



North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

North East Combined Authority

Statement of Accounts 2020/21

Draft - Subject to Audit

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1.0 Statement of Responsibilities for the Statement of Accounts

1.1 The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer's Responsibilities:

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

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

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

The Chief Finance Officer has also:

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

Certification of the Accounts

I hereby certify that the Statement of Accounts for the year ended 31 March 2021, required by the Accounts and Audit Regulations 2015, are set out in the following pages.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the North East Combined Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Signed:

Paul Darby
Chief Finance Officer

2.1 Movement in Reserves Statement

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

	Note	Usable Reserves					Unusable Reserves	Total Authority Reserves
		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
		£000	£000	£000	£000	£000		
Balance at 1 April 2019		(22,831)	(9,792)	(2,503)	(11,672)	(46,796)	(67,485)	(114,281)
Total Comprehensive Income and Expenditure	1	(9,988)	-	-	-	(9,988)	(870)	(10,858)
Adjustments between accounting basis & funding basis under regulations	3	9,005	-	(6,386)	(1,551)	1,068	(1,068)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		(983)	-	(6,386)	(1,551)	(8,920)	(1,938)	(10,858)
Transfers (To)/From Earmarked Reserves		2,581	(2,581)	-	-	-	-	-
(Increase)/Decrease in 2019/20		1,598	(2,581)	(6,386)	(1,551)	(8,920)	(1,938)	(10,858)
Balance at 31 March 2020 carried forward		(21,233)	(12,373)	(8,889)	(13,223)	(55,716)	(69,423)	(125,139)
Transfer to NTCA 1 April 2020		12,067	1,596	8,889	5,860	28,412	13,724	42,136
Opening Balance at 1 April		(9,166)	(10,777)	-	(7,363)	(27,304)	(55,699)	(83,003)
Total Comprehensive Income and Expenditure	1	(16,672)	-	-	-	(16,672)	360	(16,312)
Adjustments between accounting basis & funding basis under regulations	3	17,268	-	-	(16,324)	944	(944)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		596	-	-	(16,324)	(15,728)	(584)	(16,312)
Transfers (To)/From Earmarked Reserves		677	(677)	-	-	0	-	-
(Increase)/Decrease in 2020/21		1,273	(677)	-	(16,324)	(15,728)	(584)	(16,312)
Balance at 31 March 2021 carried forward		(7,893)	(11,454)	-	(23,687)	(43,032)	(56,284)	(99,316)

2.2 Comprehensive Income and Expenditure Statement

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

2019/20				Note	2020/21		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			Continuing NECA Services	1			
1,341	(678)	663	Corporate		574	(781)	(207)
290	(290)	-	Skills		-	-	-
143	-	143	Transport - Retained Levy Budget		73	-	73
15,552	-	15,552	Transport - Durham		15,456	-	15,456
31,010	-	31,010	Transport - Tyne and Wear		32,719	-	32,719
11,741	(13,609)	(1,868)	Transport - Other		11,618	(28,367)	(16,749)
14,250	(18,719)	(4,469)	Transport - Tyne Tunnels		13,267	(14,234)	(967)
-	-	-	Covid-19 Grants		6,074	(6,074)	-
74,327	(33,296)	41,031	Cost of Services relating to continuing services excluding operations transferred to the NTCA		79,781	(49,456)	30,325
375	(161)	214	Inward Investment		-	-	-
26,390	(26,053)	337	Local Growth Fund Programme		-	-	-
3,680	(3,752)	(72)	North East Local Enterprise Partnership		-	-	-
30,445	(29,966)	479	Cost of Services relating to services transferred to the NTCA		-	-	-
104,772	(63,262)	41,510	Cost of Services		79,781	(49,456)	30,325
			Financing and Investment Income and Expenditure	4			
4,196	(1,463)	2,733	- From continuing services		4,057	(963)	3,094
-	(761)	(761)	- From services transferred to the NTCA		-	-	-
			Taxation and Non-Specific Grant Income	5			
-	(51,319)	(51,319)	- From continuing services		-	(50,091)	(50,091)
-	(2,151)	(2,151)	- From services transferred to the NTCA				-
		(9,988)	(Surplus)/Deficit on Provision of Services				(16,672)
		(870)	Re-measurement of the defined benefit liability	19			360
		(870)	Other Comprehensive Income and Expenditure				360
		(10,858)	Total Comprehensive Income and Expenditure				(16,312)

2.3 Balance Sheet

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

31 March 2020 £000		Note	31 March 2021 £000
193,200	Property, Plant and Equipment	11	190,648
31,935	Long Term Debtors	15	18,715
225,135	Long Term Assets		209,363
58,236	Short Term Investments	12	34,383
8,899	Short Term Debtors	14	5,050
22,017	Cash and Cash Equivalents	16	38,183
89,152	Current Assets		77,616
(1,298)	Short Term Borrowing	12	(1,274)
(39,984)	Short Term Creditors	17	(39,879)
(891)	Grants Receipts in Advance	6	(3,356)
(2,837)	New Tyne Crossing Deferred Income	18	(2,824)
(45,010)	Current Liabilities		(47,333)
(48,224)	New Tyne Crossing Deferred Income	18	(45,184)
(95,072)	Long Term Borrowing	12	(94,276)
(840)	Pension Liability	19	(870)
(144,136)	Long Term Liabilities		(140,330)
125,141	Net Assets		99,316
(55,717)	Usable Reserves	20	(43,032)
(69,424)	Unusable Reserves	22	(56,284)
(125,141)	Total Reserves		(99,316)

Chief Finance Officer Certificate

I certify that the accounts set out on pages 5 to 75 give a true and fair view of the financial position of the North East Combined Authority as at the 31 March 2021.

Signed:

Paul Darby, Chief Finance Officer

2.4 Cash Flow Statement

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

2019/20 £000		Note	2020/21 £000
9,988	Net Surplus/(Deficit) on the provision of services		16,672
(7,193)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	16,000
(41,940)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(25,271)
(39,145)	Net cash flows from Operating Activities		7,401
47,036	Investing Activities	25	51,740
2,406	Financing Activities	26	(838)
10,297	Net (Decrease)/Increase in cash and cash equivalents		58,303
11,720	Cash and cash equivalents at the beginning of the reporting period	16	22,017
-	Transfer to the NTCA		(42,138)
22,017	Cash and cash equivalents at the end of the reporting period		38,182

Note 01: Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority

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

At this date:

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

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

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

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

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

On 1 April 2020, the Accountable Body role for the North East Local Enterprise Partnership transferred to the NTCA. This includes the employment of all North East LEP staff and administration of its income and expenditure. In addition, the Invest North East England function also transferred to the NTCA on the same date.

This has been accounted for in the 2020/21 financial statements as a transfer by absorption. Assets and liabilities have been transferred at carrying value. The Comprehensive Income and Expenditure Statement shows services transferred to NTCA separately from services continuing to be reported by NECA in the prior year results, in order to aid comparatives across financial years. In the notes to the accounts, a separate line disclosing the transfer is included after the balance brought forward from the previous year.

Note 02: Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority (i.e. government grants and contributions) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2020/21				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	93	-	(300)	-	(207)
Skills	-	-	-	-	-
Transport - Retained Levy Budget	361	(288)	-	-	73
Transport - Durham	15,456	-	-	-	15,456
Transport - Tyne and Wear	32,719	-	-	-	32,719
Transport - Other	(2,720)	(14,029)	-	-	(16,749)
Transport - Tyne Tunnels	736	(1,653)	(50)	-	(967)
Cost of services	46,645	(15,971)	(350)	-	30,325
Other Income and Expenditure	(46,050)	(741)	20	(225)	(46,997)
(Surplus)/Deficit on Provision of Services	595	(16,712)	(330)	(225)	(16,672)
Opening General Fund Balances	(33,607)				
Transfer to NTCA 1 April 2020	13,664				
Closing General Fund Balances	(19,348)				

Adjustments for Capital Purposes

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

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

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

Net Change for the Pension Adjustments

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

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

Other Differences

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

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

	2019/20				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	(177)	-	840	-	663
Inward Investment	214	-	-	-	214
Local Growth Fund Programme	2,031	(1,694)	-	-	337
North East Local Enterprise Partnership Skills	(72)	-	-	-	(72)
Transport - Retained Levy Budget	-	-	-	-	-
Transport - Durham	438	(295)	-	-	143
Transport - Tyne and Wear	15,552	-	-	-	15,552
Transport - Other	31,010	-	-	-	31,010
Transport - Tyne Tunnels	409	(2,277)	-	-	(1,868)
	(3,184)	(1,235)	(50)	-	(4,469)
Cost of services	46,221	(5,501)	790	-	41,510
Other Income and Expenditure	(50,540)	(389)	20	(589)	(51,498)
(Surplus)/Deficit on Provision of Services	(4,319)	(5,890)	810	(589)	(9,988)
Opening General Fund Balances	(32,624)				
Transfer from Capital Receipts Reserve	3,336				
Closing General Fund Balances	(33,607)				

Note 02a: Income and Expenditure Analysed by Nature

	2019/20 £000	2020/21 £000
Expenditure		
Employee benefit expenses	3,007	218
Other service expenses	61,910	69,041
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	39,855	10,542
Interest payments	4,196	4,037
Total expenditure	108,968	83,838
Income		
Fees, charges and other service income (Tyne Tunnels tolls)*	(15,866)	(11,393)
Interest and investment income	(2,224)	(963)
Income from business rates on enterprise zones	(2,151)	-
Income from transport levy	(49,598)	(49,350)
Government grants and contributions	(45,684)	(35,312)
Other income	(3,433)	(3,493)
Total income	(118,956)	(100,511)
Surplus/Deficit on the provision of services	(9,988)	(16,673)

