

|                 | 2020/21 | 2021/22 |
|-----------------|---------|---------|
| £50,000-£54,999 | 5       | 9       |
| £55,000-£59,999 | 4       | 4       |
| £60,000-£64,999 | 1       | -       |
| £65,000-£69,999 | 2       | 2       |
| £70,000-£74,999 | 1       | -       |
| £75,000-£79,999 | -       | 2       |
| £80,000-£84,999 | -       | -       |
| £85,000-£89,999 | -       | -       |
| £90,000-£94,999 | -       | -       |
| £95,000-£99,999 | -       | -       |

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit pack cost band<br>(a) | Number of compulsory redundancies<br>(b) |          | Number of other departures agreed<br>(c) |          | Total number of exit packages by cost band<br>(b) + (c) |          | Total cost of exit packages in each band £000 |           |
|----------------------------|------------------------------------------|----------|------------------------------------------|----------|---------------------------------------------------------|----------|-----------------------------------------------|-----------|
|                            | 2020/21                                  | 2021/22  | 2020/21                                  | 2021/22  | 2020/21                                                 | 2021/22  | 2020/21                                       | 2021/22   |
| £                          |                                          |          |                                          |          |                                                         |          |                                               |           |
| 0-20,000                   | -                                        | 1        | -                                        | 1        | -                                                       | 2        | -                                             | 15        |
| 20,001-40,000              | -                                        | -        | -                                        | -        | -                                                       | -        | -                                             | -         |
| 40,001-60,000              | -                                        | -        | -                                        | -        | -                                                       | -        | -                                             | -         |
| 60,001-80,000              | -                                        | -        | -                                        | -        | -                                                       | -        | -                                             | -         |
| 80,001-100,000             | -                                        | -        | -                                        | -        | -                                                       | -        | -                                             | -         |
| 100,001-150,000            | -                                        | -        | -                                        | -        | -                                                       | -        | -                                             | -         |
| <b>Total</b>               | -                                        | <b>1</b> | -                                        | <b>1</b> | -                                                       | <b>2</b> | -                                             | <b>15</b> |

The above table provides details of exit packages. The packages included within each band are those that have been agreed by the Combined Authority. The agreement may be legal, contractual or constructive at the end of the financial year. The costs include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

## 11. Audit Costs

The Combined Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

|                                                                                         | 2020/21<br>£000 | 2021/22<br>£000 |
|-----------------------------------------------------------------------------------------|-----------------|-----------------|
| Fees payable to the appointed Auditor under the Local Audit and Accountability Act 2014 | 28              | 28              |

## 12. Related Party Transactions

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 Combined 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* is responsible for providing the statutory framework within which the Combined Authority operates and 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 8**.

*Members of the Cabinet* have 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 9**. During 2021/22 no works or services were commissioned from companies in which any members had an interest.

*Officers* – During 2021/22 there have been no pecuniary interests involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Combined Authority.

*NTCA Constituent Authorities* – The leaders of the three constituent authorities serve as members on the NTCA Cabinet. Details of material transactions with the seven north east 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 material 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 overleaf.

| 2020/21     |          |             |          | 2021/22                                     |         |             |          |
|-------------|----------|-------------|----------|---------------------------------------------|---------|-------------|----------|
| Receivables | Income   | Expenditure | Payables | Receivables                                 | Income  | Expenditure | Payables |
| £000        | £000     | £000        | £000     | £000                                        | £000    | £000        | £000     |
|             |          |             |          | <b>NTCA<br/>Constituent<br/>Authorities</b> |         |             |          |
| (539)       | (27,322) | 6,404       | 2,818    | Newcastle                                   | (155)   | (32,185)    | 12,284   |
| (374)       | (27,396) | 2,867       | 995      | North Tyneside                              | (1)     | (22,275)    | 6,767    |
| (437)       | (6,349)  | 10,016      | 2,544    | Northumberland                              | -       | (6,378)     | 5,169    |
|             |          |             |          | <b>NECA<br/>Constituent<br/>Authorities</b> |         |             |          |
| (329)       | (68)     | 5,388       | 1,588    | Durham                                      | (195)   | (4,251)     | 7,262    |
| (256)       | (68)     | 7,494       | 1,018    | Gateshead                                   | (259)   | (88)        | 3,356    |
| -           | (68)     | 1,030       | 1,902    | South Tyneside                              | -       | (982)       | 2,157    |
| (1,372)     | (68)     | 9,943       | 548      | Sunderland                                  | (1,777) | (79)        | 9,758    |
|             |          |             |          | <b>Other Public<br/>Bodies</b>              |         |             |          |
| (355)       | (77)     | 34,367      | 2,044    | NECA                                        | (18)    | (6)         | 34,002   |
| (559)       | (611)    | 29,907      | 27,048   | Nexus                                       | (81)    | (675)       | 27,901   |
| (4,221)     | (62,027) | 107,416     | 40,505   | <b>Total</b>                                | (2,486) | (66,919)    | 108,656  |
|             |          |             |          |                                             |         |             | 50,997   |

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 & Wear authorities, with North of Tyne authorities proportion based on Newcastle and North Tyneside population and the NECA authorities split on the population of 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.

### 13. Property, Plant and Equipment excluding Highways Infrastructure Assets

**2021/22**

|                                                                                 | Vehicles, Plant,<br>Furniture &<br>Equipment | Assets<br>Under<br>Construction | Total Property,<br>Plant &<br>Equipment | Service<br>Concession<br>Assets<br>included in<br>PPE |
|---------------------------------------------------------------------------------|----------------------------------------------|---------------------------------|-----------------------------------------|-------------------------------------------------------|
|                                                                                 | £000                                         | £000                            | £000                                    | £000                                                  |
| <b>Cost or Valuation</b>                                                        |                                              |                                 |                                         |                                                       |
| At 1 April 2021                                                                 | 2,298                                        | 542                             | 2,840                                   | -                                                     |
| Additions                                                                       | -                                            | 144                             | 144                                     | -                                                     |
| Reclassification                                                                | 62                                           | (62)                            | -                                       | -                                                     |
| Impairment recognised in the<br>Surplus/Deficit on the Provision of<br>Services | -                                            | -                               | -                                       | -                                                     |
| Other adjustments                                                               | -                                            | -                               | -                                       | -                                                     |
| <b>At 31 March 2022</b>                                                         | <b>2,360</b>                                 | <b>624</b>                      | <b>2,984</b>                            | <b>-</b>                                              |
| <b>Accumulated Depreciation &amp;<br/>Impairments</b>                           |                                              |                                 |                                         |                                                       |
| At 1 April 2021                                                                 | (728)                                        | -                               | (728)                                   | -                                                     |
| Depreciation charge                                                             | (135)                                        | -                               | (135)                                   | -                                                     |
| <b>At 31 March 2022</b>                                                         | <b>(863)</b>                                 | <b>-</b>                        | <b>(863)</b>                            | <b>-</b>                                              |
| <b>Net Book Value</b>                                                           |                                              |                                 |                                         |                                                       |
| At 1 April 2021                                                                 | 1,570                                        | 542                             | 2,112                                   | -                                                     |
| <b>At 31 March 2022</b>                                                         | <b>1,497</b>                                 | <b>624</b>                      | <b>2,121</b>                            | <b>-</b>                                              |

2020/21

|                                                                                 | Vehicles, Plant,<br>Furniture &<br>Equipment | Assets<br>Under<br>Construction | Total Property,<br>Plant &<br>Equipment | Service<br>Concession<br>Assets included in<br>PPE |
|---------------------------------------------------------------------------------|----------------------------------------------|---------------------------------|-----------------------------------------|----------------------------------------------------|
|                                                                                 | £000                                         | £000                            | £000                                    | £000                                               |
| <b>Cost or Valuation</b>                                                        |                                              |                                 |                                         |                                                    |
| At 1 April 2020                                                                 | 1,754                                        | 934                             | 2,688                                   | -                                                  |
| Additions                                                                       | -                                            | 152                             | 152                                     | -                                                  |
| Reclassification                                                                | 544                                          | (544)                           | -                                       | -                                                  |
| Impairment recognised in the<br>Surplus/Deficit on the Provision of<br>Services | -                                            | -                               | -                                       | -                                                  |
| Other Adjustments                                                               | -                                            | -                               | -                                       | -                                                  |
| <b>At 31 March 2021</b>                                                         | <b>2,298</b>                                 | <b>542</b>                      | <b>2,840</b>                            | <b>-</b>                                           |
| <b>Accumulated Depreciation &amp;<br/>Impairments</b>                           |                                              |                                 |                                         |                                                    |
| At 1 April 2020                                                                 | (599)                                        | -                               | (599)                                   | -                                                  |
| Depreciation charge                                                             | (129)                                        | -                               | (129)                                   | -                                                  |
| <b>At 31 March 2021</b>                                                         | <b>(728)</b>                                 | <b>-</b>                        | <b>(728)</b>                            | <b>-</b>                                           |
| <b>Net Book Value</b>                                                           |                                              |                                 |                                         |                                                    |
| At 1 April 2020                                                                 | 1,155                                        | 934                             | 2,089                                   | -                                                  |
| <b>At 31 March 2021</b>                                                         | <b>1,570</b>                                 | <b>542</b>                      | <b>2,112</b>                            | <b>-</b>                                           |

### 13a. Highways Infrastructure Assets

#### Movements on balances

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

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



|                                           | <b>2020/21</b> | <b>2021/22</b> |
|-------------------------------------------|----------------|----------------|
|                                           | <b>£000</b>    | <b>£000</b>    |
| Net book value (modified historical cost) |                |                |
| At 1 April                                | <b>151,533</b> | <b>151,022</b> |
| Additions                                 | 424            | 210            |
| Derecognition                             |                |                |
| Depreciation                              | (1,785)        | (1,796)        |
| Impairment                                | (16)           |                |
| Other movements in cost                   | 866            | 687            |
| Net book value                            |                |                |
| <b>At 31 March</b>                        | <b>151,022</b> | <b>150,123</b> |

|                         | <b>2020/21</b> | <b>2021/22</b> |
|-------------------------|----------------|----------------|
|                         | <b>£000</b>    | <b>£000</b>    |
| Infrastructure assets   | 151,022        | 150,123        |
| Other PPE assets        | 2,112          | 2,121          |
| <b>Total PPE assets</b> | <b>153,134</b> | <b>152,244</b> |

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

### **Structures – net book value**

North of Tyne Combined Authority has estimated a net book value at 31 March 2022 for its structures at £150.123m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

|                                |           |
|--------------------------------|-----------|
| Northbound vehicle tunnel      | 61 years  |
| Southbound vehicle tunnel      | 109 years |
| Pedestrian and cyclist tunnels | 61 years  |

Depreciation for the tunnels (and total annual depreciation for 2021/22 on structures) is £1.796m.

## **14. 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 Combined Authority during the year are held under the following classifications:

| Financial Assets              | Non-Current                 |                             |                             |                             | Current                     |                             |                             |                             |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                               | Investments                 |                             | Debtors                     |                             | Investments                 |                             | Debtors                     |                             |
|                               | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 |
| Amortised cost                | -                           | -                           | 28,184                      | 33,748                      | 142,617                     | 202,708                     | 10,757                      | 10,980                      |
| <b>Total Financial Assets</b> | -                           | -                           | <b>28,184</b>               | <b>33,748</b>               | <b>142,617</b>              | <b>202,708</b>              | <b>10,757</b>               | <b>10,980</b>               |
| Non-financial Assets          | -                           | -                           | -                           | -                           | -                           | -                           | 730                         | 1,322                       |
| <b>Total</b>                  | -                           | -                           | <b>28,184</b>               | <b>33,748</b>               | <b>142,617</b>              | <b>202,708</b>              | <b>11,487</b>               | <b>12,302</b>               |

### Financial assets held at amortised costs

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

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

All of the 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<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 |
| Amortised cost                     | (75,724)                    | (75,766)                    | -                           | -                           | (21,023)                    | (21,025)                    | (31,085)                    | (26,054)                    |
| <b>Total financial liabilities</b> | <b>(75,724)</b>             | <b>(75,766)</b>             | <b>-</b>                    | <b>-</b>                    | <b>(21,023)</b>             | <b>(21,025)</b>             | <b>(31,085)</b>             | <b>(26,054)</b>             |
| Non-financial liabilities          | -                           | -                           | -                           | -                           | -                           | -                           | (20,539)                    | (37,013)                    |
| <b>Total</b>                       | <b>(75,724)</b>             | <b>(75,766)</b>             | <b>-</b>                    | <b>-</b>                    | <b>(21,023)</b>             | <b>(21,025)</b>             | <b>(51,624)</b>             | <b>(63,067)</b>             |

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 classified at amortised cost.

### Income, Expense, Gains and Losses

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

| 31 March 2021                           |                                    |                                                              | 31 March 2022                           |                                    |              |
|-----------------------------------------|------------------------------------|--------------------------------------------------------------|-----------------------------------------|------------------------------------|--------------|
| Financial Liabilities at Amortised Cost | Financial Assets at Amortised Cost | Total                                                        | Financial Liabilities at Amortised Cost | Financial Assets at Amortised Cost | Total        |
| £000                                    | £000                               | £000                                                         | £000                                    | £000                               | £000         |
| 3,295                                   | -                                  | 3,295                                                        | 3,231                                   | 1,330                              | 4,561        |
| <b>3,295</b>                            | <b>-</b>                           | <b>3,295</b>                                                 | <b>3,231</b>                            | <b>1,330</b>                       | <b>4,561</b> |
| -                                       | (1,808)                            | (1,808)                                                      | -                                       | (1,745)                            | (1,745)      |
| -                                       | (252)                              | (252)                                                        | -                                       | 1,101                              | 1,101        |
| <b>-</b>                                | <b>(2,060)</b>                     | <b>(2,060)</b>                                               | <b>-</b>                                | <b>(644)</b>                       | <b>(644)</b> |
| <b>3,295</b>                            | <b>(2,060)</b>                     | <b>1,235</b>                                                 | <b>3,231</b>                            | <b>686</b>                         | <b>3,917</b> |
|                                         |                                    | Interest Expense                                             |                                         |                                    |              |
|                                         |                                    | <b>Total expense in Surplus on the Provision of Services</b> |                                         |                                    |              |
|                                         |                                    | Investment Income                                            |                                         |                                    |              |
|                                         |                                    | Movement on Soft Loan Adjustment                             |                                         |                                    |              |
|                                         |                                    | <b>Total Income on Surplus on Provision of Services</b>      |                                         |                                    |              |
|                                         |                                    | <b>Net gain/(loss) for the year</b>                          |                                         |                                    |              |

### Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, 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 propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;
- No early repayment or impairment is recognised for any financial instrument; and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximate to the carrying amount.