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

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

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

2019/20				Adjustments between Accounting Basis and Funding Basis Under Statute	2020/21			
General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account (CAA)								
Reversal of items debited or credited to the CIES								
(2,317)	-	-	2,317	Charges for depreciation and impairment of non current assets	(2,402)	-	-	2,402
2,837	-	-	(2,837)	Other income that cannot be credited to the General Fund	2,824	-	-	(2,824)
35,904	-	-	(35,904)	Capital grants and contributions applied	7,052	-	-	(7,052)
(37,538)	-	-	37,538	Revenue expenditure funded from capital under statute	(10,391)	-	-	10,391
Insertion of items not debited or credited to the CIES								
964	-	-	(964)	Statutory provision for the financing of capital investment	1,391	-	-	(1,391)
5	-	-	(5)	Capital expenditure charged against the General Fund	19	-	-	(19)
Adjustments primarily involving the Capital Grants Unapplied Account								
6,036	-	(6,036)	-	Grants and contributions unapplied credited to the CIES	18,219	-	(18,219)	-
-	-	4,485	(4,485)	Application of grants to capital financing transferred to the CAA	-	-	1,895	(1,895)
Adjustments involving the Capital Receipts Reserve								
2,481	(8,042)	-	5,561	Loan principal repayments	-	(841)	-	841
855	778	-	(1,633)	Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
-	878	-	(878)	Application of Capital Receipts to repayment of debt	-	841	-	(841)
Adjustments involving the Financial Instruments Adjustment Account								
589	-	-	(589)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	225	-	-	(225)
Adjustments involving the Pensions Reserve								
(860)	-	-	860	Reversal of items relating to retirement benefits debited or credited to the CIES	280	-	-	(280)
50	-	-	(50)	Employer's pension contributions and direct payments to pensioners payable in the year	50	-	-	(50)
9,006	(6,386)	(1,551)	(1,069)	Total Adjustments	17,268	-	(16,324)	(943)

Note 04: Financing and Investment Income and Expenditure

	Note	2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
			£000	£000
Interest Payable and Similar Charges		4,176	-	4,037
Interest Payable on defined benefit liability	19	20	-	20
Interest Receivable and similar income		(1,463)	(761)	(963)
Total		2,733	(761)	3,094

Note 05: Taxation and Non Specific Grant Income

		2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
			£000	£000
Transport Levy		(49,598)	-	(49,349)
Enterprise Zones Income		-	(2,151)	-
Non-Specific Capital Grants		(1,721)	-	(741)
Total		(51,319)	(2,151)	(50,090)

Note 06: Grant Income

		2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
			£000	£000
LEP Core and Capacity Grant		-	(500)	-
Growth Hub		-	(442)	-
Local Authority Contributions to NECA		(352)	-	(161)
Local Authority Contribution to North East LEP		-	(253)	-
Local Growth Fund		-	(28,063)	(679)
Local Transport Plan		(7,770)	-	(7,736)
European Grants		-	(979)	(176)
North East Smart Ticketing Initiative		(202)	-	(113)
Transforming Cities Fund		(5,516)	-	(13,907)
LEP Local Industrial Strategy Grant		-	(224)	-
Office for Low Emission Vehicles		(302)	-	(70)
COVID-19		-	-	(6,074)
Other Grants		-	(1,082)	(5,352)
Total		(14,142)	(31,543)	(34,268)

The Government have provided Grants to cover some losses, identified by Local Authorities and NEXUS, due to the COVID-19 pandemic. These have been identified separately in the table above.

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

Grants Receipts in Advance	31 March 2020 £000	31 March 2021 £000
North East Smart Ticketing Initiative	(114)	-
Office for Low Emission Vehicles	(141)	(127)
Other Grants	(636)	(3,229)
Total	(891)	(3,356)
Shown as Short-Term Liability on the Balance Sheet	(891)	(3,356)
Short as Long-Term Liability on the Balance Sheet	-	-
Total	(891)	(3,356)

Note 7: Members' Allowances

The Authority paid the following amounts to independent members of its various committees during the year. Representatives from constituent authorities receive no allowances from NECA.

	2019/20 £000	2020/21 £000
Allowances	12	12
Total	12	12

Note 08: Officers' Remuneration

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

		Salary, Fees and Allowances £000	Pension Contributions £000	Total £000
Managing Director of Transport Operations	2020/21	131	-	131
	2019/20	127	-	127

All three of the Authority's statutory officers in 2020/21 were not formal employees of the authority (and are not therefore included in the statutory disclosure above). Their services are provided by Service Level Agreements between the authority and their Local Authority employers. The individuals involved received no additional remuneration for these roles.

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

	2019/20 £000	2020/21 £000
£50,000-£54,999	5	0
£55,000-£59,999	0	1
£60,000-£64,999	2	0
£65,000-£69,999	3	0
£70,000-£74,999	0	0
£75,000-£79,999	0	0
£80,000-£84,999	0	0
£85,000-£89,999	1	0
£90,000-£94,999	0	0
£95,000-£99,999	0	1
Total	11	2

The reduction in numbers from the 2019/20 figures is due to the removal of LEP staff who were transferred to the North of Tyne Combined Authority on 01/04/2020.

Note 9: External Audit Costs

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

	2019/20	2020/21
	£000	£000
Scale fee for the audit of the Statement of Accounts	19	19
Additional fee in relation to the audit of the 2019/20 Accounts (paid during 2020/21)	6	8
Total	25	27

Note 10: Related Parties

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

In this context, related parties include:

- Central Government
- Members of the Authority
- Officers of the Authority
- NECA Constituent Authorities
- Joint Transport Committee Constituent Authorities
- Other Public Bodies
- Other Entities

Central Government

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

Elected Members of the Authority

Members of the Authority have a direct control over the Authority's financial and operating policies. No members allowances are payable to elected members of the Authority. During 2020/21 no works or services were commissioned from companies in which any members had an interest.

Officers

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

NECA Constituent Authorities

The Leaders of the four NECA constituent Authorities serve as members of the NECA Leadership Board. Prior to 2 November 2018, the Leaders and Elected Mayor of the seven North East local authorities were members of the NECA Leadership Board. Details of material transactions with the seven Authorities are set out in the table below.

Joint Transport Committee Constituent Authorities

From 2 November 2018, the Joint Transport Committee has been in establishment, comprised of the seven North East local authorities. Figures reported in these accounts include the NECA 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 Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus). NECA (via its participation in the Joint Transport Committee) sets the policy which is delivered by Nexus, and agrees its budget and revenue grant. Details of material transactions with Nexus are set out in the table below.

Other Entities

Newcastle International Airport Ltd - the seven Constituent Authorities of NECA are shareholders in Newcastle Airport.

	2019/20				2020/21			
	Receivables	Income	Expenditure	Payables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000	£000	£000	£000
NECA Constituent Authorities								
Durham	(3)	(15,699)	19,330	595	-	(15,499)	18,960	1,187
Gateshead	(245)	(6,463)	4,525	2,625	-	(10,291)	1,136	137
South Tyneside	(3)	(4,689)	981	791	-	(8,112)	926	206
Sunderland	(763)	(9,582)	13,099	898	-	(14,949)	1,327	131
Remaining JTC Constituent Authorities								
Newcastle	(528)	(8,940)	3,126	1,308	-	(10)	2,879	691
North Tyneside	(433)	(8,542)	3,640	290	-	(10)	1,061	130
Northumberland	(351)	(496)	3,389	271	-	(10)	2,014	315
Other Public Bodies								
North of Tyne Combined Authority	(8)	(8)	-	-	-	-	-	-
Nexus	(845)	(81)	31,803	28,695	(695)	(761)	37,234	33,671

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

Note 11: Property, Plant and Equipment

	2020/21				
	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2020	2,204	219,358	1,049	222,611	219,358
Additions	-	528	189	717	528
Reclassification from Assets Under Construction	677	-	(677)	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	(20)	-	(20)	(20)
Other Adjustments	-	(865)	-	(865)	(865)
At 31 March 2021	2,881	219,001	561	222,443	219,001
Accumulated Depreciation and Impairment					
At 1 April 2020	(754)	(28,657)	-	(29,411)	(28,657)
Depreciation charge for the Year	(160)	(2,222)	-	(2,382)	(2,222)
At 31 March 2021	(914)	(30,879)	-	(31,793)	(30,879)
Net Book Value					
At 1 April 2020	1,450	190,701	1,049	193,200	190,701
At 31 March 2021	1,967	188,122	561	190,650	188,122

	2019/20				
	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2019	1,785	209,165	10,067	221,017	209,165
Additions	-	-	1,594	1,594	-
Reclassification from Assets Under Construction	419	10,193	(10,612)	-	10,193
At 31 March 2020	2,204	219,358	1,049	222,611	219,358
Accumulated Depreciation and Impairment					
At 1 April 2019	(661)	(26,433)	-	(27,094)	(26,433)
Depreciation charge for the Year	(93)	(2,224)	-	(2,317)	(2,224)
At 31 March 2020	(754)	(28,657)	-	(29,411)	(28,657)
Net Book Value					
At 1 April 2019	1,124	182,732	10,067	193,923	182,732
At 31 March 2020	1,450	190,701	1,049	193,200	190,701

Note 12: Financial Instruments**Financial Assets**

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

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	-	-	31,935	18,715	58,236	-	6,926	2,242
Total financial assets	-	-	31,935	18,715	58,236	-	6,926	2,242
Non-financial assets	-	-	-	-	-	-	1,973	2,808
Total	-	-	31,935	18,715	58,236	-	8,899	5,050

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

Trade receivables

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

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

Financial Liabilities held at amortised cost

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

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(95,072)	(94,276)	-	-	(1,298)	(1,274)	(32,487)	(33,933)
Total financial liabilities	(95,072)	(94,276)	-	-	(1,298)	(1,274)	(32,487)	(33,933)
Non-financial liabilities	-	-	-	-	-	-	(7,497)	(5,946)
Total	(95,072)	(94,276)	-	-	(1,298)	(1,274)	(39,984)	(39,879)

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

Income, Expense, Gains and Losses

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

31 March 2020				31 March 2021		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total		Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
4,176	-	4,176	Interest expense	4,037	-	4,037
4,176	-	4,176	Total expense in Surplus on Provision of Services	4,037	-	4,037
-	(2,092)	(2,092)	Investment income	-	(963)	(963)
-	(132)	(132)	Movement on soft loans adjustment	-	-	-
-	(2,224)	(2,224)	Total income in Surplus on Provision of Services	-	(963)	(963)
4,176	(2,224)	1,952	Net (gain)/loss for the year	4,037	(963)	3,074

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2020/21 the fair values shown in the table below are split by their level in the fair value hierarchy:

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

The fair values calculated are as follows:

	Level	31 March 2020		31 March 2021	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost	2	(96,370)	(166,167)	(95,550)	(151,970)
Total		(96,370)	(166,167)	(95,550)	(151,970)
Financial Assets at amortised cost					
Held to maturity investments		58,236	58,236	34,383	34,383
Nexus loan debtor	2	19,614	34,148	18,715	30,051
Other loan debtors	3	14,510	14,510	-	-
Total		92,360	106,894	53,098	64,434

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

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 LEP issued a small number of loans as part of its North East Investment Fund activity to encourage economic development in the region. Details of the 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.
- Neptune Test Centre - construction of deep water test tank at Neptune Enterprise
- Cobalt Data Centre - Network improvements to support development of 23km 'superfast' broadband loop through Newcastle and North Tyneside.
- Boiler Shop - Development including office and conferencing space at South Street/Boiler Shop, Stephenson Quarter.

Since the transfer of Accountable Body responsibility for the North East LEP to the North of Tyne Combined Authority on 1 April 2020, NECA no longer holds any soft loans so no values are shown for 2020/21.

Description	2019/20							
	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%	9,244	(1,282)	458	8,420	8,916
Neptune Test Centre	9	0.00%	4.99%	3,397	(440)	169	3,126	4,397
Cobalt Data Centre	6	6.00%	7.00%	1,589	(1,589)	-	-	-
Boiler Shop	3	4.50%	5.02%	1,699	(80)	90	1,709	1,465

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

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

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

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

Credit risk

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

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

Rating	2019/20 £000	2020/21 £000
n/a - investments with UK local authorities	52,446	27,617
n/a - investments with unrated building societies ¹	5,790	-
Total Short-Term Investments	58,236	27,617
AAA	13,348	14,254
AA2	3,621	-
Total Cash Equivalents	16,969	14,254

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Authority. The Authority has a low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

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

Liquidity Risk

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

	31 March 2020 £000	31 March 2021 £000
Between 1-2 years	(371)	(370)
Between 2-5 years	(1,114)	(1,109)
Between 5-10 years	(557)	(185)
More than 10 years	(93,029)	(92,612)
	(95,071)	(94,276)
Less than 1 year	(1,298)	(1,274)
Total borrowing	(96,369)	(95,550)

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

	31 March 2020 £000	31 March 2021 £000
Increase in interest payable on variable rate borrowing	-	-
Increase in interest receivable on variable rate investments	(520)	(95)
Impact on the (Surplus)/Deficit on Provision of Services	(520)	(95)

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease of £30.616m in the fair value of fixed rate borrowings, although this would not impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Note 14: Short Term Debtors

	31 March 2020 £000	31 March 2021 £000
Central Government bodies	3,375	610
Other local authorities	4,327	2,303
Other entities and individuals	1,197	2,137
Total	8,899	5,050

Note 15: Long Term Debtors

	31 March 2020 £000	31 March 2021 £000
Nexus borrowing	19,614	18,715
North East Investment Fund loans	12,321	-
Total	31,935	18,715

Note 16: Cash and Cash Equivalents

	31 March 2020 £000	31 March 2021 £000
Cash held in Authority's bank account	5,048	20,437
Cash equivalents	16,969	17,746
Total	22,017	38,183

Note 17: Short Term Creditors

	31 March 2020 £000	31 March 2021 £000
Central government bodies	(38)	(33)
Other local authorities	(7,213)	(2,188)
Other entities and individuals		
- Nexus	(28,224)	(33,672)
- TT2	(1,693)	(1,212)
- Other	(2,816)	(2,774)
Total	(39,984)	(39,879)

Note 18: Private Finance Initiatives and Similar Contracts

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

In 2020/21 the total payment under the contract was £12.717m (2019/20 £21.123m) of which £7.052m is shown in the account of NECA and £5.665m shown in the accounts of NTCA. The reduction 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 2020/21 value of £86.568m (2019/20 £91.661m), of which £48.008m is shown on the NECA balance sheet and £38.561m shown on the NTCA balance sheet

	Deferred Income Release	
	2019/20 £000	2020/21 £000
Payable in 2021/22	(2,837)	(2,824)
Payable within 2 to 5 years	(11,347)	(11,296)
Payable within 6 to 10 years	(14,183)	(14,120)
Payable within 11 to 15 years	(14,184)	(14,120)
Payable within 16 to 20 years	(8,510)	(5,648)
Total	(51,062)	(48,008)

Payments

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

Note 19: Defined Benefit Pension Schemes

The Authority participates in two post-employment schemes:

- (i) The largest of the two, the Tyne and Wear Pension Fund is administered locally by South Tyneside Council - this is a funded, defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments.
- (ii) Unfunded defined benefit arrangements for the award of discretionary post-employment benefits upon early retirement. Under this type of scheme liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities and cash has to be generated to meet actual pension payments as they fall due.

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the General Fund is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Amounts recognised in profit and loss and other comprehensive income

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	840	320	-	-
Settlement cost	-	(620)	-	-
Financing and Investment Income and Expenditure				
Interest on net defined benefit liability (asset)	-	-	20	20
Pension expense recognised in profit and loss	840	(300)	20	20
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of)/below that recognised in net interest	2,630	(8,690)	-	-
Actuarial (gains)/losses due to changes in financial assumptions	-	4,310	-	70
Actuarial (gains)/losses due to changes in demographic assumptions	(390)	-	(20)	-
Actuarial (gains)/losses due to changes in liability assumptions	3,090	320	(10)	(10)
Adjustment in respect of paragraph 58	(6,170)	4,330	-	-
Total amount recognised in OCI	(840)	270	(30)	60
Total amount recognised	-	(30)	(10)	80

North East Local Enterprise Partnership employees were transferred to the North of Tyne Combined Authority on 01 April 2020. The settlement cost in the table above reflects the transfer between employers.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	(39,520)	(42,750)	(900)	(840)
Current service cost	(840)	(320)	-	-
Interest cost	(930)	(950)	(20)	(20)
Contributions by participants	(170)	(70)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	-	(4,310)	-	(70)
Actuarial gains/(losses) on liabilities - demographic assumptions	390	-	20	-
Actuarial gains/(losses) on liabilities - experience	(3,090)	(320)	10	10
Net benefits paid out	1,410	350	50	50
Past service costs	-	-	-	-
Settlements	-	(30)	-	-
Closing balance at 31 March	(42,750)	(48,400)	(840)	(870)

Reconciliation of the fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	48,300	45,570	-	-
Interest income on assets	1,140	1,020	-	-
Remeasurement gains/(losses) on assets	(2,630)	8,620	-	-
Employer contributions	-	-	50	50
Contributions by scheme participants	170	70	-	-
Net benefits paid out	(1,410)	(350)	(50)	(50)
Settlements		(880)		
Closing balance at 31 March	45,570	54,050	-	-

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	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Fair value of LGPS assets	45,050	45,980	48,300	45,570	54,050
Present value of liabilities:					
- LGPS liabilities	(37,590)	(38,950)	(39,520)	(42,750)	(46,900)
- Impact of minimum funding	(7,460)	(7,030)	(8,780)	(2,820)	(7,150)
Deficit on funded defined benefit scheme	-	-	-	-	-
Discretionary benefits	(980)	(960)	(900)	(840)	(870)
Total (Deficit)	(980)	(960)	(900)	(840)	(870)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows: active members 9%, deferred pensioners 13% and pensioners 78%.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £54.920m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £0.870m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2022 is nil. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2022 are £0.05m in relation to unfunded benefits.