For 2021/22 the fair values shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices;
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of "Lender's Option Borrower's Options" (LOBO) loans have been increased by the value of the embedded options: lenders' options to propose an increase to the interest rate on the loan have been valued according to a 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.

|                                              | Level | 31 March 2021           |                    | 31 March 2022           |                    |
|----------------------------------------------|-------|-------------------------|--------------------|-------------------------|--------------------|
|                                              |       | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Financial liabilities held at amortised cost | 2     | (96,747)                | (142,065)          | (96,971)                | (130,747)          |
| <b>Total</b>                                 |       | <b>(96,747)</b>         | <b>(142,065)</b>   | <b>(96,971)</b>         | <b>(130,747)</b>   |
| <b>Financial Assets at amortised cost</b>    |       |                         |                    |                         |                    |
| Held to Maturity Investments                 | 2     | 142,617                 | 142,617            | 202,708                 | 202,708            |
| Nexus loan debtor                            | 2     | 15,032                  | 24,137             | 14,470                  | 21,068             |
| Other loan debtors                           | 3     | 13,152                  | 13,152             | 19,278                  | 19,278             |
| <b>Total Financial Assets</b>                |       | <b>170,801</b>          | <b>179,906</b>     | <b>236,456</b>          | <b>243,054</b>     |

## Soft Loans

Soft loans are loans made to third parties at a preferential rate of interest, i.e. below the market rate. In previous years, the Local Enterprise Partnership issued a small number of loans as part of its North East Investment Fund activity to encourage economic development in the region. Details of soft loans are set out in the table below.

- Durham University - Development of Centre for Innovation and Growth, research and development facility to work with partners and private companies to develop new technologies and processes.
- Hyperbaric (previously Neptune Test Centre) - Construction of deep water test tank at Neptune Enterprise Zone.
- Boiler Shop - Development including office and conferencing space at South Street/Boiler Shop, Stephenson Quarter.

| Description       | Term (Years) | Contracted Rate | Fair Value Rate | Opening Balance Fair Value | Loans Repaid | Increase in discounted amount | Closing Balance (fair value) | Closing Balance (Nominal) |
|-------------------|--------------|-----------------|-----------------|----------------------------|--------------|-------------------------------|------------------------------|---------------------------|
|                   |              |                 |                 | £000                       | £000         | £000                          | £000                         | £000                      |
| Durham University | 12           | 1.90%           | 4.95%           | 6,354                      | (1,084)      | 1,440                         | 6,710                        | 6,748                     |
| Hyperbaric        | 9            | 0.00%           | 4.99%           | 4,000                      | (380)        | 1,075                         | 4,695                        | 3,620                     |
| Boiler Shop       | 3            | 4.50%           | 5.02%           | 1,734                      | -            | (297)                         | 1,437                        | 1,958                     |

## 15. Nature and Extent of risks arising from Financial Instruments

The Combined 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 Combined Authority;

- Liquidity Risk- the possibility that the Combined Authority might not have funds available to meet its commitments to make payments; and
- Market Risk- the possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and financial market movements.

The Combined 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 Combined 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 Combined 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 Combined Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the Combined 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                                                         | 2021/22<br>£000 |
|----------------------------------------------------------------|-----------------|
| AAA                                                            | 12,304          |
| <b>Total Cash Equivalents</b>                                  | <b>12,304</b>   |
| n/a – investments with UK Local Authorities                    | 157,965         |
| n/a - investments with banks                                   | 31,321          |
| n/a – investments with unrated building societies <sup>1</sup> | 13,423          |
| <b>Total Short-Term Investments</b>                            | <b>202,709</b>  |

<sup>1</sup>In line with its agreed Investment Strategy, NTCA at the point of these accounts, did not place investments with any 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 Combined Authority's deposits, but

there was no evidence at the 31 March 2022 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 Combined 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 Combined Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Combined 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:

|                        | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|------------------------|-----------------------------------|-----------------------------------|
| Between 1 and 2 years  | (297)                             | (298)                             |
| Between 2 and 5 years  | (891)                             | (746)                             |
| Between 5 and 10 years | (148)                             | -                                 |
| More than 10 years     | (74,388)                          | (74,722)                          |
|                        | <b>(75,724)</b>                   | <b>(75,766)</b>                   |
| Less than 1 year       | <b>(21,023)</b>                   | <b>(21,025)</b>                   |
| <b>Total Borrowing</b> | <b>(96,747)</b>                   | <b>(96,791)</b>                   |

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

### Market Risk

#### Interest Rate Risk

The Combined 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 Combined 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 Combined 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:

|                                                                         | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|-------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Increase in interest payable on variable rate borrowing                 | (3)                               | (1,225)                           |
| Increase/(decrease) in interest receivable on variable rate investments | (95)                              | (371)                             |
| <b>Impact on the Surplus on Provision for Services</b>                  | <b>(98)</b>                       | <b>(1,596)</b>                    |

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 £26.205m 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.

## 16. Short Term Debtors

The following figures are net of impairment allowances - £1.189m in 2021/22.

|                                | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|--------------------------------|-----------------------------------|-----------------------------------|
| Central Government Bodies      | 1,752                             | 2,633                             |
| Other local authorities        | 3,572                             | 7,563                             |
| Other Entities and Individuals | 6,163                             | 2,106                             |
| <b>Total</b>                   | <b>11,487</b>                     | <b>12,302</b>                     |

## 17. Long Term Debtors

|                                    | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|------------------------------------|-----------------------------------|-----------------------------------|
| Local Enterprise Partnership Loans | 13,152                            | 19,278                            |
| Nexus borrowing                    | 15,032                            | 14,470                            |
| <b>Total</b>                       | <b>28,184</b>                     | <b>33,748</b>                     |

## 18. Cash and Cash Equivalents

|                                     | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Cash held by the Combined Authority | 24,801                            | 22,590                            |
| Cash equivalents                    | 14,254                            | 12,304                            |
| <b>Total</b>                        | <b>39,055</b>                     | <b>34,894</b>                     |

## 19. Short Term Creditors

|                                | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|--------------------------------|-----------------------------------|-----------------------------------|
| Central Government Bodies      | (221)                             | (289)                             |
| Other Local Authorities        | (12,983)                          | (7,774)                           |
| Other Entities and Individuals | (38,420)                          | (55,004)                          |
| <b>Total</b>                   | <b>(51,624)</b>                   | <b>(63,067)</b>                   |

## 20. Private Finance Initiatives and Similar Contracts

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

In 2021/22 the total payment under the contract was £20.012m (2020/21 £12.717m) of which £8.954m is shown in the accounts of the Combined Authority with the remaining £11.058m being shown in the accounts of the North East Combined Authority. The increase between years is a direct result of the consequences of reduced traffic volumes in 2020/21 due to the Covid-19 pandemic.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2021/22 total value of £81.476m (2021/22 £86.568m), of which £36.455m is shown in the accounts of the Combined Authority with the remaining £45.021m being shown in the accounts of the North East Combined Authority. The table below shows an analysis of the Combined Authority's deferred income balances.

|                               | Deferred Income Release |                 |
|-------------------------------|-------------------------|-----------------|
|                               | 2020/21<br>£000         | 2021/22<br>£000 |
| Payable in 2022/23            | (2,268)                 | (2,278)         |
| Payable within 2 to 5 years   | (9,073)                 | (9,115)         |
| Payable within 6 to 10 years  | (11,341)                | (11,392)        |
| Payable within 11 to 15 years | (11,341)                | (11,392)        |
| Payable within 16 to 20 years | (4,537)                 | (2,278)         |
| <b>Total</b>                  | <b>(38,560)</b>         | <b>(36,455)</b> |

### Payments

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

## 21. Defined Benefits Pension Scheme

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

- 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 & 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 & Wear, and three members each nominated by the trade 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

| Comprehensive Income & Expenditure Statement                                                 | LGPS            |                 |
|----------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                              | 2020/21<br>£000 | 2021/22<br>£000 |
| <b>Cost of Services</b>                                                                      |                 |                 |
| Current Service Costs                                                                        | 1,093           | 1,930           |
| Past Service Costs                                                                           | -               | -               |
| Settlement Costs                                                                             | 2,080           | -               |
| <b>Financing and Investment Income and Expenditure</b>                                       |                 |                 |
| Interest on net defined benefit asset                                                        | 49              | 102             |
| <b>Total Post Employment Benefit Charged to the Surplus on the Provision of Services</b>     | <b>3,222</b>    | <b>2,032</b>    |
| Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement: |                 |                 |
| Return on plan assets (excluding the amount included in the net interest expense)            | (901)           | (4,622)         |
| Actuarial gains due to changes in financial assumptions                                      | 2,688           | (1,836)         |
| Actuarial gains due to changes in demographic assumptions                                    | -               | (103)           |
| Actuarial losses due to changes in liability assumptions                                     | 45              | 3,838           |
| <b>Total Amount recognised in Other Comprehensive Income &amp; Expenditure</b>               | <b>1,832</b>    | <b>(2,723)</b>  |
| <b>Total amount recognised in the CIES</b>                                                   | <b>5,054</b>    | <b>(691)</b>    |

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

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

### Reconciliation of the Fair Value of the Scheme Assets

|                                            | LGPS            |                 |
|--------------------------------------------|-----------------|-----------------|
|                                            | 2020/21<br>£000 | 2021/22<br>£000 |
| <b>Opening fair value of scheme assets</b> | <b>625</b>      | <b>6,214</b>    |
| Interest Income                            | 113             | 140             |
| Remeasurement gain on plan assets          | 901             | 4,622           |
| Employer contributions                     | 215             | 263             |
| Contributions by scheme participants       | 321             | 388             |
| Net Benefits paid out                      | 14              | 204             |
| Settlements                                | 4,025           | -               |
| <b>Closing fair value of scheme assets</b> | <b>6,214</b>    | <b>11,831</b>   |

### Reconciliation of present value of the scheme liabilities

|                                                           | LGPS            |                 |
|-----------------------------------------------------------|-----------------|-----------------|
|                                                           | 2020/21<br>£000 | 2021/22<br>£000 |
| <b>Opening balance at 1 April</b>                         | <b>910</b>      | <b>11,201</b>   |
| Current Service Cost                                      | 1,093           | 1,930           |
| Interest expense on defined benefit obligation            | 162             | 242             |
| Contributions by participants                             | 321             | 388             |
| Actuarial losses on liabilities – financial assumptions   | 2,688           | (1,836)         |
| Actuarial losses on liabilities – demographic assumptions | -               | (103)           |
| Actuarial gains on liabilities – experience               | 45              | 3,838           |
| Net benefits paid                                         | 14              | 204             |
| Past service costs                                        | -               | -               |
| Net Increase in liabilities from disposals/acquisitions   | (137)           | -               |
| Settlements                                               | 6,105           | -               |
| <b>Closing balance at 31 March</b>                        | <b>11,201</b>   | <b>15,864</b>   |

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

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

### Scheme History

#### Fair Value of LGPS Assets

Present value of LGPS liabilities

- Funded Defined Benefit Obligation

#### Deficit on funded defined benefit scheme

Unrecognised Asset

#### Total Liability shown on Balance Sheet

| 2020/21<br>£000 | 2021/22<br>£000 |
|-----------------|-----------------|
| 6,214           | 11,831          |
| (11,201)        | (15,864)        |
| <b>(4,987)</b>  | <b>(4,033)</b>  |
| -               | -               |
| <b>(4,987)</b>  | <b>(4,033)</b>  |

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

|                     | <b>NTCA</b> |
|---------------------|-------------|
| Active members      | 95%         |
| Deferred pensioners | 5%          |
| Pensioners          | 0%          |

The liabilities show the underlying commitments that the Combined Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £15.86m has an impact on the net worth of the Combined Authority recorded on the balance sheet, resulting in a negative pension balance of £4.03m. However, statutory arrangements for funding the deficit mean that the financial position of the Combined 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 Combined Authority in the year to 31 March 2023 is £0.274m. In addition, strain on the fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2023 is 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 estimated 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.