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

The weighted average duration of the defined benefit obligation for scheme members is 13.5 years.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	21.8	21.9	21.8	21.9
- Women	25.0	25.1	25.0	25.1
Longevity at 65 for future pensioners:				
- Men	23.5	23.6	n/a	n/a
- Women	26.8	26.9	n/a	n/a
Principal financial assumptions (% per annum)				
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.1%
Rate of inflation - Consumer Price Index	2.1%	2.7%	2.1%	2.7%
Rate of increase in pensions	2.1%	2.7%	2.1%	2.7%
Pension accounts revaluation rate	2.1%	2.7%	n/a	n/a
Rate of increase in salaries	3.6%	4.2%	n/a	n/a

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

	31 March 2020	31 March 2021		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	54.8%	48.4%	7.1%	55.5%
Property	9.0%	0.0%	7.9%	7.9%
Government bonds	4.1%	2.2%	0.0%	2.2%
Corporate bonds	15.3%	19.8%	0.0%	19.8%
Cash	2.3%	4.0%	0.0%	4.0%
Other*	14.5%	4.7%	5.9%	10.6%
Total	100.0%	79.1%	20.9%	100.0%

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

Actual Return on Assets

	Local Government Pension Scheme	
	2019/20	2020/21
	£000	£000
Interest Income on Assets	1,140	1,020
Remeasurement gain/(loss) on assets	(2,630)	8,620
Actual Return on Assets	(1,490)	9,640

Sensitivity Analysis

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

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

Discount rate assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to discount rate			
Present value of total obligation (£M)	46.29	46.90	47.56
% change in present value of total obligation	-1.30%		1.40%
Projected service cost (£M)	0.41	0.42	0.43
Approximate % change in projected service cost	-2.70%		2.80%

Rate of general increase in salaries	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to salary increase rate			
Present value of total obligation (£M)	46.90	46.90	46.90
% change in present value of total obligation	0.00%		0.00%
Projected service cost (£M)	0.42	0.42	0.42
Approximate % change in projected service cost	0.00%		0.00%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to pension increase rate			
Present value of total obligation	47.51	46.90	46.29
% change in present value of total obligation	1.30%		-1.30%
Projected service cost (£M)	0.43	0.42	0.42
Approximate % change in projected service cost	2.80%		-2.70%

Post retirement mortality assumption	- 1 year	Base Figure	+ 1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	48.59	46.90	45.26
% change in present value of total obligation	3.60%		-3.50%
Projected service cost (£M)	0.44	0.42	0.40
Approximate % change in projected service cost	4.20%		-4.10%

* 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

The Pension Fund actuaries have assessed the impact of the Covid 19 pandemic on pension liabilities. Mortality during March to May 2020 was around 30% higher than the fund average for equivalent periods in the previous 10 years. However, for the 12 months to 31 May 2020, mortality was only 10% higher. The impact of this increase in mortality was small in liability terms i.e. an estimated reduction in pensioner liabilities of 0.1%. A decision was made not to change the mortality assumption on the funding valuation.

McCloud Judgement

All public sector pension schemes were reviewed in 2011 and subsequently reformed to reduce the cost to the taxpayer. Transitional protections were provided to members who were closest to retirement. The transitional protections applied to all active members of public services schemes who were within 10 years of their normal pension age on 1 April 2012. In relation to the LGPS, all members were moved into the new 2014 Scheme, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits would be at least as valuable in terms of amount and when they could be drawn than if they had remaining in the 2008 Scheme.

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pensions schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

The Government applied to the Supreme Court for permission to appeal this judgement. On 27 June 2019, the Supreme Court denied this request for an appeal.

MHCLG published its McCloud consultation for the LGPS (in England and Wales) on 16 July 2020 setting out proposed changes aimed at removing the unlawful age discrimination in the LGPS. The consultation closed on 8 October 2020 but has not yet published its consultation response.

Although it is unknown what impact this will have on future employer pension contributions at this stage, the Pension Fund's Actuary had calculated a potential IAS 19 account liability of 2.75% of pensionable pay for 2019/20 which had been included in the current service cost for that year. Where an additional liability arises relating to past service this will result in increased employer contribution rates in the future. Employer contributions towards future service may also increase if the 'better of both' test is extended beyond members within 10 years of normal pension age at 1 April 2012. No further remeasurements have been carried out for 2020-21

Guaranteed Minimum Pension (GMP) Equalisation and Indexation

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997.

Prior to 6 April 2016, public service pension schemes and the State Pension worked together to ensure pension increases on State Pension and LGPS Pension kept in line with inflation. The LGPS was not required to pay any pension increases on GMPs accrued before April 1988. The Additional Pension (AP) element of the State Pension paid top-up payments to pensioners to give inflation protection on the GMP element where this was not provided by the LGPS. However reforms were made to the State Pension system in April 2016 which scrapped AP and therefore removed the facility for central government to fully index the combined pension through AP. The government has since introduced 'interim solutions' for public sector schemes to pay full inflationary increases on GMPS for those reaching the State Pension Age (SPA) to ensure that members continue to receive full inflationary increases on the combined public sector scheme and State pensions.

The government has since introduced 'interim solutions' for public sector schemes to pay full inflationary increases on GMPS for those reaching the State Pension Age (SPA) to ensure that members continue to receive full inflationary increases on the combined public sector scheme and State pensions. This applied to those reaching SPA between 6 April 2016 and 5 April 2021. The Government has also indicated that it is committed to continuing to compensate all members of public sector pension schemes reached SAP after 5 April 2021.

On 7 October 2020 MHCLG consulted on proposed solutions to compensate members reaching SPA after 5 April 2021 which focused on making further extensions to GMP indexation followed by ultimate conversion or indefinite indexation as a permanent solutions for public sector pension schemes. The expectation is that full indexation will extend until at least April 2024 with conversion to be brought in as a longer term option.

The rate of which GMP was accrued, and the date it is payable, is different for men and women. On 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. On 20 November 2020 the High Court ruled on the equalisation for GMPs of historic transfers out of the three largest Lloyds Banking Group pension schemes. The judgement requires all transfers between 17 May 1990 and 5 April 1997 with GMPs to be equalised. Schemes will be expected to pay a top-up to the receiving scheme with interest at Bank base rate +1%. At this point in time, it is unknown if there will be a blanket exemption on the application of this ruling to public sector schemes. The Pension Actuaries have not made any allowance for a potential liability resulting from this ruling in the accounting figures for this financial year.

Note 20: Usable Reserves

	Note	31 March 2020 £000	31 March 2021 £000
General Fund Balance		(21,232)	(7,894)
Earmarked Reserves	21	(12,372)	(11,452)
Capital Receipts Reserve		(8,889)	-
Capital Grants Unapplied Reserve		(13,224)	(23,686)
Total		(55,717)	(43,032)

The **General Fund Balance** is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the financial year.

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

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

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

Note 21: Transfers (to)/From Earmarked Reserves

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

	Opening Balance 1 April 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfer to NTCA 1 April 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Metro Reinvigoration Reserve	(5,108)	-	(42)	(5,150)	-	-	(14)	(5,164)
Metro Fleet Replacement Reserve	(3,730)	-	(1,895)	(5,625)	-	-	(16)	(5,641)
North East LEP Restricted Cashable Reserve - RGF Interest	(934)	232	(628)	(1,330)	1,330	-	-	-
North East LEP Restricted Cashable Reserve - GPF Loan Repayments	-	609	(876)	(267)	267	-	-	-
Transforming Cities Fund Support	(20)	20	-	-	-	-	-	-
Metro and Rail Studies	-	-	-	-	-	-	(389)	(389)
Nexus contribution to Bus Partnership Project	-	-	-	-	-	-	(258)	(258)
Total	(9,792)	861	(3,441)	(12,372)	1,597	-	(677)	(11,452)

Note 22: Unusable Reserves**Summary**

	31 March 2020 £000	31 March 2021 £000
Capital Adjustment Account	(68,818)	(53,027)
Financial Instruments Adjustment Account	3,092	309
Revaluation Reserve	(4,538)	(4,436)
Pension Reserve	840	870
Total	(69,424)	(56,284)

Capital Adjustment Account

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

The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 3 provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2019/20 £000	2020/21 £000
Opening Balance 1 April	(67,448)	(68,819)
Transferred to the NTCA	-	16,282
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	2,317	2,402
Other income that cannot be credited to the General Fund	(2,837)	(2,824)
Revenue expenditure funded from capital under statute	37,538	10,391
Write down of long term debtors	5,560	841
Adjusting amounts written out of the Revaluation Reserve	(81)	(102)
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(40,389)	(8,947)
Statutory provision for the financing of capital investment	(964)	(1,391)
Capital expenditure charged against the General Fund	(5)	(19)
Debt redeemed using capital receipts	(2,510)	(841)
Balance at 31 March	(68,819)	(53,027)

Financial Instruments Adjustment Account

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

	2019/20	2020/21
	£000	£000
Opening Balance 1 April	3,681	3,092
Transferred to the NTCA	-	(2,558)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(457)	(225)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(132)	-
Balance at 31 March	3,092	309

Revaluation Reserve

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

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

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

	2019/20	2020/21
	£000	£000
Opening Balance 1 April	(4,619)	(4,538)
Difference between fair value depreciation and historical cost depreciation written off to the CAA	81	102
Balance at 31 March	(4,538)	(4,436)

Pensions Reserve

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

	2019/20	2020/21
	£000	£000
Opening Balance 1 April	900	840
Remeasurements of the net defined benefit liability (asset)	(870)	360
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	860	(280)
Employer's pension contributions and direct payments to pensioners payable in the year	(50)	(50)
Balance at 31 March	840	870

Note 23: Capital Expenditure and Capital Financing

	2019/20 £000	2020/21 £000
Opening Capital Financing Requirement 1 April	107,602	102,866
Capital Investment		
Property, Plant and Equipment	1,594	717
Revenue Expenditure Funded from Capital Under Statute	37,538	10,391
Sources of Finance		
Capital receipts - repayment of principal from long term debtors	(2,510)	(841)
Government Grants and other contributions	(40,389)	(8,947)
Sums set aside from revenue		
Direct revenue contributions	(5)	(19)
Minimum Revenue Provision	(964)	(975)
Additional Voluntary Provision	-	(416)
Closing Capital Financing Requirement 31 March	102,866	102,776
Decrease in underlying need to borrow (unsupported by government financial assistance)	(4,736)	(90)

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

	2019/20 £000	2020/21 £000
Surplus/(Deficit) on the provision of services	9,988	16,673
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	2,317	2,402
(Increase)/Decrease in Creditors	(11,144)	(86)
Increase/(Decrease) in Debtors	3,677	17,067
Movement in Pension Liability	810	(330)
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,853)	(3,053)
	(7,193)	16,000
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital grants credited to surplus/(deficit) on provision of services	(41,940)	(25,271)
Net cash flow from operating activities	(39,145)	7,402

The cash flows for operating activities include the following items:

	2019/20 £000	2020/21 £000
Interest received	2,224	963
Interest paid	(4,196)	(4,057)

Note 25: Cash Flow Statement - Investing Activities

	2019/20 £000	2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,596)	150
Purchase of short-term and long-term investments	(101,107)	(41,592)
Proceeds from short-term and long-term investments	101,107	65,445
Other receipts from investing activities	48,632	27,737
Net cash flows from investing activities	47,036	51,740

Note 26: Cash Flow Statement - Financing Activities

	2019/20 £000	2020/21 £000
Repayments of short and long-term borrowing	2,406	(838)
Net cash flows from financing activities	2,406	(838)

Note 26a: Reconciliation of liabilities arising from Financing Activities

	1 April 2020	Financing Cash Flows	Changes which are not financing cash flows		31 March 2021
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(95,071)	796			(94,275)
Short term borrowings	(1,298)			24	(1,274)
Total Liabilities from financing activities	(96,369)	796	-	24	(95,549)

	1 April 2019	Financing Cash Flows	Changes which are not financing cash flows		31 March 2020
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(92,685)	(2,386)	-	-	(95,071)
Short term borrowings	(1,288)	-	-	(10)	(1,298)
Total Liabilities from financing activities	(93,973)	(2,386)	-	(10)	(96,369)

Note 27: Accounting Standards Issued, Not Yet Adopted

Impact of the adoption of new accounting standards on the 2020/21 Financial Statements

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

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is a recognition exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2022. Work to date has shown that NECA leases identified will not have a material effect on the 2021/22 statements.

IFRS 17 Insurance Contracts sets out the requirements for local authorities reporting information about insurance contracts it issues and reinsurance contracts it holds. The amendments are aimed at helping local authorities implement the Standard and making it easier for them to explain their financial performance. The amendments are effective from annual reporting periods beginning on or after 1 January 2023.

The following amendments have been made to the IFRS Standards and are effective from 1 January 2020.

Definition of a Business: Amendments to IFRS 3 Business Combinations determines whether an acquired set of activities and assets is a business or not. It clarifies the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements and narrow the definition of outputs.

Interest Rate Benchmark Reform: Amendments to IFRS9, IAS 39 and IFRS 7 enable users of financial statements to understand how the uncertainty arising from interest rate benchmark reform affects an entity's hedging relationships. These amendments provide temporary exceptions to specific hedge relationships solely due to the uncertainty arising from the reform.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 do not supersede the Phase 1 amendments. The amendments are applied retrospectively and include the potential reinstatements of hedge relationships that were discontinued solely due to changes directly required by the reform.

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

Note 28: Critical Judgements in Applying Accounting Policies

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

Service Concession Arrangements

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

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

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

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

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

Accounting for the North East Joint Transport Committee

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

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

Accounting for the Transfer of the North East Local Enterprise Partnership

As set out in Note 1, on 1 April 2020 the Accountable Body role for the North East Local Enterprise Partnership transferred to NTCA.

This has been accounted for in the 2020/21 financial statements as a transfer by absorption. Assets and liabilities have been transferred at carrying value. The Comprehensive Income and Expenditure Statement shows services transferred to NTCA separately from services continuing to be reported by NECA in the prior year results, in order to aid comparatives across financial years. In the notes to the accounts, a separate line disclosing the transfer is included after the balance brought forward from the previous year.

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

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2021 and the projected service cost for the year ending 31 March 2022 are set out below.</p> <p>Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £46.29m, a variance of £0.61m, whereas a decrease of (0.1%) p.a. results in an increase to £47.56m, a variance of £0.66m. The percentage change in the present value of the total obligation would be (1.3%) and 1.4% respectively.</p>

		<p>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption: an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation by £0.61m to £47.51m, whereas a decrease of (0.1%) p.a. results in a decrease to £46.29m, a variance of £0.61m. The percentage change in the present value of the total obligation would be 1.3% and (1.3%) respectively.</p>
		<p>Post retirement mortality assumption: an adjustment to the mortality age rating assumption of -1 year would change the present value of the total obligation to £48.59m, an increase of £1.69m, whereas an adjustment of +1 year results in a reduction to £45.26m, a variance of £3.5m. The percentage change in the present value of the total obligation would be 3.6% and (3.5%) respectively.</p>
<p>Government Funding</p>	<p>There is no certainty about the amount of government funding for Local Authorities until the outcome of the Comprehensive Spending Review is known in 2021</p>	<p>Possible impact could be reductions in;</p> <ul style="list-style-type: none"> - funding for the North East region's transport infrastructure and initiatives - contributions from Local Authorities - grant funding from government

<p>Government Funding</p>	<p>The outcome of the Fair Funding Review which aims to distribute government funding in a fairer way to Local Authorities - expected to be implemented in 2022/23</p>	<p>Possible impact could be reductions in;</p> <ul style="list-style-type: none"> - funding for the North East region's transport infrastructure and initiatives - contributions from Local Authorities - grant funding from government
<p>Brexit</p>	<p>The outcome of Brexit negotiations has implications for each local authority in the sense that any subsequent volatility in stock markets, exchange rates, interest rates and future availability of funding could potentially impact on amounts disclosed within the financial statements.</p>	<p>Areas impacted could include:</p> <ul style="list-style-type: none"> - The availability of grant funding and impact on other funding streams. - The fair value of long-term borrowing (but not the principal sum or interest payable). - The liability related to defined benefit pension schemes, which is dependent on a large number of factors including investment performance, bond yields and inflation. - Unusable reserves - any movement in the liability related to defined benefit pension schemes will be offset within unusable reserves.

<p>Covid-19</p>	<p>The exact consequences of the outbreak of the Covid-19 virus are currently unknown. Some possible areas of concern are:-</p> <ul style="list-style-type: none"> - Possible reduction in Government Funding to Local Authorities - Possible reduction in income from the Tyne Tunnels due to changes in working practices and Government guidelines - Pension Scheme Assets 	<p>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.</p> <p>Reduction of Tunnel use due to 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>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>
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Note 30: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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

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

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliability the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payments on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Authority has a policy of not accruing for manual sundry creditor or sundry debtor provisions for less than £1,000, other than in exceptional circumstances.

3. Cash and Cash Equivalents

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

4. Exceptional Items

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

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

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

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

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

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

6. Charges to Revenue for Non-Current Assets

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

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

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

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

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

No such amounts are payable in 2020/21

8. Post-Employment Benefits

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

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

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the NECA Corporate line.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the NECA Corporate line.
- Net interest on the net defined liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
- Remeasurements comprising:
 - o The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - o Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - o Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Further details are provided in Note 19 to the accounts.

9. Events after the Balance Sheet Date

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

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

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

10. Fair Value Measurement

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

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

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

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

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

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

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

11. Financial Instruments

Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charged required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

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

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

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

Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

Fair Value Through Other Comprehensive Income (FVOCI)

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

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

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

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

Fair Value through Profit and Loss (FVPL)

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

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

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

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

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

12. Government Grants & Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions and capital grants used to fund Revenue Expenditure Funded from Capital Under Statute) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and capital grants) in the Comprehensive Income and Expenditure Statement.

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

13. Property, Plant & Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

De Minimis Levels

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

Impairment

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

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

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

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

Depreciation

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

Depreciation on all Property, Plant and Equipment assets (except vehicles) is calculated by taking the asset value at 31 March 2021, divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

Disposals

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

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

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

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

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

14. Public Private Partnership (PPP) Contracts

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

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

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

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

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

In most 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 cost of finance. However, in the New Tyne Crossing project, TT2 Ltd. (the Operator) receives a defined proportion of the total toll revenue and uses this to meet its cost of constructing and operating both vehicle tunnels. NECA may therefore have no long term obligation to transfer economic resources to TT2, and hence should not recognise a liability.

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

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

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

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

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

15. Provisions

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

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

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

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

16. Contingent Liabilities

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

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2020/21.

17. Reserves

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

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

18. Revenue Expenditure Funded from Capital under Statute

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

19. VAT

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

20. Overheads

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

21. Tyne Tunnels Income

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

22. Group Accounts

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

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

For the 2020/21 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2020/21 and comparators for 2019/20. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

23. Joint Transport Committee

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

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

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

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

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

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

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

By similar rationale and argument, the division of assets, liabilities and expenditure incurred will also be divided on this basis.

Note 31: Events After the Balance Sheet Date

Adjusting events after the Balance Sheet date

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

Non-adjusting Events after the Balance Sheet date

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

3.1 Group Movement in Reserves Statement

	Note	NECA Usable Reserves	NECA Unusable Reserves	Total NECA Reserves	Authority Share of Nexus	Total Group Reserves
		£000	£000	£000	£000	£000
Balance at 1 April 2019 carried forward		(46,798)	(67,485)	(114,283)	(245,804)	(360,087)
Total Comprehensive Income and Expenditure		(9,988)	(870)	(10,858)	(18,084)	(28,942)
Adjustments between accounting basis & funding basis under regulations		1,068	(1,068)	-	-	-
(Increase)/Decrease in 2019/20		(8,920)	(1,938)	(10,858)	(18,084)	(28,942)
Balance at 31 March 2020 carried forward		(55,718)	(69,423)	(125,141)	(263,888)	(389,029)
Transfer of Services to the NTCA at 1 April 2020		28,415	13,724	42,138	-	42,138
Total Comprehensive Income and Expenditure		(16,673)	360	(16,313)	958	(15,355)
Adjustments between accounting basis & funding basis under regulations		943	(943)	-	-	-
(Increase)/Decrease in 2020/21		(15,730)	(583)	(16,313)	958	(15,355)
Balance at 31 March 2021 carried forward		(43,033)	(56,282)	(99,316)	(262,930)	(362,246)