A small proportion (8.4%) 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 those 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 March 2021    | 31 March 2022 |
| <b>Mortality assumptions:</b>                        |                  |               |
| Pensioner member aged 65 at accounting date (male)   | 21.9             | 21.5          |
| Pensioner member aged 65 at accounting date (female) | 25.1             | 24.5          |
| Active member aged 45 at accounting date (male)      | 23.6             | 22.8          |
| Active member aged 45 at accounting date (female)    | 26.9             | 26.0          |
| <b>Rate for discounting scheme liabilities:</b>      |                  |               |
|                                                      | % p.a            | % p.a         |
| Discount Rate                                        | 2.1              | 2.7           |
| Rate of inflation – Consumer Price Index             | 2.6              | 2.8           |
| Rate of increase in pensions                         | 2.6              | 2.8           |
| Pensions accounts revaluation rate                   | 2.6              | 2.8           |
| Rate of increase in salaries                         | 4.1              | 4.3           |

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

|                  | 31 March 2021 | Asset Split 31 March 2022 |          |       |
|------------------|---------------|---------------------------|----------|-------|
|                  | % Total       | Quoted                    | Unquoted | Total |
| Equities         | 55.5          | 47.8                      | 9.2      | 57.0  |
| Property         | 7.9           | 0                         | 8.4      | 8.4   |
| Government Bonds | 2.2           | 2.0                       | 0.0      | 2.0   |
| Corporate Bonds  | 19.8          | 18.8                      | 0.0      | 18.8  |
| Cash             | 4.0           | 1.8                       | 0.0      | 1.8   |
| Other*           | 10.6          | 4.8                       | 7.2      | 12.0  |
| Total Assets     | 100.0         | 75.2                      | 24.8     | 100.0 |

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

## Actual Return on Assets

Interest Income on Assets  
Remeasurement gain on assets  
**Actual Return on Assets**

| Local Government |                 |
|------------------|-----------------|
| 2020/21<br>£000  | 2021/22<br>£000 |
| 113              | 140             |
| 901              | 4,622           |
| <b>1,014</b>     | <b>4,762</b>    |

## Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

|                                                | +0.1%<br>per<br>annum | Base<br>Figure | -0.1%<br>per<br>annum |
|------------------------------------------------|-----------------------|----------------|-----------------------|
| <b>Discount rate assumption</b>                |                       |                |                       |
| <b>Adjustment to discount rate</b>             |                       |                |                       |
| Present value of total obligation (£M)         | 15.404                | 15.864         | 16.340                |
| % change in present value of total obligation  | (2.9%)                |                | 3%                    |
| Projected service cost (£M)                    | 1.676                 | 1.737          | 1.800                 |
| Approximate % change in projected service cost | (3.5%)                |                | 3.6%                  |

|                                                | +0.1%<br>per<br>annum | Base<br>Figure | -0.1%<br>per<br>annum |
|------------------------------------------------|-----------------------|----------------|-----------------------|
| <b>Rate of general increase in salaries</b>    |                       |                |                       |
| <b>Adjustment to salary increase rate</b>      |                       |                |                       |
| Present value of total obligation (£M)         | 15.864                | 15.864         | 15.864                |
| % change in present value of total obligation  | 0%                    |                | 0%                    |
| Projected service cost (£M)                    | 1.737                 | 1.737          | 1.737                 |
| Approximate % change in projected service cost | 0%                    |                | 0%                    |

| Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption | +0.1% per annum | Base Figure | -0.1% per annum |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|-----------------|
| <b>Adjustment to pension increase rate</b>                                                                                       |                 |             |                 |
| Present value of total obligation                                                                                                | 16.340          | 15.864      | 15.404          |
| % change in present value of total obligation                                                                                    | 3.0%            |             | (2.9%)          |
| Projected service cost (£M)                                                                                                      | 1.800           | 1.737       | 1.676           |
| Approximate % change in projected service cost                                                                                   | 3.6%            |             | (3.5%)          |

| Post retirement mortality assumption                   | -1 year | Base Figure | +1 year |
|--------------------------------------------------------|---------|-------------|---------|
| <b>Adjustment to mortality age rating assumption *</b> |         |             |         |
| Present value of total obligation (£M)                 | 16.403  | 15.864      | 15.340  |
| % change in present value of total obligation          | 3.4%    |             | (3.3%)  |
| Projected service cost (£M)                            | 1.810   | 1.737       | 1.666   |
| Approximate % change in projected service cost         | 4.2%    |             | (4.1%)  |

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

## 22. Usable Reserves

|                                  | Note | 31 March 2021<br>£000 | 31 March 2022<br>£000 |
|----------------------------------|------|-----------------------|-----------------------|
| General Fund Balance             | 23   | (6,186)               | (7,064)               |
| Earmarked Reserves               | 23   | (86,006)              | (112,484)             |
| Capital Receipts Reserve         |      | (8,889)               | (471)                 |
| Capital Grants Unapplied Reserve |      | (23,292)              | (58,470)              |
| <b>Total Usable Reserves</b>     |      | <b>(124,373)</b>      | <b>(178,489)</b>      |

Earmarked Reserves are amounts which the Combined 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 Combined 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.



## 23. Transfers (to)/from Earmarked Reserves

|                                                       | Balance at<br>1 April 2020 | Transfers from<br>NECA 1 April | Transfers out<br>2020/21 | Transfers in<br>2020/21 | Balance at<br>31 March 2021 | Transfer out<br>2021/22 | Transfers in<br>2021/22 | Balance<br>31 March 2022 |
|-------------------------------------------------------|----------------------------|--------------------------------|--------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|--------------------------|
|                                                       | £000                       | £000                           | £000                     | £000                    | £000                        | £000                    | £000                    | £000                     |
| <b>General Fund Balances</b>                          | (10,691)                   | (649)                          | 5,164                    | (10)                    | (6,186)                     | -                       | (878)                   | (7,064)                  |
| <b>General Fund Reserves</b>                          |                            |                                |                          |                         |                             |                         |                         |                          |
| Investment Fund                                       | (36,840)                   | -                              | 7,305                    | (20,595)                | (50,130)                    | -                       | (4,462)                 | (54,592)                 |
| GBF Reserve                                           | -                          | -                              | -                        | -                       | -                           | -                       | (17,627)                | (17,627)                 |
| Enterprise Zone                                       |                            | (7,345)                        | 171                      | (2,016)                 | (9,190)                     | 163                     | (1,366)                 | (10,393)                 |
| LGF SWAP                                              |                            | (5,610)                        | 2,751                    | (6,949)                 | (9,808)                     | 594                     | (336)                   | (9,550)                  |
| LEP Reserve                                           |                            |                                |                          | (119)                   | (119)                       | 70                      | (427)                   | (476)                    |
| Metro Fleet Replacement                               | (4,471)                    | -                              | -                        | (40)                    | (4,511)                     | -                       | (9)                     | (4,520)                  |
| Metro Reinvigoration                                  | (4,093)                    | -                              | -                        | (37)                    | (4,130)                     | 272                     | -                       | (3,858)                  |
| Tyne Tunnel                                           |                            | (3,491)                        | -                        | -                       | (3,491)                     | -                       | -                       | (3,491)                  |
| Community Renewal Fund                                | -                          | -                              | -                        | -                       | -                           | -                       | (931)                   | (931)                    |
| North East Investment Fund                            |                            | (1,394)                        | 814                      | (340)                   | (920)                       | 691                     | (410)                   | (639)                    |
| Metro Studies                                         |                            | -                              | -                        | (336)                   | (336)                       | -                       | (217)                   | (553)                    |
| Recovery Contingency Fund                             | -                          | -                              | -                        | -                       | -                           | -                       | (452)                   | (452)                    |
| Bus Project                                           |                            | -                              | -                        | (223)                   | (223)                       | -                       | -                       | (223)                    |
| Strategic                                             | (200)                      | -                              | -                        | -                       | (200)                       | -                       | -                       | (200)                    |
| Business Rates Pool                                   | (4,909)                    | -                              | 4,909                    | -                       | -                           | -                       | -                       | -                        |
| <b>Grant Reserves</b>                                 |                            |                                |                          |                         |                             |                         |                         |                          |
| Adult Education Budget                                |                            | -                              | -                        | (1,477)                 | (1,477)                     | 1,477                   | (3,459)                 | (3,459)                  |
| North East Ambition                                   |                            | -                              | -                        | (301)                   | (301)                       | 301                     | (486)                   | (486)                    |
| CEC Enterprise Advisor                                |                            | -                              | -                        | (290)                   | (290)                       | 290                     | (290)                   | (290)                    |
| Dept for Education                                    |                            | -                              | -                        | (206)                   | (206)                       | 206                     | (159)                   | (159)                    |
| Grant Reserves (individual<br>balances under £0.100m) | (363)                      | -                              | 181                      | (507)                   | (689)                       | 607                     | (504)                   | (586)                    |
| <b>Total General Fund<br/>Reserves</b>                | <b>(50,876)</b>            | <b>(17,841)</b>                | <b>16,132</b>            | <b>(33,436)</b>         | <b>(86,021)</b>             | <b>4,671</b>            | <b>(31,134)</b>         | <b>(112,484)</b>         |
| <b>Total Balances &amp; Reserves</b>                  | <b>(61,567)</b>            | <b>(18,490)</b>                | <b>21,296</b>            | <b>(33,446)</b>         | <b>(92,207)</b>             | <b>4,671</b>            | <b>(32,012)</b>         | <b>(119,548)</b>         |

## 24. Unusable Reserves

|                                          | <b>31<br/>March<br/>2021<br/>£000</b> | <b>31<br/>March<br/>2022<br/>£000</b> |
|------------------------------------------|---------------------------------------|---------------------------------------|
| Capital Adjustment Account               | (58,876)                              | (60,671)                              |
| Financial Instruments Adjustment Account | 2,554                                 | 3,544                                 |
| Revaluation Reserve                      | (3,562)                               | (3,513)                               |
| Accumulated Absences Account             | 556                                   | 405                                   |
| Pension Reserve                          | 4,987                                 | 4,033                                 |
| <b>Total</b>                             | <b>(54,341)</b>                       | <b>(56,202)</b>                       |

### Capital Adjustment Account

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

The CAA is credited with the amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement. 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. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 4) provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

|                                                                                                 | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|-------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Opening Balance 1 April</b>                                                                  | (38,174)                | (58,876)                |
| Transfer of balance from North East Combined Authority 1 April                                  | (16,282)                | -                       |
| <b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>       |                         |                         |
| Charges for depreciation & impairment of non-current assets                                     | 1,930                   | 1,931                   |
| Write down of New Tyne Crossing deferred income balance                                         | (2,268)                 | (2,278)                 |
| Revenue expenditure funded from capital under statute                                           | 47,230                  | 47,989                  |
| Write down of long-term debtors                                                                 | 676                     | 654                     |
| Adjusting amounts written out of the Revaluation Reserve                                        | (44)                    | (49)                    |
| <b>Capital financing applied in the year:</b>                                                   |                         |                         |
| Capital grants & contributions credited to the CIES that have been applied to capital financing | (50,136)                | (39,812)                |
| Statutory provision for the financing of capital investment charged against the General Fund    | (1,117)                 | (804)                   |
| Use of the Capital Receipts Reserve to finance new capital expenditure                          | -                       | (8,418)                 |
| Capital expenditure charged against the General Fund                                            | (15)                    | (354)                   |
| Debt redeemed using capital receipts                                                            | (676)                   | (654)                   |
| <b>Balance at 31 March</b>                                                                      | <b>(58,876)</b>         | <b>(60,671)</b>         |

### Financial Instruments Adjustment Account

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

|                                                                                                                                              | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Opening Balance 1 April</b>                                                                                                               | 425                     | 2,554                   |
| Transfer of balance from North East Combined Authority 1 April                                                                               | 2,558                   | -                       |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements | (429)                   | 990                     |
| <b>Balance at 31 March</b>                                                                                                                   | <b>2,554</b>            | <b>3,544</b>            |

## Revaluation Reserve

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

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

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

### Balance at 1 April

Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account

### Balance at 31 March

| 2020/21<br>£000 | 2021/22<br>£000 |
|-----------------|-----------------|
| (3,606)         | (3,562)         |
| 44              | 49              |
| <b>(3,562)</b>  | <b>(3,513)</b>  |

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

### Balance at 1 April

Adjustment to the accrual required

Adjustment to the debtor in respect of leave taken in advance

Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

### Balance at 31 March

| 2020/21<br>£000 | 2021/22<br>£000 |
|-----------------|-----------------|
| -               | 556             |
| 556             | (151)           |
| -               |                 |
| 556             | (151)           |
| <b>556</b>      | <b>405</b>      |

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Combined 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 Combined 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 Combined 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.

|                                                                                                                               | 2020/21<br>£000 | 2021/22<br>£000 |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Balance at 1 April</b>                                                                                                     | 285             | 4,987           |
| Remeasurements of the net defined benefit liability/(asset)                                                                   | 1,832           | (2,723)         |
| Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES | 3,036           | 1,930           |
| Employer's pension contributions and direct payments to pensioners payable in the year                                        | (215)           | (263)           |
| Interest expense on net defined liability/(asset)                                                                             | 49              | 102             |
| <b>Balance at 31 March</b>                                                                                                    | <b>4,987</b>    | <b>4,033</b>    |

## 25. Capital Expenditure and Capital Financing

|                                                                                        | 2020/21<br>£000 | 2021/22<br>£000 |
|----------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Opening Capital Financing Requirement</b>                                           | <b>85,787</b>   | <b>81,649</b>   |
| <b>Capital Investment</b>                                                              |                 |                 |
| Property, Plant and Equipment                                                          | 576             | 354             |
| Revenue Expenditure Funded from Capital Under Statute                                  | 47,230          | 47,989          |
| <b>Sources of Finance</b>                                                              |                 |                 |
| Government Grants and Other Contributions                                              | (50,136)        | (39,812)        |
| Capital Receipts                                                                       | (676)           | (9,071)         |
| <b>Sums set aside from revenue</b>                                                     |                 |                 |
| Direct Revenue Contributions                                                           | (15)            | (354)           |
| Minimum Revenue Provision                                                              | (783)           | (232)           |
| Additional Voluntary Provision                                                         | (334)           | (572)           |
| <b>Closing Capital Financing Requirement</b>                                           | <b>81,649</b>   | <b>79,951</b>   |
| Decrease in underlying need to borrow (unsupported by Government financial assistance) | (4,138)         | (1,698)         |
| <b>Decrease in Capital Financing Requirement</b>                                       | <b>(4,138)</b>  | <b>(1,698)</b>  |