3.2 Group Comprehensive Income and Expenditure Statement

2019/20				2020/21			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			Continuing NECA Services				
1,341	(597)	744	Corporate		574	(781)	(207)
290	(290)	-	Skills		-	-	-
143	-	143	Transport - Retained Levy Budget		73	-	73
15,552	-	15,552	Transport - Durham		15,456	-	15,456
95,268	(44,887)	50,381	Transport - Tyne and Wear		102,696	(47,597)	55,098
9,983	(13,609)	(3,626)	Transport - Other		7,576	(27,606)	(20,030)
14,250	(18,719)	(4,469)	Transport - Tyne Tunnels		13,267	(14,234)	(967)
-	-	-	Covid-19 Grants		3,878	(3,878)	-
136,827	(78,102)	58,725	Cost of Services relating to continuing services excluding operations transferred to the NTCA		143,520	(94,096)	49,424
375	(161)	214	Inward Investment		-	-	-
23,562	(26,053)	(2,491)	Local Growth Fund Programme		-	-	-
3,680	(3,752)	(72)	North East Local Enterprise Partnership		-	-	-
27,617	(29,966)	(2,349)	Cost of Services relating to services transferred to the NTCA		-	-	-
164,444	(108,068)	56,376	Cost of Services		143,520	(94,096)	49,424
			Financing and Investment Income and Expenditure	G03			
5,373	(1,058)	4,315	- From continuing services		9,039	(4,195)	4,844
-	(761)	(761)	- From services transferred to the NTCA		-	-	-
			Taxation and Non-Specific Grant Income	G04			
-	(74,763)	(74,763)	- From continuing services		-	(81,465)	(81,465)
-	(2,151)	(2,151)	- From services transferred to the NTCA		-	-	-
		116	(Gain)/Loss on disposal or derecognition of non-current assets				-
		(16,868)	(Surplus)/Deficit on Provision of Services				(27,197)
		(437)	Taxation of Group Entities				-
		(17,305)	Group (Surplus)/Deficit				(27,197)
		(10,648)	Re-measurement of the defined benefit liability	G12			11,843
		(988)	Gains on Revaluation of Property	G06			-
		(11,636)	Other Comprehensive Income and Expenditure				11,843
		(28,941)	Total Comprehensive Income and Expenditure				(15,354)

3.3 Group Balance Sheet

31 March 2020 £000		Note	31 March 2021 £000
479,019	Property, Plant and Equipment	G6	492,886
2,501	Intangible Assets	G7	2,973
12,321	Long Term Debtors	G8	-
1	Long Term Investments	G8	1
493,842	Long Term Assets		495,860
58,236	Short Term Investments	G8	34,383
17,008	Short Term Debtors	G9	14,806
38,685	Cash and Cash Equivalents	G10	52,493
2,007	Inventories		504
115,936	Current Assets		102,186
(1,298)	Short Term Borrowing	G8	(1,274)
(28,118)	Short Term Creditors	G11	(26,040)
(891)	Grants Receipts in Advance	G5	(3,356)
(2,837)	New Tyne Crossing Deferred Income		(2,824)
(33,144)	Current Liabilities		(33,494)
(48,224)	New Tyne Crossing Deferred Income		(45,184)
(95,072)	Long Term Borrowing	G8	(94,276)
(39,251)	Pension Liability	G12	(57,541)
(2,898)	Provisions		(3,152)
(2,161)	Deferred Taxation	G13	(2,153)
(187,606)	Long Term Liabilities		(202,306)
389,028	Net Assets		362,246
(76,530)	Usable Reserves	G14	(71,060)
(312,498)	Unusable Reserves	G15	(291,185)
(389,028)	Total Reserves		(362,246)

Chief Finance Officer Certificate

I certify that the accounts set out on pages 77 to 113 give a true and fair view of the financial position of the North East Combined Authority Group as at the 31 March 2021.

Signed: Paul Darby, Chief Finance Officer

3.4 Group Cash Flow Statement

2019/20 £000		Note	2020/21 £000
16,868	Surplus/(Deficit) on the provision of services	G16	27,198
23,586	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G16	47,933
(69,297)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G16	(58,891)
(28,843)	Net cash flows from Operating Activities	G16	16,240
44,584	Investing Activities	G17	43,089
981	Financing Activities	G18	(3,383)
16,722	Net (Decrease)/Increase in cash and cash equivalents		55,946
21,964	Cash and cash equivalents at the beginning of the reporting period		38,685
-	Transfer to the NTCA		(42,138)
38,686	Cash and cash equivalents at the end of the reporting period	G10	52,493

3.5 Explanatory Notes to the Group Financial Statements

Note G1: Group Accounts

Under 9.1.17 of the Code of Practice for Local Authority Accounting 2020/21, authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

Nexus is the only subsidiary for the North East Combined Authority, and the Group Accounts have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of NECA with the following minor differences:

Deferred Taxation

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

Property, Plant and Equipment and Intangible Assets

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

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

Details of NECA depreciation policy can be found on page 68 of the single entity accounts.

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

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

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

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

For more details see Note 1 of the Single Entity accounts.

Note G02: Expenditure and Funding Analysis

	2020/21				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate Skills	93	-	(300)	-	(207)
Transport - Retained Levy Budget	-	-	-	-	-
Transport - Durham	361	(288)	-	-	73
Transport - Tyne and Wear	15,456	-	-	-	15,456
Transport - Other	24,178	16,352	14,568	-	55,098
Transport - Tyne Tunnels	(6,001)	(14,029)	-	-	(20,030)
Covid-19 Grants	736	(1,653)	(50)	-	(967)
	-	-	-	-	-
Cost of services	34,824	382	14,218	-	49,423
Other Income and Expenditure	(41,443)	(34,952)	-	(225)	(76,621)
(Surplus)/Deficit on Provision of Services	(6,620)	(34,571)	14,218	(225)	(27,198)
Opening General Fund Balances	(54,418)				
Transfer of services to NTCA 1 April 2020	13,664				
Closing General Fund Balances	(47,374)				

Adjustments for Capital Purposes

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

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

Net Change for the Pension Adjustments

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

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

Other Differences

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

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

	2019/20				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	(96)	-	840	-	744
Inward Investment	214	-	-	-	214
Local Growth Fund Programme	(797)	(1,694)	-	-	(2,491)
North East Local Enterprise Partnership	(72)	-	-	-	(72)
Skills	-	-	-	-	-
Transport - Retained Levy Budget	438	(295)	-	-	143
Transport - Durham	15,552	-	-	-	15,552
Transport - Tyne and Wear	22,363	12,644	15,374	-	50,381
Transport - Other	(1,349)	(2,277)	-	-	(3,626)
Transport - Tyne Tunnels	(3,184)	(1,235)	(50)	-	(4,469)
Cost of services	33,068	7,143	16,164	-	56,376
Other Income and Expenditure	(46,755)	(28,339)	1,014	399	(73,681)
(Surplus)/Deficit on Provision of Services	(13,687)	(21,196)	17,178	399	(17,305)
Opening General Fund Balances	(44,067)				
Transfer from Capital Receipts Reserve	3,336				
Closing General Fund Balances	(54,418)				

Note G02a: Income and Expenditure Analysed by Nature

	2019/20 £000	2020/21 £000
Expenditure		
Employee benefit expenses	31,879	23,253
Other service expenses	77,150	94,085
Support Services Recharges	-	2,940
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	55,531	23,263
Interest payments	5,372	5,238
Total expenditure	169,932	148,779
Income		
Fees, charges and other service income	(44,513)	(23,509)
Interest and investment income	(1,818)	(414)
Income from business rates on enterprise zones	(2,151)	-
Income from transport levy	(49,598)	(49,350)
Government grants and contributions	(85,333)	(99,972)
Other income	(3,388)	(2,732)
Total income	(186,801)	(175,977)
Surplus/Deficit on the provision of services	(16,869)	(27,198)

Note G03: Financing and Investment Income and Expenditure

	Note	2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
		£000		£000
Interest Payable and Similar Charges		4,358	-	4,211
Interest Payable on defined benefit liability	G12	1,014	-	1,027
Interest Receivable and similar income		(1,058)	(761)	(394)
Total		4,314	(761)	4,844

Note G04: Taxation and Non-Specific Grant Income

	Note	2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
		£000		£000
Transport Levy		(49,598)	-	(49,349)
Enterprise Zones Income		-	(2,151)	-
Non-Specific Capital Grants		(25,165)	-	(32,115)
Total		(74,763)	(2,151)	(81,464)

Note G05: Grant Income

	Note	2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
		£000		£000
LEP Core and Capacity Grant		-	(500)	-
Growth Hub		-	(442)	-
Local Authority Contributions to NECA		(352)	-	(161)
Local Authority Contribution to North East LEP		-	(253)	-
Local Growth Fund		-	(28,063)	(679)
Local Transport Plan		(7,770)	-	(7,736)
European Grants		-	(979)	(176)
North East Smart Ticketing Initiative		(202)	-	(113)
Transforming Cities Fund		(5,516)	-	(13,907)
LEP Local Industrial Strategy Grant		-	(224)	-
Office for Low Emission Vehicles		(302)	-	(70)
COVID-19		-	-	(23,371)
Other Grants		(1,527)	(1,082)	(6,449)
Metro Rail Grant		(14,534)	-	(14,746)
Heavy Rail Grant		(144)	-	(146)
Nexus Non-Specific Grants		(23,444)	-	(31,374)
Total		(53,791)	(31,543)	(98,928)