## 26. Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing activities

|                                                                                                                                   | 2020/21<br>£000 | 2021/22<br>£000 |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Surplus on the provision of services                                                                                              | 30,707          | 53,254          |
| <b>Adjustments to Surplus on Provision of Services for Non-Cash Movements</b>                                                     |                 |                 |
| Depreciation and Impairment                                                                                                       | 1,930           | 1,931           |
| Increase/(Decrease) in Creditors                                                                                                  | 24,032          | 11,446          |
| (Increase)/Decrease in Debtors                                                                                                    | (17,546)        | (6,247)         |
| Movement in Pension Liability                                                                                                     | 2,870           | 1,769           |
| Other non-cash items charged to the surplus on the provision of services                                                          | (891)           | (3,425)         |
|                                                                                                                                   | 10,395          | 5,474           |
| <b>Adjustments for items included in the net surplus on the Provision of Services that are investing and financing activities</b> |                 |                 |
| Capital grants credited to surplus on provision of services                                                                       | (67,330)        | (83,408)        |
| <b>Net Cash Flow from Operating Activities</b>                                                                                    | <b>(26,228)</b> | <b>(24,680)</b> |

The cash flows for operating activities include the following items

|                   | 2020/21<br>£000 | 2021/22<br>£000 |
|-------------------|-----------------|-----------------|
| Interest Received | 2,060           | 1,049           |
| Interest Paid     | (3,295)         | (4,561)         |

## 27. Cash Flow Statement – Investing Activities

|                                                                                    | 2020/21<br>£000 | 2021/22<br>£000 |
|------------------------------------------------------------------------------------|-----------------|-----------------|
| Purchase of Property, Plant & Equipment, investment property and intangible assets | (1,442)         | (1,041)         |
| Purchase of short- and long-term investments                                       | (148,408)       | (259,532)       |
| Proceeds from short-term and long-term investments                                 | 41,371          | 199,441         |
| Other receipts from Investing Activities                                           | 69,600          | 81,438          |
| <b>Net Cash Flows from Investing Activities</b>                                    | <b>(38,879)</b> | <b>20,306</b>   |

## 28. Cash Flow Statement – Financing Activities

|                                                 | 2020/21<br>£000 | 2021/22<br>£000 |
|-------------------------------------------------|-----------------|-----------------|
| Repayment of short and long-term borrowing      | 20,106          | 213             |
| <b>Net Cash Flows from Financing Activities</b> | <b>20,106</b>   | <b>213</b>      |

## 29. Reconciliation of liabilities arising from Financing Activities

|                                                                | 1 April<br>2021<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which are<br>not financing cash<br>flows |               | 31<br>March<br>2022<br>£000 |
|----------------------------------------------------------------|-------------------------|------------------------------------|--------------------------------------------------|---------------|-----------------------------|
|                                                                |                         |                                    | Acquisition<br>£000                              | Other<br>£000 |                             |
| Long Term Borrowings                                           | (75,724)                | (42)                               | -                                                | -             | (75,766)                    |
| Short Term Borrowings                                          | (21,023)                | -                                  | -                                                | (2)           | (21,025)                    |
| <b>Total Liabilities arising from<br/>Financing Activities</b> | <b>(96,747)</b>         | <b>(42)</b>                        | <b>-</b>                                         | <b>(2)</b>    | <b>(96,791)</b>             |

|                                                                | 1 April<br>2020<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which are<br>not financing cash<br>flows |               | 31<br>March<br>2021<br>£000 |
|----------------------------------------------------------------|-------------------------|------------------------------------|--------------------------------------------------|---------------|-----------------------------|
|                                                                |                         |                                    | Acquisition<br>£000                              | Other<br>£000 |                             |
| Long Term Borrowings                                           | (75,595)                | (129)                              | -                                                | -             | (75,724)                    |
| Short Term Borrowings                                          | (1,032)                 | (20,000)                           | -                                                | 9             | (21,023)                    |
| <b>Total Liabilities arising from<br/>Financing Activities</b> | <b>(76,627)</b>         | <b>(20,129)</b>                    | <b>-</b>                                         | <b>9</b>      | <b>(96,747)</b>             |

## 30. Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 has introduced changes in accounting policy which will be required from 1 April 2022 and may require retrospective application. The accounting policies have been reviewed and it has been concluded that the changes will not have a material impact on the Statement of Accounts.

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There have been no changes in accounting policies introduced by the Combined Authority in 2021/22.

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22

financial statements are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year);
- Annual Improvements to IFRS Standards 2018-2020. The Annual IFRS improvement programme notes 4 changed standards:
  - o IFRS1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - o IAS37 (Onerous contracts) – clarifies the intention of the standard
  - o IFRS16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - o IAS41 (Agriculture) one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16)

### **31. Critical Judgements in Applying Accounting Policies**

In applying the Accounting Policies set out in these accounts, the Combined 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 Code 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 IFRIC12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC12:

- 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 Combined 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 concession 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 Combined 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 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.

## **32. 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 Combined 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 Combined Authority's Balance Sheet at 31 March 2022 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

| <b>Item</b>        | <b>Uncertainties</b>                                                                                                                                                                                                                                                                                                                                                                                             | <b>Effect if actual results differ from assumptions</b>                                                                                                                                                                                                                                                                                                                                   |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 Combined Authority with expert advice about the assumptions to be applied. | 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.<br><br>The Pension Fund engages a firm of specialist actuaries to provide the Combined Authority with expert |

|                        |                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        |                                                                                                                                                                           | advice about the assumptions to be applied. See Note 21 Defined Benefits Pension Scheme for details of sensitivity analysis of the estimations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Fair Value Measurement | Estimation of the fair value measurement depends on a number of complex judgements                                                                                        | When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding discount rates – adjusted for regional factors. |
| Debtors Arrears        | Calculation of bad debt provision                                                                                                                                         | At 31 March 2022, the Combined Authority had a gross balance of £13.491m. A review of significant balances suggested that an impairment of doubtful debts of £1.189m was appropriate leaving a net balance of £12.302m. However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Covid-19               | The exact consequences of the outbreak of the Covid-19 virus are still unknown. Some areas of concern are:-<br><br>- Reduction in Government Funding to Local Authorities | Possibility of Local Authorities reducing their spend on Transport related services / schemes as they prioritise services. This would lead to a reduction of levy income. Reduction of Tunnel use due to                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

|  |                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <ul style="list-style-type: none"> <li>- Possible reduction in income from the Tyne Tunnels due to changes in working practices</li> <li>'- Reduction to passenger numbers on Bus and Rail services due to changes in working practices</li> <li>- Pension Scheme Assets</li> </ul> | <p>employers' new ways of working, which would, in turn, reduce the income from the Tunnels. This would impact on the finances of the company who run the Tunnels on behalf of the authority.</p> <p>Reduction in passenger numbers would impact on the finances of NEXUS the provider of passenger transport for the Authority.</p> <p>The Authority's net pensions liability includes a share of the overall Pension Fund investment assets. The Pension Fund has disclosed an uncertainty, due to Covid-19, in respect of mortality rates and the impact of longevity for the Fund's members which could be positive or negative.</p> |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### 33. Accounting Policies

#### 1. General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Combined 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 property accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Code requires that a Local Authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the Combined 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 Combined Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority;
- Revenue from the provision of services is recognised when the Combined 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 Combined 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; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. 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 Combined Authority has a policy of not accruing for manual sundry creditors or sundry debtors provision 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 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

- Depreciation attributable to the assets used by the relevant service;

- 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; and,
- Amortisation of intangible fixed assets attributable to the service.

The Combined 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 Combined Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations 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.

## **5. Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Combined 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 Combined 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 2021/22.

## **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 Combined Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flexi balances) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts which would be payable as a result of a decision by the Combined 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 Corporate Costs line in the CIES when the Combined 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 Combined 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.

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

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

## **8. Exceptional Items**

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

## **9. Fair Value measurement**

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

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

The Combined 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 Combined 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 Combined 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 Combined 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 Combined Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3 – unobservable inputs for the asset or liability.

## **10. Financial Instruments**

### Financial Liabilities

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

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

The Combined 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 Combined Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual creditors to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Combined Authority, this means that the amount presented in the Balance Sheet is the



outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of the 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 for from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### Expected Credit Loss Model

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

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

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

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied.

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

Monies advanced as grants and contributions for which conditions have not been satisfied 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **12. Group Accounts**

NECA and the Combined Authority are required by the Code of Practice on Local Authority Accounting 2021/22 to produce Group Accounts to include services paid to Council Tax payers by organisations other than the Combined Authority itself in which the Combined Authority has an interest.

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

For the 2021/22 accounts, NECA and the Combined Authority have fully complied with the requirements of the Code, providing group figures for 2021/22 and comparators for 2020/21. 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.

## **13. 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 CIPFA Code, NECA must:

- Split the revenues between that which relates to NECA and the Combined Authority. 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 the Combined Authority), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and the Combined Authority).
- 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 the Combined Authority), 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.

#### **14. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

#### The Authority as Lessee

Rentals paid under operating leases are charge to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

#### **15. Overheads and Support Services**

The costs of overheads and support services e.g. Finance and Legal services are shown within the Corporate Costs line on the Comprehensive Income and Expenditure Statement on the basis of Service Level Agreements in accordance with the Combined Authority’s arrangements for

accountability and financial performance and in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA), this is also the case for NECA.

## 16. Post-Employment Benefits

The Combined Authority and NECA are members 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 & 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](http://www.twpf.info).

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

- The liabilities of the pension fund attributable to the Combined 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 Combined 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:

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the Combined Authority and NECA Corporate Costs line;
- Past service costs – 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 CIES as part of the Combined Authority and NECA Corporate Costs line;
- Net interest on the net defined liability i.e. net interest expense for the Combined 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 CIES. 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.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Combined Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs
- Remeasurements comprising:
  - 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; and
  - 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 & Expenditure
- 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 Combined 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 Pension 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 21 to the accounts.

### **17. 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 if the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Combined 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.

## **18. Property, Plant and Equipment**

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

### Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:

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

The Combined 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 Combined 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 Combined Authority.

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

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

- Assets Under Construction – cost;

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (EUV).

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

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

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

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

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

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

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

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

### De Minimis Levels

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

### Impairment

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



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

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

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

### Depreciation

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

Depreciation on all Property, Plant and Equipment assets (except Vehicles) is calculated by taking the asset value at the 31 March 2022 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 charged based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

### Disposals

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

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

Amounts received for 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 Combined 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.

### **18.a Highways Infrastructure Assets**

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

#### Recognition

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

#### Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets

were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

### Impairment

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network have been assessed by the authority using industry standards where applicable as follows:

- Structures (tunnels) – useful life of up to 120 years

### Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

## **19. Provisions**

Provisions are made where an event has taken place that gives the Combined Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Combined 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 Combined 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 Combined Authority settles the obligation.

## **20. Public Private Partnership (PPP) Contracts**

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

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

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

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

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

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

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

- In each month a Shadow Toll is paid to the operator, this being a fixed amount per vehicle, adjusted for changes in RPI;
- Throughout the term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls; and

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

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

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

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

## **21. Reserves**

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

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

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

## **22. 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 Combined Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charges so that there is not impact on the levy.

### **23. Tyne Tunnels Income**

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

### **24. Value Added Tax (VAT)**

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

### **34. 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.

## 3.0 Group Financial Statements and Explanatory Notes

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## 3.1 Group Movement in Reserves Statement

|                                                                        | NTCA\NECA<br>Usable<br>Reserves | NTCA\NECA<br>Unusable<br>Reserves | Total<br>NTCA\NECA<br>Reserves | Authority<br>Share of<br>Nexus | Total Group<br>Reserves |
|------------------------------------------------------------------------|---------------------------------|-----------------------------------|--------------------------------|--------------------------------|-------------------------|
|                                                                        | £000                            | £000                              | £000                           | £000                           | £000                    |
| Balance at 31 March 2020 carried forward                               | (67,417)                        | (41,070)                          | (108,487)                      | (209,696)                      | (318,183)               |
| Transfer from NECA in respect of LEP                                   | (27,628)                        | (13,724)                          | (41,352)                       | -                              | (41,352)                |
| Total Comprehensive Income & Expenditure                               | (30,707)                        | 1,832                             | (28,875)                       | (1,493)                        | (30,368)                |
| Adjustments between accounting basis & funding basis under regulations | 1,379                           | (1,379)                           | -                              | -                              | -                       |
| (Increase)/decrease in 2020/21                                         | (29,328)                        | 453                               | (28,875)                       | (1,493)                        | (30,368)                |
| <b>Balance at 31 March 2021 carried forward</b>                        | <b>(124,373)</b>                | <b>(54,341)</b>                   | <b>(178,714)</b>               | <b>(211,189)</b>               | <b>(389,903)</b>        |
| Total Comprehensive Income & Expenditure                               | (53,254)                        | (2,723)                           | (55,977)                       | (53,064)                       | (109,043)               |
| Adjustments between accounting basis & funding basis under regulations | (862)                           | 862                               | -                              | -                              | -                       |
| (Increase)/decrease in 2021/22                                         | (54,116)                        | (1,861)                           | (55,977)                       | (53,064)                       | (109,043)               |
| <b>Balance at 31 March 2022 carried forward</b>                        | <b>(178,489)</b>                | <b>(56,202)</b>                   | <b>(234,691)</b>               | <b>(264,253)</b>               | <b>(498,946)</b>        |



## 3.2 Group Comprehensive Income and Expenditure Statement

| 2020/21        |                  |                 |                                                     | 2021/22        |                  |                  |
|----------------|------------------|-----------------|-----------------------------------------------------|----------------|------------------|------------------|
| Gross Exp      | Gross Inc        | Net Exp         | Note                                                | Gross Exp      | Gross Inc        | Net Exp          |
| £000           | £000             | £000            |                                                     | £000           | £000             | £000             |
| 5,898          | (66)             | 5,832           | Investment Fund                                     | 14,662         | (338)            | 14,324           |
| 11,443         | (2,328)          | 9,115           | Corporate Costs                                     | 8,148          | (2,475)          | 5,673            |
| 13,405         | (14,640)         | (1,235)         | Adult Education Budget                              | 22,745         | (25,449)         | (2,704)          |
| 106,365        | (74,953)         | 31,412          | Joint Transport Committee                           | 113,780        | (101,222)        | 12,558           |
| 534            | (438)            | 96              | Invest North East                                   | 607            | (298)            | 309              |
| 47,896         | (15,278)         | 32,618          | Local Enterprise Partnership                        | 42,994         | (29,381)         | 13,613           |
| <b>185,541</b> | <b>(107,703)</b> | <b>77,838</b>   | <b>Cost of Services</b>                             | <b>202,936</b> | <b>(159,163)</b> | <b>43,773</b>    |
| 7,296          | (4,656)          | 2,640           | Financing and Investment Income and Expenditure     | 9,282          | (3,914)          | 5,368            |
| -              | (121,902)        | (121,902)       | Taxation and Non-Specific Grant Income              | -              | (125,260)        | (125,260)        |
| -              | -                | -               | Gain/Loss on disposal of non-current assets         | 14             | (564)            | (550)            |
| <b>192,837</b> | <b>(234,261)</b> | <b>(41,424)</b> | <b>Surplus on Provision of Service</b>              | <b>212,232</b> | <b>(288,901)</b> | <b>(76,669)</b>  |
|                |                  | (270)           | Taxation credit charge for the year                 |                |                  | 626              |
|                |                  | <b>(41,694)</b> | <b>Group surplus after taxation</b>                 |                |                  | <b>(76,043)</b>  |
|                |                  | <b>11,056</b>   | Re-measurement of the defined benefit liability     |                |                  | <b>(33,000)</b>  |
|                |                  | -               | Gains on Revaluation of Property                    |                |                  | -                |
|                |                  | <b>(30,638)</b> | <b>Total Comprehensive Income &amp; Expenditure</b> |                |                  | <b>(109,043)</b> |

## 3.3 Group Balance Sheet

| 31 March<br>2021<br>£000 |                              | Note | 31 March<br>2022<br>£000 |
|--------------------------|------------------------------|------|--------------------------|
| 395,896                  | Property, Plant & Equipment  | G7   | 422,422                  |
| 13,152                   | Long Term Debtors            |      | 19,278                   |
| 2,388                    | Intangible Assets            | G8   | 2,642                    |
| <b>411,436</b>           | <b>Long Term Assets</b>      |      | <b>444,342</b>           |
| 142,617                  | Short Term Investments       | G9   | 202,708                  |
| 19,324                   | Short Term Debtors           | G10  | 20,249                   |
| 50,549                   | Cash & Cash Equivalents      | G11  | 41,291                   |
| 401                      | Inventories                  |      | 408                      |
| <b>212,891</b>           | <b>Current Assets</b>        |      | <b>264,656</b>           |
| (21,023)                 | Short Term Borrowing         | G9   | (21,025)                 |
| (40,508)                 | Short Term Creditors         | G12  | (45,117)                 |
| (2,696)                  | Grants Receipts in Advance   | G6   | (857)                    |
| (2,268)                  | Public Private Partnerships  |      | (2,278)                  |
| <b>(66,495)</b>          | <b>Current Liabilities</b>   |      | <b>(69,277)</b>          |
| (75,724)                 | Long Term Borrowing          | G9   | (75,766)                 |
| (36,292)                 | Public Private Partnerships  |      | (34,177)                 |
| (50,506)                 | Pension Liability            | G13  | (27,125)                 |
| (3,679)                  | Provisions                   |      | (1,617)                  |
| (1,728)                  | Deferred Taxation            | G14  | (2,090)                  |
| <b>(167,929)</b>         | <b>Long Term Liabilities</b> |      | <b>(140,775)</b>         |
| <b>389,903</b>           | <b>Net Assets</b>            |      | <b>498,946</b>           |
| (146,886)                | Usable Reserves              | G15  | (203,346)                |
| (243,017)                | Unusable Reserves            | G16  | (295,600)                |
| <b>(389,903)</b>         | <b>Total Reserves</b>        |      | <b>(498,946)</b>         |

I certify that the Accounts give a true and fair view of the financial position of the North of Tyne Combined Authority Group as at 31 March 2022.

Signed:



Date: 28/11/2023

**Janice Gillespie, Chief Finance Officer (Section 73 Officer)**

## 3.4 Group Cash Flow Statement

| 2020/21<br>£000 |                                                                                                                            | Note | 2021/22<br>£000 |
|-----------------|----------------------------------------------------------------------------------------------------------------------------|------|-----------------|
| 41,424          | Surplus on the provision of services                                                                                       | G17  | 76,043          |
| 33,780          | Adjustments to net surplus on the provision of services for non-cash movements                                             | G17  | 32,997          |
| (94,333)        | Adjustments for items included in the net surplus on the provision of services that are investing and financing activities | G17  | (123,557)       |
| <b>(19,129)</b> | <b>Net Cash Flows from Operating Activities</b>                                                                            |      | <b>(14,517)</b> |
| (45,566)        | Investing Activities                                                                                                       | G18  | 7,138           |
| 18,062          | Financing Activities                                                                                                       | G19  | (1,879)         |
| <b>(46,633)</b> | <b>Net Increase in cash and cash equivalents</b>                                                                           |      | <b>(9,258)</b>  |
| 55,830          | Cash and cash equivalents at the beginning of the reporting period                                                         |      | 50,549          |
| 41,352          | Transfer from NECA in respect of LEP                                                                                       |      | -               |
| <b>50,549</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>                                                        | G11  | <b>41,291</b>   |

### 3.5 Index to the Notes to the Group Financial Statements

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

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## G1 Group Accounts

Under the 9.1.17 of the Code of Practice for Local Authority Accounting 2021/22, authorities with interest in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

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 adopted 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 assets:

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

Details of NTCA's depreciation policy can be found within the accounting policies of the single entity accounts. Nexus's policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NTCA and NECA charge a full year depreciation in the year of acquisition.

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

Copies of the single entity accounts for Nexus are available at [www.nexus.org.uk](http://www.nexus.org.uk)

As described in the 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 Group's 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 32 of the single entity accounts for NTCA's assumptions made about the future and other major sources of estimation uncertainty. Significant accounting judgements, estimates and assumptions for Nexus can be found in the Nexus accounts at [www.nexus.org.uk](http://www.nexus.org.uk).

## G2 Expenditure and Funding Analysis

| 2021/22                                       | Net Exp<br>Chargeable<br>to General<br>Fund<br>£000 | Adjs for<br>Capital<br>Purposes<br>£000 | Pension<br>Adjs<br>£000 | Other<br>Adjs<br>£000 | Net Exp<br>in CIES<br>£000 |
|-----------------------------------------------|-----------------------------------------------------|-----------------------------------------|-------------------------|-----------------------|----------------------------|
| Investment Fund                               | 14,003                                              | -                                       | 347                     | (26)                  | 14,324                     |
| Corporate Costs                               | 5,350                                               | -                                       | 344                     | (21)                  | 5,673                      |
| Adult Education Budget                        | (2,704)                                             | -                                       | -                       | -                     | (2,704)                    |
| Joint Transport Committee Costs               | 23,576                                              | (18,868)                                | 7,850                   | -                     | 12,557                     |
| Invest North East                             | 247                                                 | -                                       | 62                      | -                     | 309                        |
| Local Enterprise Partnership                  | 4,385                                               | 8,418                                   | 914                     | (104)                 | 13,613                     |
| Net Cost of Services                          | <b>44,857</b>                                       | <b>(10,450)</b>                         | <b>9,517</b>            | <b>(151)</b>          | <b>43,773</b>              |
| Other Income & Expenditure                    | (74,567)                                            | (46,452)                                | 102                     | 475                   | (120,442)                  |
| <b>Surplus on Provision of Service</b>        | <b>(29,710)</b>                                     | <b>(56,902)</b>                         | <b>9,619</b>            | <b>324</b>            | <b>(76,669)</b>            |
| <b>Taxation Charge for the Year</b>           |                                                     |                                         |                         |                       | <b>626</b>                 |
| <b>Surplus after Taxation</b>                 |                                                     |                                         |                         |                       | <b>(76,043)</b>            |
| <b>Opening General Fund Balances</b>          |                                                     |                                         |                         |                       | <b>(29,333)</b>            |
| Surplus on General Fund Balances in Year      |                                                     |                                         |                         |                       | (29,710)                   |
| Transfers to Reserves                         |                                                     |                                         |                         |                       | 32,904                     |
| <b>General Fund Balances at 31 March 2022</b> |                                                     |                                         |                         |                       | <b>(26,139)</b>            |

| 2020/21                                | Net Exp Chargeable to General Fund<br>£000 | Adjs for Capital Purposes<br>£000 | Pension Adjs<br>£000 | Other Adjs<br>£000 | Net Exp in CIES<br>£000 |
|----------------------------------------|--------------------------------------------|-----------------------------------|----------------------|--------------------|-------------------------|
| Investment Fund                        | 5,585                                      | -                                 | 197                  | 50                 | 5,832                   |
| Corporate Costs                        | 7,032                                      | -                                 | 2,051                | 32                 | 9,115                   |
| Adult Education Budget                 | (1,277)                                    | -                                 | 33                   | 9                  | (1,235)                 |
| Joint Transport Committee              | 23,403                                     | (3,821)                           | 11,830               | -                  | 31,412                  |
| Invest North East                      | 66                                         | -                                 | 30                   | -                  | 96                      |
| Local Enterprise Partnership           | 31,394                                     | 249                               | 510                  | 465                | 32,618                  |
| <b>Net Cost of Services</b>            | <b>66,203</b>                              | <b>(3,572)</b>                    | <b>14,651</b>        | <b>556</b>         | <b>77,838</b>           |
| Other Income & Expenditure             | (84,307)                                   | (34,576)                          | 49                   | (428)              | (119,262)               |
| <b>Surplus on Provision of Service</b> | <b>(18,104)</b>                            | <b>(38,148)</b>                   | <b>14,700</b>        | <b>128</b>         | <b>(41,424)</b>         |

**Opening General Fund Balances**

Transfer from NECA in respect of LEP Balances

Surplus on General Fund Balances in Year

Transfers to Reserves

**General Fund Balances at 31 March 2021****(33,300)**

(649)

(18,104)

22,720

**(29,333)****Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts**

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

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

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits 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; and
- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

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

- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and
- For services this includes adjustments made from accruing compensated absences earned but not taken in the year.

### G3 Income and Expenditure Analysed by Nature

| 2020/21<br>£000  |                                                                                             | 2021/22<br>£000  |
|------------------|---------------------------------------------------------------------------------------------|------------------|
|                  | <b>Expenditure</b>                                                                          |                  |
| 27,566           | Employee benefit expenses                                                                   | 25,993           |
| 95,815           | Other service expenses                                                                      | 110,588          |
| 2,783            | Support Service Recharges                                                                   | 3,250            |
| 59,377           | Depreciation, impairment and Revenue Expenditure Funded from Capital under Statute (REFCUS) | 63,119           |
| 7,296            | Interest Payments                                                                           | 9,282            |
| <b>192,837</b>   | <b>Total Expenditure</b>                                                                    | <b>212,232</b>   |
|                  | <b>Income</b>                                                                               |                  |
| (29,138)         | Fees, charges and other service income (Tyne Tunnel tolls)                                  | (53,404)         |
| (4,656)          | Interest and investment income                                                              | (3,914)          |
| (33,450)         | Income from transport levy                                                                  | (33,666)         |
| (163,620)        | Government grants and contributions                                                         | (188,426)        |
| (3,397)          | Other Income                                                                                | (9,491)          |
| <b>(234,261)</b> | <b>Total Income</b>                                                                         | <b>(288,901)</b> |
| <b>(41,424)</b>  | <b>Surplus on the provision of services</b>                                                 | <b>(76,669)</b>  |



**G4 Financing and Investment Income and Expenditure**

| 2020/21<br>£000 |                                                  | 2021/22<br>£000 |
|-----------------|--------------------------------------------------|-----------------|
| 3,386           | Interest payable and similar charges             | 4,594           |
| 3,910           | Interest payable on defined benefit liability    | 4,688           |
| (3,053)         | Interest receivable on defined benefit liability | (3,772)         |
| (1,603)         | Interest receivable and similar income           | (142)           |
| <b>2,640</b>    | <b>Total</b>                                     | <b>5,368</b>    |

**G5 Taxation and Non-Specific Grant Income**

| 2020/21<br>£000  |                                                | 2021/22<br>£000  |
|------------------|------------------------------------------------|------------------|
| (33,450)         | Transport Levy                                 | (33,666)         |
| (68,452)         | Capital Grants, Contributions & Donated Assets | (71,594)         |
| (20,000)         | Non-Ringfenced Government Grants               | (20,000)         |
| <b>(121,902)</b> | <b>Total</b>                                   | <b>(125,260)</b> |

**G6 Grant Income and Other Contributions**

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

| 31 March<br>2021<br>£000 |                                                       | 31 March<br>2022<br>£000 |
|--------------------------|-------------------------------------------------------|--------------------------|
| (11,170)                 | Transforming Cities Fund                              | (25,617)                 |
| (15,064)                 | Adult Education Grant                                 | (25,449)                 |
| (11,844)                 | Metro Rail Grant                                      | (13,598)                 |
| (6,213)                  | Local Transport Plan                                  | (9,022)                  |
| (19,062)                 | Covid 19 Business Support                             | (8,518)                  |
| (3,225)                  | Active Travel Fund                                    | (6,280)                  |
| -                        | Community Renewal Fund                                | (1,002)                  |
| (1,000)                  | Mayoral Capacity Fund                                 | (1,000)                  |
| (7,590)                  | Other Grants & Contributions (individually under £1m) | (5,922)                  |
| <b>(75,168)</b>          | <b>Total</b>                                          | <b>(96,408)</b>          |

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

| 31 March<br>2021<br>£000 |                                                              | 31 March<br>2022<br>£000 |
|--------------------------|--------------------------------------------------------------|--------------------------|
|                          | <b>Grants Receipts in Advance</b>                            |                          |
| (2,696)                  | Grants & Contributions (individually under £1m) – Short Term | (857)                    |
| <b>(2,696)</b>           | <b>Total</b>                                                 | <b>(857)</b>             |