Note G06: Property, Plant and Equipment

	2020/21					
	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation						
At 1 April 2020	21,210	633,935	25,743	1,957	682,845	219,356
Additions	-	528	36,354	-	36,882	528
Transfers from Assets Under Construction	677	26,727	(27,404)	-	-	-
Transfers to Intangibles	-	-	-	-	-	-
Derecognition - Disposals	(1,679)	(2,702)	(25)	(193)	(4,599)	-
Revaluation Recognised in Revaluation Reserve	-	-	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	(20)	-	-	(20)	(20)
Other Adjustments	-	(2,148)	-	-	(2,148)	(865)
At 31 March 2021	20,209	656,320	34,668	1,764	712,961	218,999
Accumulated Depreciation and Impairment						
At 1 April 2020	(14,075)	(189,337)	-	(415)	(203,828)	(28,658)
Depreciation charge	(858)	(17,948)	-	(23)	(18,829)	(2,222)
Derecognition - Disposals	675	1,775	-	130	2,580	-
At 31 March 2021	(14,258)	(205,510)	-	(308)	(220,077)	(30,880)
Net Book Value						
At 1 April 2020	7,135	444,598	25,743	1,541	479,018	190,698
At 31 March 2021	5,950	450,810	34,668	1,455	492,884	188,119

	2019/20					
	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation						
At 1 April 2019	20,852	608,268	23,725	969	653,814	209,163
Additions	-	-	31,126	-	31,126	-
Transfers from Assets Under Construction	420	27,516	(27,935)	-	-	10,193
Transfers between categories	-	145	-	(145)	-	-
Transfers to Intangibles	-	-	(824)	-	(824)	-
Derecognition - Disposals	(61)	(1,848)	(349)	-	(2,258)	-
Revaluation Recognised in Revaluation Reserve	-	-	-	988	988	-
At 31 March 2020	21,210	634,081	25,743	1,812	682,846	219,356
Accumulated Depreciation and Impairment						
At 1 April 2019	(13,065)	(173,640)	-	(393)	(187,098)	(26,434)
Depreciation charge	(1,071)	(16,736)	-	(22)	(17,829)	(2,224)
Derecognition - Disposals	61	1,039	-	-	1,101	-
At 31 March 2020	(14,075)	(189,337)	-	(415)	(203,827)	(28,658)
Net Book Value						
At 1 April 2019	7,787	434,628	23,725	576	466,716	182,729
At 31 March 2020	7,135	444,744	25,743	1,396	479,020	190,698

Note G07: Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

	2019/20 £000	2020/21 £000
Cost or Valuation		
Opening Balance	4,780	5,962
Additions	397	767
Transfers from assets under construction	824	-
Derecognition - Disposals	(39)	(24)
Total	5,962	6,705
Amortisation		
Opening Balance	(3,297)	(3,461)
Amortisation provided during the period	(164)	(271)
Total	(3,461)	(3,732)
Net Book Value at 31 March	2,501	2,973

Note G08: Financial Instruments**Financial Assets**

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

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	1	1	12,321	-	58,236	34,383	12,653	11,998
Total financial assets	1	1	12,321	-	58,236	34,383	12,653	11,998
Non-financial assets	-	-	-	-	-	-	4,354	2,808
Total	1	1	12,321	-	58,236	34,383	17,007	14,806

Financial assets at amortised cost

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

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

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

Trade receivables

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

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

Financial Liabilities held at amortised cost

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

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(95,072)	(94,276)	-	-	(1,298)	(1,274)	(18,458)	(20,094)
Total financial liabilities	(95,072)	(94,276)	-	-	(1,298)	(1,274)	(18,458)	(20,094)
Non-financial liabilities	-	-	-	-	-	-	(9,570)	(5,946)
Total	(95,072)	(94,276)	-	-	(1,298)	(1,274)	(28,028)	(26,040)

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

Income, Expense, Gains and Losses

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

31 March 2020				31 March 2021		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total		Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
4,358	-	4,358	Interest expense	4,211	-	4,211
4,358	-	4,358	Total expense in Surplus on Provision of Services	4,211	-	4,211
-	(1,686)	(1,686)	Investment income	-	(394)	(394)
-	(132)	(132)	Movement on soft loans	-	-	-
-	(1,818)	(1,818)	Total income in Surplus on Provision of Services	-	(394)	(394)
4,358	(1,818)	2,540	Net (gain)/loss for the year	4,211	(394)	3,817

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

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

The fair values 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:

	Level	31 March 2020		31 March 2021	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost	2	(96,370)	(166,167)	(95,550)	(151,970)
Total		(96,370)	(166,167)	(95,550)	(151,970)
Financial Assets at amortised cost					
Held to maturity investments		58,236	58,236	34,383	34,383
Loan debtors ¹	3	14,510	14,510	-	-
Total		72,746	72,746	34,383	34,383

¹ For details of soft loans held by NECA, please see note 12 of the single entity accounts.

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

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

Note G09: Short Term Debtors

	31 March 2020 £000	31 March 2021 £000
Central Government bodies	10,281	6,153
Other local authorities	6,419	6,221
NHS bodies	2	1
Other entities and individuals	305	2,431
Total	17,007	14,806

Note G10: Cash and Cash Equivalents

	31 March 2020 £000	31 March 2021 £000
Cash	21,716	34,747
Short-term deposits with financial institutions	16,969	17,746
Total	38,685	52,493

Note G11: Short Term Creditors

	31 March 2020 £000	31 March 2021 £000
Central government bodies	(1,439)	(3,262)
Other local authorities	(7,844)	(4,392)
Other entities and individuals	(18,835)	(18,387)
Total	(28,118)	(26,041)

Note G12: Defined Benefit Pension Schemes

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

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

Consolidated Pension Liability

The Group pension liability of £57.541m (2020 £39.251m) is the sum of the NECA, Nexus and NEMOL pension liability. The details of the total NEMOL pension liability of £nil (2020 £13.702m) are set out within the NEMOL Annual Report and Accounts using the FRS 101 disclosure framework.

Following the TUPE of employees from Nexus to Stadler Rail Service UK Limited on 4 October 2020, the pension assets and liabilities in connection with active employees have transferred to Stadler. In addition, the remaining pension assets and liabilities associated with pensioners and deferred members in NEMOL have been subsumed by Nexus. In the Nexus Group accounts this has resulted in a one-off gain of £1.839m arising from differences in actuarial assumptions between NEMOL and Nexus. This is presented in the disclosures below as well as in the Comprehensive Income and Expenditure Statement as an exceptional item.

Transactions Relating to Post-employment Benefits

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

Comprehensive Income and Expenditure Statement

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Cost of Services:				
Current service cost ¹	8,222	9,570	-	-
Past service cost	65	-	-	-
Settlement cost	-	(620)	-	-
Exceptional loss on transfer of pension liability	1,693	(1,020)	-	-
Financing and Investment Income and Expenditure				
Interest cost	5,086	976	65	53
Expected Return on Scheme Assets	(4,137)	-	-	-
Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services	10,929	8,906	65	53
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of)/below that recognised in net interest	(14,941)	(41,210)	-	-
Remeasurement of the net Defined Benefit Liability	10,789	48,635	(325)	127
Adjustment in respect of paragraph 58	(6,170)	4,330	-	-
Total amount recognised in Other Comprehensive Income and Expenditure	(10,322)	11,755	(325)	127
Total amount recognised in CIES	607	20,661	(260)	180

1. The Current Service cost includes an allowance for administration expenses of £0.01m for NECA and £0.170m for the Nexus Group (of which £0.094m attributable to NECA).

Reconciliation of the Present Value of Scheme Liabilities:

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	(251,679)	(271,818)	(2,880)	(2,381)
Current service cost	(8,206)	(9,570)	-	-
Interest cost	(6,016)	(5,725)	(65)	(53)
Contributions by participants	(1,680)	(1,678)	-	-
Remeasurement of the net Defined Benefit liability	(10,789)	(48,568)	325	(127)
Net benefits paid out	8,312	6,600	239	227
Past service costs	(67)	-	-	-
Net (increase)/decrease in liabilities from NEMOL/Stadler transfer	(1,693)	(30)	-	-
Closing balance at 31 March	(271,818)	(330,759)	(2,381)	(2,334)

Reconciliation of the Fair Value of the Scheme Assets:

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	220,326	237,768	-	-
Interest income on assets	5,279	4,819	-	-
Remeasurement gains/(losses) on assets	14,940	41,140	-	-
Employer contributions	3,855	2,113	239	227
Contributions by scheme participants	1,680	1,678	-	-
Net benefits paid out	(8,312)	(6,600)	(239)	(227)
Settlement costs	-	(880)	-	-
Net decrease in assets from Stadler transfer	-	(8,568)	-	-
Closing balance 31 March	237,768	271,470	-	-

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	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Fair value of LGPS assets	271,850	335,520	220,327	237,767	271,470
Present value of liabilities:					
- LGPS liabilities	(301,460)	(395,160)	(251,678)	(271,818)	(321,201)
- Impact of minimum funding	(7,460)	(7,030)	(8,780)	(2,820)	(7,150)
Deficit on funded defined benefit scheme	(37,070)	(66,670)	(40,131)	(36,871)	(56,881)
Discretionary benefits	(5,130)	(4,870)	(2,880)	(2,380)	(2,333)
Total (Deficit)	(42,200)	(71,540)	(43,011)	(39,251)	(59,214)

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

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

The weighted average duration of the defined benefit obligation for scheme members is 13.5 years for NECA, 19.3 years for Nexus and 25.6 years for NEMOL.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £328.351m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £57.541m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2021 is nil for NECA, £3.600m for Nexus (of which £1.996m is attributable to NECA) and nil for NEMOL. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

NECA and Nexus	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.8	21.9	21.8	21.9
Women	25.0	25.1	25.0	25.1
Longevity at 65 for future pensioners:				
Men	23.5	23.6	n/a	n/a
Women	26.8	26.9	n/a	n/a
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.1%
Rate of inflation - Retail Price Index	n/a	n/a	n/a	n/a
Rate of inflation - Consumer Price Index	2.0%	2.7%	2.0%	2.7%
Rate of increase in pensions	2.0%	2.7%	2.0%	2.7%
Pension accounts revaluation rate	2.0%	2.7%	n/a	n/a
Rate of increase in salaries	3.5%	4.2%	n/a	n/a