## G7 Property, Plant and Equipment excluding Highway Infrastructure Assets

**2021/22**

|                                             | Vehicles, Plant,<br>Furniture &<br>Equipment | Land &<br>Buildings | Assets<br>Under<br>Construction | Total Property,<br>Plant &<br>Equipment | Service<br>Concession<br>Assets included<br>in PPE |
|---------------------------------------------|----------------------------------------------|---------------------|---------------------------------|-----------------------------------------|----------------------------------------------------|
| <b>Cost or Valuation</b>                    | <b>£000</b>                                  | <b>£000</b>         | <b>£000</b>                     | <b>£000</b>                             | <b>£000</b>                                        |
| <b>At 1 April 2021</b>                      | <b>15,577</b>                                | <b>1,759</b>        | <b>27,872</b>                   | <b>45,208</b>                           | -                                                  |
| Additions                                   | -                                            | -                   | 40,614                          | 40,614                                  | -                                                  |
| Transfers from Assets<br>under Construction | 62                                           | -                   | (9,392)                         | (9,330)                                 | -                                                  |
| Transfers to Intangibles                    | -                                            | -                   | (26)                            | (26)                                    | -                                                  |
| Derecognition – disposals                   | (17)                                         | (119)               | (19)                            | (154)                                   | -                                                  |
| Other Adjustments                           | -                                            | -                   | -                               | -                                       | -                                                  |
| <b>At 31 March 2022</b>                     | <b>15,622</b>                                | <b>1,640</b>        | <b>59,049</b>                   | <b>76,312</b>                           | -                                                  |
| At 1 April 2021                             | (11,333)                                     | (244)               | -                               | (11,577)                                | -                                                  |
| Depreciation charge                         | (522)                                        | (11)                | -                               | (533)                                   | -                                                  |
| Derecognition – disposals                   | 17                                           | 114                 | -                               | 131                                     | -                                                  |
| <b>At 31 March 2022</b>                     | <b>(11,838)</b>                              | <b>(141)</b>        | <b>-</b>                        | <b>(11,979)</b>                         | <b>-</b>                                           |
| <b>Net Book Value</b>                       |                                              |                     |                                 |                                         |                                                    |
| <b>At 1 April 2021</b>                      | <b>4,244</b>                                 | <b>1,515</b>        | <b>27,872</b>                   | <b>33,631</b>                           | <b>-</b>                                           |
| <b>At 31 March 2022</b>                     | <b>3,784</b>                                 | <b>1,499</b>        | <b>59,049</b>                   | <b>64,333</b>                           | <b>-</b>                                           |

**2020/21**

|                                                          | Vehicles, Plant,<br>Furniture &<br>Equipment | Land & Buildings | Assets<br>Under<br>Construction | Total Property,<br>Plant & Equipment | Service<br>Concession<br>Assets included in<br>PPE |
|----------------------------------------------------------|----------------------------------------------|------------------|---------------------------------|--------------------------------------|----------------------------------------------------|
| <b>Cost or Valuation</b>                                 | <b>£000</b>                                  | <b>£000</b>      | <b>£000</b>                     | <b>£000</b>                          | <b>£000</b>                                        |
| <b>At 1 April 2020</b>                                   | <b>16,855</b>                                | <b>1,440</b>     | <b>20,703</b>                   | <b>38,998</b>                        | -                                                  |
| Additions                                                | -                                            | -                | 29,201                          | 29,201                               | -                                                  |
| Transfers from Assets<br>under Construction              | 544                                          | -                | (22,012)                        | (21,468)                             | -                                                  |
| Derecognition –<br>disposals                             | (1,348)                                      | (155)            | (20)                            | (1,523)                              | -                                                  |
| Impairment recognised<br>in the Provision of<br>Services | -                                            | -                | -                               | -                                    | -                                                  |
| Other Adjustments                                        | -                                            | -                | -                               | -                                    | -                                                  |
| <b>At 31 March 2021</b>                                  | <b>16,051</b>                                | <b>1,285</b>     | <b>27,872</b>                   | <b>45,207</b>                        | -                                                  |
| <b>At 1 April 2021</b>                                   | (11,185)                                     | (330)            | -                               | (11,515)                             | -                                                  |
| Depreciation charge                                      | (690)                                        | (18)             | -                               | (708)                                | -                                                  |
| Derecognition –<br>disposals                             | 542                                          | 104              | -                               | 646                                  | -                                                  |
| <b>At 31 March 2021</b>                                  | <b>(11,333)</b>                              | <b>(244)</b>     | <b>-</b>                        | <b>(11,577)</b>                      | <b>-</b>                                           |
| <b>Net Book Value</b>                                    |                                              |                  |                                 |                                      |                                                    |
| <b>At 1 April 2020</b>                                   | 5,670                                        | 1,110            | 20,703                          | 27,483                               | -                                                  |
| <b>At 31 March 2021</b>                                  | <b>4,718</b>                                 | <b>1,041</b>     | <b>27,872</b>                   | <b>33,631</b>                        | <b>-</b>                                           |

## G7a Highway Infrastructure Assets

### Movements on balances

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

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

|                                           | 2020/21        | 2021/22        |
|-------------------------------------------|----------------|----------------|
|                                           | £000           | £000           |
| Net book value (modified historical cost) |                |                |
| At 1 April                                | 353,402        | 362,265        |
| Additions                                 | 424            | 210            |
| Transfers from Assets Under Construction  | 21,468         | 9,330          |
| Derecognition                             | (745)          | (479)          |
| Depreciation                              | (14,416)       | (15,007)       |
| Impairment                                | (16)           | -              |
| Other movements in cost                   | 2,147          | 1,770          |
| <b>At 31 March</b>                        | <b>362,264</b> | <b>358,089</b> |
|                                           | 2020/21        | 2021/22        |
|                                           | £000           | £000           |
| Infrastructure Assets                     | 362,264        | 358,089        |
| Other PPE Assets                          | 33,631         | 64,333         |
| <b>Total Group PPE Assets</b>             | <b>395,895</b> | <b>422,422</b> |

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

### Structures – net book value

North of Tyne Combined Authority has estimated a net book value at 31 March 2022 for its structures at £358.089m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

|                                |           |
|--------------------------------|-----------|
| Northbound vehicle tunnel      | 61 years  |
| Southbound vehicle tunnel      | 109 years |
| Pedestrian and cyclist tunnels | 61 years  |

Depreciation for the tunnels (and total annual depreciation for 2021/22 on structures) is £15.077m.

## G8 Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

| 2020/21<br>£000 |                                            | 2021/22<br>£000 |
|-----------------|--------------------------------------------|-----------------|
|                 | <b>Cost or Valuation</b>                   |                 |
| 4,740           | Opening Balance                            | 5,357           |
| 636             | Additions                                  | 478             |
| -               | Transfers from Property, Plant & Equipment | 26              |
| (19)            | Derecognition – Disposals                  | (1)             |
| <b>5,357</b>    | <b>Total</b>                               | <b>5,860</b>    |
|                 | <b>Amortisation</b>                        |                 |
| (2,752)         | Opening Balance                            | (2,969)         |
| (217)           | Amortisation provided during the period    | (249)           |
| <b>(2,969)</b>  | <b>Total</b>                               | <b>(3,218)</b>  |
| <b>2,388</b>    | <b>Net Book Value at 31 March</b>          | <b>2,642</b>    |

## G9 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 Combined Authority during the year are held under the following classifications.

|                               | Non-current                 |                             |                             |                             | Current                     |                             |                             |                             |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                               | Investments                 |                             | Debtors                     |                             | Investments                 |                             | Debtors                     |                             |
|                               | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 |
| Amortised cost                | -                           | -                           | 13,152                      | 19,279                      | 142,617                     | 202,708                     | 16,756                      | 18,927                      |
| <b>Total Financial Assets</b> | -                           | -                           | <b>13,152</b>               | <b>19,279</b>               | <b>142,617</b>              | <b>202,708</b>              | <b>16,756</b>               | <b>18,927</b>               |
| Non-financial Assets          | -                           | -                           | -                           | -                           | -                           | -                           | 2,568                       | 1,323                       |
| <b>Total</b>                  | -                           | -                           | <b>13,152</b>               | <b>19,279</b>               | <b>142,617</b>              | <b>202,708</b>              | <b>19,324</b>               | <b>20,250</b>               |

### Financial assets at amortised cost

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

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

All of the Group'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 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 Combined Authority.

|                                    | Non-current                 |                             |                             |                             | Current                     |                             |                             |                             |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                    | Borrowings                  |                             | Creditors                   |                             | Borrowings                  |                             | Creditors                   |                             |
|                                    | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 | 31<br>March<br>2021<br>£000 | 31<br>March<br>2022<br>£000 |
| Amortised cost                     | (75,724)                    | (75,766)                    | -                           | -                           | (21,023)                    | (21,025)                    | (17,840)                    | (8,979)                     |
| <b>Total Financial Liabilities</b> | <b>(75,724)</b>             | <b>(75,766)</b>             | <b>-</b>                    | <b>-</b>                    | <b>(21,023)</b>             | <b>(21,025)</b>             | <b>(17,840)</b>             | <b>(8,980)</b>              |
| Non-financial Liabilities          | -                           | -                           | -                           | -                           | -                           | -                           | (22,668)                    | (36,137)                    |
| <b>Total</b>                       | <b>(75,724)</b>             | <b>(75,766)</b>             | <b>-</b>                    | <b>-</b>                    | <b>(21,023)</b>             | <b>(21,025)</b>             | <b>(40,508)</b>             | <b>(45,116)</b>             |

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

### Income, Expense, Gains and Losses

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

**Fair Value of Assets & Liabilities carried at Amortised Cost**

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following method and assumptions:

| 31 March 2021                           |                                             |                | 31 March 2022                           |                                             |                |
|-----------------------------------------|---------------------------------------------|----------------|-----------------------------------------|---------------------------------------------|----------------|
| Financial Liabilities at amortised cost | Financial assets measured at amortised cost | Total          | Financial Liabilities at amortised cost | Financial assets measured at amortised cost | Total          |
| £000                                    | £000                                        | £000           | £000                                    | £000                                        | £000           |
| 3,386                                   | -                                           | 3,386          | 9,282                                   | -                                           | 9,282          |
| <b>3,386</b>                            | -                                           | <b>3,386</b>   | <b>9,282</b>                            | -                                           | <b>9,282</b>   |
| -                                       | (1,603)                                     | (1,603)        | -                                       | (3,914)                                     | (3,914)        |
| -                                       | <b>(1,603)</b>                              | <b>(1,603)</b> |                                         | <b>(3,914)</b>                              | <b>(3,914)</b> |
| <b>3,386</b>                            | <b>(1,603)</b>                              | <b>1,783</b>   | <b>9,282</b>                            | <b>(3,914)</b>                              | <b>5,368</b>   |

- 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 propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2021/22 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 2021           |                    | 31 March 2022           |                    |
|-------------------------------------------|-------|-------------------------|--------------------|-------------------------|--------------------|
|                                           | Level | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Financial liabilities at amortised cost   | 2     | (96,747)                | (142,065)          | (96,791)                | (130,347)          |
| <b>Total</b>                              |       | <b>(96,747)</b>         | <b>(142,065)</b>   | <b>(96,791)</b>         | <b>(130,347)</b>   |
| <b>Financial Assets at amortised cost</b> |       |                         |                    |                         |                    |
| Held to Maturity investments              | 2     | 142,617                 | 142,617            | 202,708                 | 202,708            |
| Other debtors                             |       | 13,152                  | 13,152             | 19,279                  | 19,279             |
| <b>Total</b>                              |       | <b>155,769</b>          | <b>155,769</b>     | <b>221,987</b>          | <b>221,987</b>     |

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. Details of the nature and extent of risks arising from Financial Instruments are set out in Note 16 of the single entity accounts.



**G10 Short Term Debtors**

| <b>31 March<br/>2021<br/>£000</b> |                                | <b>31 March<br/>2022<br/>£000</b> |
|-----------------------------------|--------------------------------|-----------------------------------|
| 6,204                             | Central Government Bodies      | 9,226                             |
| 6,719                             | Other Local Authorities        | 8,316                             |
| 1                                 | NHS Bodies                     | -                                 |
| 6,400                             | Other Entities and Individuals | 2,707                             |
| <b>19,324</b>                     | <b>Total</b>                   | <b>20,249</b>                     |

**G11 Cash and Cash Equivalents**

| <b>31 March<br/>2021<br/>£000</b> |                     | <b>31 March<br/>2022<br/>£000</b> |
|-----------------------------------|---------------------|-----------------------------------|
| 36,295                            | Cash                | 28,987                            |
| 14,254                            | Short term deposits | 12,304                            |
| <b>50,549</b>                     | <b>Total</b>        | <b>41,291</b>                     |

**G12 Short Term Creditors**

| <b>31 March<br/>2021<br/>£000</b> |                                | <b>31 March<br/>2022<br/>£000</b> |
|-----------------------------------|--------------------------------|-----------------------------------|
| (2,814)                           | Central Government Bodies      | (8,247)                           |
| (14,754)                          | Other Local Authorities        | (8,187)                           |
| (22,940)                          | Other Entities and Individuals | (28,683)                          |
| <b>(40,508)</b>                   | <b>Total</b>                   | <b>(45,117)</b>                   |

**G13 Defined Benefit Pension Schemes**

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

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

### **Consolidated Pension Liability**

The Group pension liability of £31.304m (£50.507m in 2020/21) is the sum of the NTCA and Nexus.

The employees from Nexus were TUPE to Stadler Rail Service UK Limited on 4 October 2020, and the pension assets and liabilities in connection with active employees were transferred to Stadler. In addition, the remaining pension assets and liabilities associated with pensioners and deferred members in NEMOL were subsumed by Nexus. In the Nexus Group accounts this resulted in a one-off gain of £1.839m arising from differences in actuarial assumptions between NEMOL and Nexus (with £0.819m relating to the Combined Authority) during 2020/21. This is presented in the disclosures below.

### **Transactions relating to post-employment Benefits**

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

| Comprehensive Income & Expenditure Statement                                                 | LGPS          |                 | Discretionary Benefits |              |
|----------------------------------------------------------------------------------------------|---------------|-----------------|------------------------|--------------|
|                                                                                              | 2020/21       | 2021/22         | 2020/21                | 2021/22      |
|                                                                                              | £000          | £000            | £000                   | £000         |
| <b>Cost of Services</b>                                                                      |               |                 |                        |              |
| Current Service Costs                                                                        | 8,524         | 10,243          | -                      | -            |
| Past Service Costs                                                                           | -             | 18              | -                      | -            |
| Settlement Costs                                                                             | 2,080         | -               | -                      | -            |
| Exceptional loss on transfer of pension liability loss                                       | (819)         | -               | -                      | -            |
| <b>Financing and Investment Income and Expenditure</b>                                       |               |                 |                        |              |
| Interest Cost                                                                                | 3,884         | 4,666           | 27                     | 21           |
| Expected Return on Scheme Assets                                                             | (3,053)       | (3,772)         | -                      | -            |
| <b>Total Post Employment Benefit Charged to the Surplus on the Provision of Services</b>     | <b>10,616</b> | <b>11,155</b>   | <b>27</b>              | <b>21</b>    |
| Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement: |               |                 |                        |              |
| Return on plan assets (excluding the amount included in the net interest expense)            | (901)         | (2,723)         | -                      | (76)         |
| Remeasurement of the net Defined Benefit Liability                                           | 11,904        | (29,853)        | 53                     | (96)         |
| <b>Total Amount recognised in Other Comprehensive Income &amp; Expenditure</b>               | <b>11,003</b> | <b>(32,576)</b> | <b>53</b>              | <b>(172)</b> |
| <b>Total amount recognised in the CIES</b>                                                   | <b>21,619</b> | <b>(21,421)</b> | <b>80</b>              | <b>(151)</b> |

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

## Reconciliation of the Fair Value of the Scheme Assets

|                                              | LGPS            |                 | Discretionary Benefits |                 |
|----------------------------------------------|-----------------|-----------------|------------------------|-----------------|
|                                              | 2020/21<br>£000 | 2021/22<br>£000 | 2020/21<br>£000        | 2021/22<br>£000 |
| <b>Opening fair value of scheme assets</b>   | <b>153,358</b>  | <b>180,116</b>  | -                      | -               |
| Interest Income                              | 3,164           | 3,912           | -                      | -               |
| Remeasurement gain on plan assets            | 27,932          | 15,303          | -                      | -               |
| Employer contributions                       | 1,912           | 1,851           | 14                     | 143             |
| Contributions by scheme participants         | 1,613           | 1,592           | -                      | -               |
| Net Benefits paid out                        | (5,006)         | (4,749)         | (14)                   | (143)           |
| Net decrease in assets from Stadler Transfer | (6,882)         | -               | -                      | -               |
| Settlements                                  | 4,025           | -               | -                      | -               |
| <b>Closing fair value of scheme assets</b>   | <b>180,116</b>  | <b>198,025</b>  | -                      | -               |

## Reconciliation of present value of the scheme liabilities

|                                                 | LGPS             |                  | Discretionary Benefits |                 |
|-------------------------------------------------|------------------|------------------|------------------------|-----------------|
|                                                 | 2020/21<br>£000  | 2021/22<br>£000  | 2020/21<br>£000        | 2021/22<br>£000 |
| <b>Opening balance at 1 April</b>               | <b>(182,952)</b> | <b>(229,451)</b> | <b>(1,230)</b>         | <b>(1,171)</b>  |
| Current Service Cost                            | (8,523)          | (10,243)         | -                      | -               |
| Interest Cost                                   | (3,997)          | (4,806)          | (27)                   | (22)            |
| Contributions by participants                   | (1,613)          | (1,592)          | -                      | -               |
| Remeasurement of the Net Defined Liability      | (39,110)         | 17,102           | (53)                   | 168             |
| Net benefits paid                               | 5,006            | 4,749            | 142                    | 134             |
| Past service costs                              | -                | (18)             | -                      | -               |
| Net increase in liabilities from NEMOL transfer | 7,839            | -                | -                      | -               |
| Settlements                                     | (6,105)          | -                | -                      | -               |
| <b>Closing balance at 31 March</b>              | <b>(229,455)</b> | <b>(224,259)</b> | <b>(1,168)</b>         | <b>(891)</b>    |

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

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

### Scheme History

#### Fair Value of LGPS Assets

Present value of LGPS liabilities

- LGPS liabilities

#### Deficit on funded defined benefit scheme

Discretionary benefits

#### Total Deficit

|  | 2020/21<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
|  | 180,116         | 198,025         |
|  | (229,455)       | (224,259)       |
|  | <b>(49,339)</b> | <b>(26,234)</b> |
|  | (1,168)         | (891)           |
|  | <b>(50,507)</b> | <b>(27,125)</b> |

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

|                     | NTCA | Nexus |
|---------------------|------|-------|
| Active members      | 95%  | 37%   |
| Deferred pensioners | 5%   | 13%   |
| Pensioners          | 0%   | 50%   |

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years for NTCA and 19.3 years for Nexus.

The liabilities show the underlying commitments that the Combined Authority has in the long run to pay post employment (retirement) benefits. The total liability of £229.3m has an impact on the net worth of the Combined Authority recorded on the balance sheet, resulting in a negative pension balance of £31.3m. However, statutory arrangements for funding the deficit mean that the financial position of the Combined 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 2022 is £0.274m for NTCA and £3.680m for Nexus( of which £1.647m is attributed to NTCA). In addition, strain on the fund contributions may be required.

**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 estimated 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 in updating the latest valuation of the Fund for IAS19 purposes were:

| <b>NTCA</b>                                          | <b>Local Government</b> |                      |
|------------------------------------------------------|-------------------------|----------------------|
|                                                      | <b>31 March 2021</b>    | <b>31 March 2022</b> |
| <b>Mortality assumptions:</b>                        |                         |                      |
| Pensioner member aged 65 at accounting date (male)   | 21.9                    | 21.5                 |
| Pensioner member aged 65 at accounting date (female) | 25.1                    | 24.5                 |
| Active member aged 45 at accounting date (male)      | 23.6                    | 22.8                 |
| Active member aged 45 at accounting date (female)    | 26.9                    | 26.0                 |
| <b>Rate for discounting scheme liabilities:</b>      | % p.a                   | % p.a                |
| Rate of inflation – Retail Price Index               | 2.10                    | 2.70                 |
| Rate of inflation – Consumer Price Index             | 2.60                    | 2.80                 |
| Rate of increase in pensions                         | 2.60                    | 2.80                 |
| Pensions accounts revaluation rate                   | 2.60                    | 2.80                 |
| Rate of increase in salaries                         | 4.10                    | 4.30                 |

| <b>Nexus</b>                             | <b>LGPS</b>    |                | <b>Discretionary Benefits</b> |                |
|------------------------------------------|----------------|----------------|-------------------------------|----------------|
|                                          | <b>2020/21</b> | <b>2021/22</b> | <b>2020/21</b>                | <b>2021/22</b> |
| <b>Mortality assumptions:</b>            |                |                |                               |                |
| Longevity at 65 for current pensioners   |                |                |                               |                |
| Men                                      | 21.9           | 21.8           | 21.9                          | 21.8           |
| Women                                    | 25.1           | 25.0           | 25.1                          | 25.0           |
| Longevity at 65 for future pensioners    |                |                |                               |                |
| Men                                      | 23.6           | 23.5           | n/a                           | n/a            |
| Women                                    | 26.9           | 26.7           | n/a                           | n/a            |
| <b>Discount rates:</b>                   | %p.a.          | %p.a.          | %p.a.                         | %p.a.          |
| Rate for discounting scheme liabilities  | 2.1            | 2.7            | 2.1                           | 2.7            |
| Rate of inflation – Retail Price Index   | n/a            | n/a            | n/a                           | n/a            |
| Rate of inflation – Consumer Price Index | 2.7            | 3.0            | 2.7                           | 3.0            |
| Rate of increase in pensions             | 2.7            | 3.0            | 2.7                           | 2.7            |
| Pension accounts revaluation rate        | 2.7            | 3.0            | n/a                           | n/a            |
| Rate of increase in salaries             | 4.2            | 4.5            | n/a                           | n/a            |

**NEMOL (LGPS)**

|                                          | 2020/21 |
|------------------------------------------|---------|
| <b>Mortality assumptions:</b>            |         |
| Longevity at 65 for current pensioners   |         |
| Men                                      | 21.9    |
| Women                                    | 25.1    |
| Longevity at 65 for future pensioners    |         |
| Men                                      | 23.6    |
| Women                                    | 26.9    |
| <b>Discount rates:</b>                   |         |
|                                          | %p.a.   |
| Rate for discounting scheme liabilities  | 1.60*   |
| Rate of inflation – Retail Price Index   | n/a     |
| Rate of inflation – Consumer Price Index | 2.20*   |
| Rate of increase in pensions             | 2.20*   |
| Pension accounts revaluation rate        | 2.20*   |
| Rate of increase in salaries             | 3.70*   |

\*At date of transfer (4 October 2020), therefore no comparators for 2021/22

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

|                     | 31 March<br>2021 | Asset Split 31 March<br>2022<br>% |             |              |
|---------------------|------------------|-----------------------------------|-------------|--------------|
|                     | % Total          | Quoted                            | Unquoted    | Total        |
| Equities            | 55.5             | 47.8                              | 9.2         | 57.0         |
| Property            | 7.9              | 0                                 | 8.4         | 8.4          |
| Government Bonds    | 2.2              | 0                                 | 2           | 2.0          |
| Corporate Bonds     | 19.8             | 18.8                              | 0           | 18.8         |
| Cash                | 4.0              | 1.8                               | 0           | 1.8          |
| Other*              | 10.6             | 4.8                               | 7.2         | 12.0         |
| <b>Total Assets</b> | <b>100.0</b>     | <b>73.2</b>                       | <b>26.8</b> | <b>100.0</b> |

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

**Actual Return on Assets**

|                                | Local<br>Government |                 |
|--------------------------------|---------------------|-----------------|
|                                | 2020/21<br>£000     | 2021/22<br>£000 |
| Interest Income on Assets      | 3,912               | 3,912           |
| Remeasurement gain on assets   | 33,421              | 8,452           |
| <b>Actual Return on Assets</b> | <b>37,333</b>       | <b>12,364</b>   |

## Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity of unfunded benefits has not been included on materiality grounds.

|                                                | +0.1%<br>per<br>annum | Base<br>Figure | -0.1%<br>per<br>annum |
|------------------------------------------------|-----------------------|----------------|-----------------------|
| <b>Discount rate assumption</b>                |                       |                |                       |
| <b>Adjustment to discount rate</b>             |                       |                |                       |
| Present value of total obligation (£M)         | 483.36                | 492.88         | 502.42                |
| % change in present value of total obligation  | (1.93%)               |                | 1.93%                 |
| Projected service cost (£M)                    | 18.41                 | 19.08          | 19.76                 |
| Approximate % change in projected service cost | (3.52%)               |                | 3.58%                 |

|                                                | +0.1%<br>per<br>annum | Base<br>Figure | -0.1%<br>per<br>annum |
|------------------------------------------------|-----------------------|----------------|-----------------------|
| <b>Rate of general increase in salaries</b>    |                       |                |                       |
| <b>Adjustment to salary increase rate</b>      |                       |                |                       |
| Present value of total obligation (£M)         | 494.31                | 492.88         | 491.45                |
| % change in present value of total obligation  | 0.29%                 |                | (0.29%)               |
| Projected service cost (£M)                    | 19.08                 | 19.08          | 19.08                 |
| Approximate % change in projected service cost | 0.00%                 |                | 0.00%                 |

|                                                                                                                                         | +0.1%<br>per<br>annum | Base<br>Figure | -0.1%<br>per<br>annum |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------|-----------------------|
| <b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption</b> |                       |                |                       |
| <b>Adjustment to pension increase rate</b>                                                                                              |                       |                |                       |
| Present value of total obligation                                                                                                       | 497.26                | 489.26         | 481.28                |
| % change in present value of total obligation                                                                                           | 1.63%                 |                | (1.63%)               |
| Projected service cost (£M)                                                                                                             | 19.76                 | 19.08          | 18.41                 |
| Approximate % change in projected service cost                                                                                          | 3.58%                 |                | (3.52%)               |



| <b>Post retirement mortality assumption</b>            | <b>-1 year</b> | <b>Base Figure</b> | <b>+1 year</b> |
|--------------------------------------------------------|----------------|--------------------|----------------|
| <b>Adjustment to mortality age rating assumption *</b> |                |                    |                |
| Present value of total obligation (£M)                 | 506.38         | 489.26             | 472.64         |
| % change in present value of total obligation          | 3.50%          |                    | (3.40%)        |
| Projected service cost (£M)                            | 19.84          | 19.08              | 18.32          |
| Approximate % change in projected service cost         | 4.00%          |                    | (3.99%)        |

\*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.