NEMOL	LGPS	
	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8	21.9
Women	25.0	25.1
Longevity at 65 for future pensioners:		
Men	23.5	23.6
Women	26.8	26.9
Rate for discounting scheme liabilities	2.3%	1.6%*
Rate of inflation - Retail Price Index	n/a	n/a
Rate of inflation - Consumer Price Index	1.9%	2.2%*
Rate of increase in pensions	1.9%	2.2%*
Pension accounts revaluation rate	1.9%	2.2%*
Rate of increase in salaries	3.4%	3.7%*

* At date of transfer (4 October 2020)

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

	31 March 2020	31 March 2021		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	54.8%	48.4%	7.1%	55.5%
Property	9.0%	0.0%	7.9%	7.9%
Government bonds	4.1%	2.2%	0.0%	2.2%
Corporate bonds	15.3%	19.8%	0.0%	19.8%
Cash	2.3%	4.0%	0.0%	4.0%
Other*	14.5%	4.7%	5.9%	10.6%
Total	100.0%	79.1%	20.9%	100.0%

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

Actual Return on Assets

	Local Government	
	2019/20	2020/21
	£000	£000
Interest Income on Assets	5,279	3,799
Remeasurement gain/(loss) on assets	14,940	32,520
Actual Return on Assets	20,219	36,319

Sensitivity Analysis

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

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation for Nexus as at 31 March 2021 and the projected cost for the period ending 31 March 2022 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised above. The NEMOL sensitivity analysis, data summary and pensioner numbers are set out within the NEMOL Annual Report.

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

Discount rate assumption	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to discount rate			
Present value of total obligation (£M)	480.66	489.97	499.28
% change in present value of total obligation	-1.90%		1.90%
Projected service cost (£M)	18.25	18.89	19.55
Approximate % change in projected service cost	-3.40%		3.50%

Rate of general increase in salaries	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to salary increase rate			
Present value of total obligation (£M)	491.93	489.97	488.50
% change in present value of total obligation	1.40%		-0.30%
Projected service cost (£M)	18.89	18.89	18.89
Approximate % change in projected service cost	0.00%		0.00%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts	+0.1% per annum	Base Figure	-0.1% per annum
Adjustment to pension increase rate			
Present value of total obligation	497.32	489.97	482.13
% change in present value of total obligation	1.60%		-1.60%
Projected service cost (£M)	19.55	18.89	18.25
Approximate % change in projected service cost	-3.40%		3.50%

Post retirement mortality assumption	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	506.61	489.97	472.82
% change in present value of total obligation	3.60%		-3.50%
Projected service cost (£M)	19.68	18.89	18.12
Approximate % change in projected service cost	4.20%		-4.10%

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

Note G13: Deferred Taxation

The movement for the year comprises:

	2019/20 £000	2020/21 £000
Capital Allowances	(312)	-
Roll over relief on capital gains	-	-
Other timing differences	(105)	10
Total	(417)	10

The balance at the year end comprises:

	31 March 2020 £000	31 March 2021 £000
Excess of capital allowances over depreciation	(1,580)	(1,580)
Roll over relief on capital gains	(687)	(687)
Other timing differences	105	115
Tax effect of losses	-	-
Total	(2,162)	(2,152)

Note G14: Usable Reserves

	31 March 2020 £000	31 March 2021 £000
General Fund Balance	(49,684)	(36,599)
Earmarked Reserves	(12,372)	(10,776)
Capital Receipts Reserve	(8,889)	-
Capital Grants Unapplied Reserve	(13,224)	(23,686)
Pensions (NEMOL)	7,638	-
Total	(76,531)	(71,061)

Note G15: Unusable Reserves**Summary**

	31 March 2020 £000	31 March 2021 £000
Capital Adjustment Account	(341,308)	(343,375)
Financial Instruments Adjustment Account	3,093	309
Revaluation Reserve	(5,908)	(5,805)
Pension Reserve	31,625	57,686
Total	(312,498)	(291,185)

Details of movements on the Financial Instruments Adjustment Account is shown in Note 22 of the NECA single entity accounts. This reserve relates to NECA only.

Revaluation Reserve

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

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

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

	£000
Opening Balance 1 April 2019	(5,000)
Difference between fair value depreciation and historical cost depreciation written off to the CAA	81
Revaluation Gain recognised in Revaluation Reserve	(988)
Balance at 31 March 2020	(5,907)
Difference between fair value depreciation and historical cost depreciation written off to the CAA	102
Revaluation Gain recognised in Revaluation Reserve	-
Balance at 31 March 2021	(5,805)

Pensions Reserve

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

	£000
Balance at 1 April 2019	25,095
Remeasurements of the net defined benefit liability to 31 March 2020	(10,648)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2020	11,784
Employer's pension contributions and direct payments to pensioners to 31 March 2020	(2,724)
NEMOL pension transfer	8,118
Balance at 31 March 2020	31,625
Remeasurements of the net defined benefit liability to 31 March 2021	11,843
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2020	16,469
Employer's pension contributions and direct payments to pensioners to 31 March 2020	(2,252)
NEMOL pension transfer	-
Balance at 31 March 2021	57,685

Capital Adjustment Account

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

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

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	£000
Balance at 1 April 2019	(325,619)
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	17,019
Other income that cannot be credited to the General Fund	(2,837)
Revenue expenditure funded from capital under statute	37,538
Write down of long term debtors	5,560
Non Current Assets written off on disposal	988
Adjusting amounts written out of the Revaluation Reserve	(81)
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(68,339)
Statutory provision for the financing of capital investment	(964)
Capital expenditure charged against the General Fund	(2,063)
Debt redeemed using capital receipts	(2,510)
Balance at 31 March 2020	(341,308)
Transfer to NTCA	16,282
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	18,300
Other income that cannot be credited to the General Fund	(2,824)
Revenue expenditure funded from capital under statute	10,391
Write down of long term debtors	841
Non Current Assets written off on disposal	2,028
Adjusting amounts written out of the Revaluation Reserve	(102)
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(43,158)
Statutory provision for the financing of capital investment	(1,391)
Capital expenditure charged against the General Fund	(1,593)
Debt redeemed using capital receipts	(841)
Balance at 31 March 2020	(343,375)

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

	2019/20 £000	2020/21 £000
Surplus/(Deficit) on the provision of services	16,868	27,198
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation, Impairment and Amortisation	17,596	19,119
Loss on disposal of non-current assets	1,185	2,043
(Increase)/Decrease in Creditors	(432)	20,285
Increase/(Decrease) in Debtors	1,044	170
Increase/(Decrease) in Inventories	(361)	1,495
Movement in Pension Liability	6,900	6,619
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,346)	(1,798)
	23,586	47,933
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital grants credited to surplus/(deficit) on provision of services	(69,889)	(60,641)
Other adjustments for items that are financing or investing activities	592	1,750
Net cash flow from operating activities	(28,843)	16,240

The cash flows for operating activities include the following items:

	2019/20 £000	2020/21 £000
Interest received	2,224	963
Interest paid	(4,196)	(4,057)

Note G17: Cash Flow Statement - Investing Activities

	2019/20 £000	2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	(31,207)	(36,794)
Purchase of short-term and long-term investments	(101,107)	(41,592)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11	-
Proceeds from short-term and long-term investments	101,139	61,973
Other receipts from investing activities	75,748	59,502
Net cash flows from investing activities	44,584	43,089

Note G18: Cash Flow Statement - Financing Activities

	2019/20 £000	2020/21 £000
Repayments of short and long-term borrowing	1,529	(1,679)
Other payments for financing activities	(548)	(1,704)
Net cash flows from financing activities	981	(3,383)

Note G18a: Reconciliation of liabilities arising from Financing Activities

	1 April 2020	Financing Cash Flows	Changes which are not financing cash flows		31 March 2021
	£000	£000	Acquisition £000	Other £000	£000
Long term borrowings	(95,072)	796	-	-	(94,276)
Short term borrowings	(1,298)	-	-	24	(1,274)
Total Liabilities from financing activities	(96,370)	796	-	24	(95,550)

	1 April 2019	Financing Cash Flows	Changes which are not financing cash flows		31 March 2020
	£000	£000	Acquisition £000	Other £000	£000
Long term borrowings	(92,508)	(2,564)	-	-	(95,072)
Short term borrowings	(1,288)	-	-	(10)	(1,298)
activities	(93,796)	(2,564)	-	(10)	(96,370)

Note G19: Capital Expenditure and Capital Financing

	£000
	£000
Opening Capital Financing Requirement 1 April 2019	107,602
Capital Investment	
Property, Plant and Equipment	31,204
Intangible Assets	397
Revenue Expenditure Funded from Capital Under Statute	37,538
Capital receipts - repayment of principal from long term debtors	(2,510)
Government Grants and other contributions	(68,338)
Sums set aside from revenue	
Direct revenue contributions	(2,063)
Minimum Revenue Provision	(964)
Additional Voluntary Provision	-
Closing Capital Financing Requirement 31 March 2020	102,866
assistance)	(4,736)
Opening Capital Financing Requirement 1 April 2020	102,866
Capital Investment	
Property, Plant and Equipment	36,882
Intangible Assets	779
Revenue Expenditure Funded from Capital Under Statute	10,391
Sources of Finance	
Capital receipts - repayment of principal from long term debtors	(841)
Government Grants and other contributions	(44,317)
Sums set aside from revenue	
Direct revenue contributions	(1,593)
Minimum Revenue Provision	(975)
Additional Voluntary Provision	(416)
Closing Capital Financing Requirement 31 March 2021	102,776
assistance)	(90)

4.0 Supplemental Information

4.1 Glossary of Terms

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

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

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

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

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

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