## G14 Deferred Tax Liability

The movement for the year comprises:

|                          | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|--------------------------|-------------------------|-------------------------|
| Capital Allowances       | 123                     | 376                     |
| Tax effect of losses     | (433)                   | 252                     |
| Other timing differences | 40                      | (2)                     |
| <b>Total</b>             | <b>(270)</b>            | <b>626</b>              |

The balance at the year-end comprises:

|                                                | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|------------------------------------------------|-------------------------|-------------------------|
| Excess of capital allowances over depreciation | (1,386)                 | 1,768                   |
| Roll over relief on capital gains              | (549)                   | 551                     |
| Tax effect of losses                           | 433                     | -183                    |
| Other timing differences                       | 44                      | -46                     |
| <b>Total</b>                                   | <b>(1,458)</b>          | <b>2,090</b>            |

## G15 Usable Reserves

|                              | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|------------------------------|-----------------------------------|-----------------------------------|
| General Fund Balance         | (29,333)                          | (26,139)                          |
| Earmarked Reserves           | (85,372)                          | (117,958)                         |
| Capital Grants Unapplied     | (23,292)                          | (58,470)                          |
| Capital Receipts Reserve     | (8,889)                           | (779)                             |
| <b>Total Usable Reserves</b> | <b>(146,886)</b>                  | <b>(203,346)</b>                  |

**G16 Unusable Reserves**

|                                          | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|------------------------------------------|-----------------------------------|-----------------------------------|
| Revaluation Reserve                      | (4,651)                           | (4,603)                           |
| Capital Adjustment Account               | (291,983)                         | (322,070)                         |
| Financial Instruments Adjustment Account | 2,554                             | 3,544                             |
| Accumulated Absences Account             | 556                               | 405                               |
| Pension Reserve                          | 50,507                            | 27,125                            |
| <b>Total Unusable Reserves</b>           | <b>(243,017)</b>                  | <b>(295,600)</b>                  |

Revaluation Reserve

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

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

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

|                                                                                                                             | <b>£000s</b>   |
|-----------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>Balance at 1 April 2020</b>                                                                                              | <b>(4,695)</b> |
| Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account | 44             |
| Revaluation gain recognised in Revaluation Reserve                                                                          | -              |
| <b>Balance at 31 March 2021</b>                                                                                             | <b>(4,651)</b> |
| Difference between fair value depreciation and historical cost depreciation – written off to the Capital Adjustment Account | 49             |
| Revaluation gain recognised in Revaluation Reserve                                                                          | -              |
| <b>Balance at 31 March 2022</b>                                                                                             | <b>(4,603)</b> |

Capital Adjustment Account

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

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

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.

|                                                                                                 | <b>£000</b>      |
|-------------------------------------------------------------------------------------------------|------------------|
| <b>Balance at 1 April 2020</b>                                                                  | (254,701)        |
| <b>Transfer from NECA in respect of LEP Balances</b>                                            | (16,282)         |
| Reversal of items relating to capital expenditure debited or credited to the CIES:              |                  |
| Charges for depreciation & impairment of non-current assets                                     | 14,699           |
| Amounts of non-current assets written off on disposal or sale                                   | 1,630            |
| Other income that cannot be credited to the General Fund                                        | (2,268)          |
| Revenue expenditure funded from capital under statute                                           | 47,230           |
| Write down of long-term debtors                                                                 | 676              |
| <b>Adjusting amounts written out of the Revaluation Reserve</b>                                 | <b>(44)</b>      |
| Capital financing applied in the year:                                                          |                  |
| Capital grants & contributions credited to the CIES that have been applied to capital financing | (79,850)         |
| Statutory provision for the financing of capital investment charged against the General Fund    | (1,117)          |
| Capital expenditure charged against the General Fund                                            | (1,280)          |
| Debt redeemed using capital receipts                                                            | (676)            |
| <b>Balance at 31 March 2021</b>                                                                 | <b>(291,983)</b> |

|                                                                                                 |                  |
|-------------------------------------------------------------------------------------------------|------------------|
| <b>Balance at 31 March 2021</b>                                                                 | <b>(291,983)</b> |
| Charges for depreciation & impairment of non-current assets                                     | 15,130           |
| Amounts of non-current assets written off on disposal or sale                                   | 496              |
| Other income that cannot be credited to the General Fund                                        | (2,278)          |
| Revenue expenditure funded from capital under statute                                           | 47,989           |
| Write down of long-term debtors                                                                 | 654              |
| <b>Adjusting amounts written out of the Revaluation Reserve</b>                                 | <b>(49)</b>      |
| Capital financing applied in the year:                                                          |                  |
| Capital grants & contributions credited to the CIES that have been applied to capital financing | (81,412)         |
| Statutory provision for the financing of capital investment charged against the General Fund    | (804)            |
| Use of Capital Receipts to fund new expenditure                                                 | (8,418)          |
| Capital expenditure charged against the General Fund                                            | (741)            |
| Debt redeemed using capital receipts                                                            | (654)            |
| <b>Balance at 31 March 2022</b>                                                                 | <b>(322,070)</b> |

#### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

#### **Balance at 1 April**

Adjustment to the accrual required  
Adjustment to the debtor in respect of leave taken in advance

Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

#### **Balance at 31 March**

| 2020/21<br>£000 | 2021/22<br>£000 |
|-----------------|-----------------|
| -               | 556             |
| 556             | (151)           |
| -               |                 |
| <b>556</b>      | <b>151</b>      |
| <b>556</b>      | <b>405</b>      |

#### Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating

the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs.

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

|                                                                                                                               |               |
|-------------------------------------------------------------------------------------------------------------------------------|---------------|
|                                                                                                                               | <b>£000</b>   |
| <b>Balance at 1 April 2020</b>                                                                                                | <b>24,751</b> |
| Remeasurements of the net defined benefit liability                                                                           | 11,056        |
| Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES | 16,634        |
| Employer's pension contributions and direct payments to pensioners                                                            | (1,983)       |
| Interest expense on net defined asset                                                                                         | 49            |
| <b>Balance at 31 March 2021</b>                                                                                               | <b>50,507</b> |
| <b>Balance at 1 April 2021</b>                                                                                                | <b>50,507</b> |
| Remeasurements of the net defined benefit asset                                                                               | (32,573)      |
| Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the CIES | 11,075        |
| Employer's pension contributions and direct payments to pensioners                                                            | (1,986)       |
| Interest expense on net defined asset                                                                                         | 102           |
| <b>Balance at 31 March 2022</b>                                                                                               | <b>27,125</b> |

### G17 Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing Activities

| 2020/21<br>£000 |                                                                                                                                    | 2021/22<br>£000 |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 41,424          | Surplus on the provision of services                                                                                               | 76,669          |
|                 | <b>Adjustments to Surplus on Provision of Services for Non-Cash Movements:</b>                                                     |                 |
| 15,357          | Depreciation, Impairment and Amortisation                                                                                          | 15,788          |
| 1,641           | Loss/(Gain) on disposal of non-current assets                                                                                      | (56)            |
| 40,394          | Increase in Creditors                                                                                                              | 32,246          |
| (31,118)        | Increase in Debtors                                                                                                                | (21,799)        |
| 1,201           | Decrease/(Increase) in Inventories                                                                                                 | (4)             |
| 8,452           | Movement in Pension Liability                                                                                                      | 9,619           |
| (2,147)         | Other non-cash items charged to the surplus on the provision of services                                                           | (3,423)         |
| 33,780          | <b>Adjustments for items included in the net surplus on the provision of services that are investing and financing activities:</b> | 32,371          |
| (95,739)        | Capital grants credited to surplus on provision of services                                                                        | (125,008)       |
| 1,406           | Other adjustments for items that are financing or investing activities                                                             | 1,451           |
| <b>(19,129)</b> | <b>Net cash flow from operating activities</b>                                                                                     | <b>(14,517)</b> |

The cash flows for operating activities include the following items:

| 2020/21<br>£000 |                   | 2021/22<br>£000 |
|-----------------|-------------------|-----------------|
| 4,656           | Interest Received | 4,320           |
| (7,296)         | Interest Paid     | (9,282)         |

**G18 Cash Flow Statement – Investing Activities**

| 2020/21<br>£000 |                                                                                      | 2021/22<br>£000 |
|-----------------|--------------------------------------------------------------------------------------|-----------------|
| (31,116)        | Purchase of property, plant and equipment, investment property and intangible assets | (41,978)        |
| (150,936)       | Purchase of short-term and long-term investments                                     | (258,968)       |
|                 | Other payments for investing activities                                              |                 |
| 41,371          | Proceeds from short-term and long-term investments                                   | 183,226         |
| 95,115          | Other receipts from investing activities                                             | 124,858         |
| <b>(45,566)</b> | <b>Net cash flows from investing activities</b>                                      | <b>7,138</b>    |

**G19 Cash Flow Statement – Financing Activities**

| 2020/21<br>£000 |                                                      | 2021/22<br>£000 |
|-----------------|------------------------------------------------------|-----------------|
| 19,430          | Repayments of short and long-term borrowing          | (441)           |
| (1,368)         | Other payments and receipts for financing activities | (1,438)         |
| <b>18,062</b>   | <b>Net cash flows from financing activities</b>      | <b>(1,879)</b>  |

**G20 Reconciliation of liabilities arising from Financing Activities**

|                                                    | 1 April<br>2021<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which<br>are not financing<br>cash flows<br>£000 | 31<br>March<br>2022<br>£000 |
|----------------------------------------------------|-------------------------|------------------------------------|----------------------------------------------------------|-----------------------------|
| Long-term borrowings                               | (75,724)                | (42)                               | -                                                        | (75,766)                    |
| Short-term borrowings                              | (21,023)                | -                                  | (2)                                                      | (21,025)                    |
| <b>Total liabilities from financing activities</b> | <b>(96,747)</b>         | <b>(42)</b>                        | <b>(2)</b>                                               | <b>(96,791)</b>             |

|                                                    | 1 April<br>2020<br>£000 | Financing<br>Cash<br>Flows<br>£000 | Changes which<br>are not financing<br>cash flows<br>£000 | 31<br>March<br>2021<br>£000 |
|----------------------------------------------------|-------------------------|------------------------------------|----------------------------------------------------------|-----------------------------|
| Long-term borrowings                               | (75,595)                | (570)                              | 441                                                      | (75,724)                    |
| Short-term borrowings                              | (1,032)                 | (20,000)                           | 9                                                        | (21,023)                    |
| <b>Total liabilities from financing activities</b> | <b>(76,627)</b>         | <b>(20,570)</b>                    | <b>450</b>                                               | <b>(96,747)</b>             |

## G21 Summary of Capital Expenditure and Sources of Finance

| 2020/21<br>£000 |                                                                                        | 2021/22<br>£000 |
|-----------------|----------------------------------------------------------------------------------------|-----------------|
| <b>85,789</b>   | <b>Opening Capital Financing Requirement</b>                                           | <b>80,357</b>   |
|                 | <b>Capital Investment</b>                                                              |                 |
| 29,625          | Property, Plant & Equipment                                                            | 40,824          |
| 636             | Intangible Assets                                                                      | 467             |
| 47,230          | Revenue Expenditure Funded from Capital Under Statute                                  | 47,989          |
|                 | <b>Sources of Finance</b>                                                              |                 |
| (676)           | Capital Receipts                                                                       | (9,072)         |
| (79,850)        | Government Grants and other Contributions                                              | (81,412)        |
|                 | <b>Sums set aside from Revenue</b>                                                     |                 |
| (1,280)         | Direct Revenue Contributions                                                           | (741)           |
| (783)           | Minimum Revenue Provision                                                              | (232)           |
| (334)           | Additional Voluntary Provision                                                         | (572)           |
| <b>80,357</b>   | <b>Closing Capital Financing Requirement</b>                                           | <b>77,608</b>   |
| (5,432)         | Decrease in underlying need to borrow (unsupported by Government financial assistance) | (2,749)         |



## 4.0 Supplemental Information

### 4.1 Glossary of Terms

#### A

**Abbreviations:** The symbol 'k' followed by a figure represents £ thousand. The symbol 'm' following a figure represents £ million.

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

**Accounting policies:** 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.

**Accruals:** Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**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 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.

#### B

**Bad (and doubtful) debts:** debts which may be uneconomic to collect or unenforceable in law.

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

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

**Budgets:** A statement of the Authority's forecast expenditure, that is, net revenue expenditure for the year.

## C

**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 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 receipts:** Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority.

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

**Code of Practice on Local Authority Accounting (The Code):** 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 principal that the accounting treatment of like items within an accounting period and from one period to the next should be 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 assets:** which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

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

**Current Service Cost (Pension):** 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.

## D

**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.

## E

**Earmarked reserves:** A sum set aside for a specific purpose.

**Emoluments:** Payments received in cash and benefits for employment.

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

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

**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.

**External Audit:** the independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative

requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

## F

**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 asset.

**Fees and Charges:** Income arising from the provision of services, for example, charges for the use of leisure facilities.

**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.

**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 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

## G

**General Fund:** The total services of the Authority.

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

**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.

## I

**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 Costs (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.

## L

**Leasing:** a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright. The two methods are:

- Operating Leases – may generally be described as those which do not provide for the property in the asset to transfer to the Authority, only the rental will be taken into account by the lessee; or
- Finance Leases – are leases that transfer substantially all of the risks and rewards of ownership of the asset to the lessee. The asset is recorded on the lessee's balance sheet.

**Levies:** similar to precepts, these sums are paid to other bodies. They are items of expenditure on the face of the Comprehensive Income and Expenditure Statement. The body that charges a levy on the Authority is the North East Combined Authority (transport levy).

**Liabilities:** Any amount owed to individuals or organisations which will have to be paid at some time in the future.

## M

**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.

## N

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

**Net Debt:** The Authority's borrowings less cash and liquid resources.

## P

**Private Finance Initiative (PFI):** public authority/private sector partnerships designed to procure new major capital investment resources for local authorities.

**Property, Plant and 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 the information available.

**Public Works Loan Board (PWLB):** This is a Government agency which provides loans to local authorities at favourable rates.

## R

**Related Parties:** A related party transaction is the transfer of asset 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.

**Remuneration:** defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**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.

## S

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

## T

**Treasury Management:** this is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**Treasury Management Strategy (TMS):** a strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Authority.

## U

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

**Usable Reserves:** Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

**4.2 Independent Auditor’s report to the Members of North of Tyne  
Combined Authority and the Group**

**TO BE INSERTED AFTER THE COMPLETION OF THE AUDIT**