

North East Combined Authority
Statement of Accounts 2017/18



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1.0 Statement of Responsibilities for the Statement of Accounts



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 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 2018 and its income and expenditure for the year ended 31 March 2018.

Signed:



Paul Woods, Interim Chief Finance Officer

Signed:



Mayor Norma Redfearn, Vice-Chair
North East Combined Authority

2.0 Core Financial Statements and Explanatory Notes

2.0 Core Financial Statements and Explanatory Notes

2.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NECA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for the purposes of setting the levy. The net income 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	£000	£000
Balance at 1 April 2016		(35,007)	(11,982)	-	(10,988)	(57,977)	(92,901)	(150,878)
Movement in reserves during 2016/17								
Total Comprehensive Income & Expenditure		(19,940)	-	-	-	(19,940)	120	(19,820)
Adjustments between accounting basis & funding basis under regulations	2	22,638	-	(439)	(14,738)	7,461	(7,461)	-
Net (increase)/Decrease before transfers to Earmarked Reserves		2,698	-	(439)	(14,738)	(12,479)	(7,341)	(19,820)
Transfers (To)/From Earmarked Reserves	20	(2,588)	2,317	271	-	-	-	-
(Increase)/Decrease in 2016/17		110	2,317	(168)	(14,738)	(12,479)	(7,341)	(19,820)
Balance at 31 March 2017 carried forward		(34,897)	(9,665)	(168)	(25,728)	(70,456)	(100,242)	(170,698)
Movement in reserves during 2017/18								
Total Comprehensive Income & Expenditure		7,379	-	-	-	7,379	(280)	7,099
Adjustments between accounting basis & funding basis under regulations	2	(10,161)	-	(638)	17,999	7,200	(7,200)	-
Net (increase)/Decrease before transfers to Earmarked Reserves		(2,782)	-	(638)	17,999	14,579	(7,480)	7,099
Transfers (To)/From Earmarked Reserves	20	4,871	(4,986)	114	-	-	-	-
(Increase)/Decrease in 2017/18		2,089	(4,986)	(524)	17,999	14,579	(7,480)	7,099
Balance at 31 March 2018 carried forward		(32,808)	(14,651)	(692)	(7,727)	(55,877)	(107,722)	(163,599)

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 to be funded from the levy and other sources of income which is set out in the Movement in Reserves Statement.

2016/17				2017/18			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,318	(656)	662	Corporate		549	(543)	6
344	(169)	175	Inward Investment		609	(432)	177
61,268	(77,575)	(18,307)	Local Growth Fund Programme		60,292	(41,673)	18,619
6,348	(2,668)	3,690	North East LEP		4,898	(3,954)	944
1,148	(1,148)	-	Skills		326	(326)	-
461	-	461	Transport - Retained Levy Budget		452	-	452
15,414	-	15,414	Transport - Durham		15,477	-	15,477
6,293	-	6,293	Transport - Northumberland		6,217	-	6,217
62,500	-	62,500	Transport - Tyne and Wear		57,557	-	57,557
19,320	(18,160)	1,160	Transport - Other		24,134	(24,232)	(98)
25,938	(33,283)	(7,345)	Transport - Tyne Tunnels		23,542	(32,139)	(8,597)
200,352	(133,649)	66,703	Cost of Services		194,053	(103,299)	90,754
-	-	-	Other Operating Expenditure		-	-	-
7,450	(3,677)	3,773	Financing & Investment Income & Expenditure	3	7,134	(3,209)	3,835
-	(90,416)	(90,416)	Taxation & Non-Specific Grant Income	4	-	(87,210)	(87,210)
		(19,940)	(Surplus)/Deficit on Provision of Services				7,379
		120	Re-measurements of the defined benefit liability	18			(260)
		120	Other Comprehensive Income & Expenditure				(260)
		(19,820)	Total Comprehensive Income & Expenditure (Surplus)				7,099

North East Combined Authority Statement of Accounts 2017/18

2.3 Balance Sheet

The Balance Sheet summarises the Authority's financial position at 31 March each year. The net assets of the Authority (total assets less total liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable. 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".

RESTATED 31 March 2017 £000		Note	31 March 2018 £000
353,056	Property, Plant & Equipment	10	352,143
56,521	Long Term Debtors	13a	53,769
409,577	Long Term Assets		405,912
98,000	Short Term Investments	11	72,000
10,904	Short Term Debtors	13	16,575
22,212	Cash and Cash Equivalents	14	22,231
131,116	Current Assets		110,806
(2,332)	Short Term Borrowing	11	(2,326)
(88,624)	Short Term Creditors	11, 15	(77,867)
(2,483)	Grants Receipts in Advance	5	(2,328)
(5,093)	New Tyne Crossing - Deferred Income	16	(5,092)
(98,532)	Current Liabilities		(87,813)
(101,845)	New Tyne Crossing - Deferred Income	16	(96,753)
(167,667)	Long Term Borrowing	11	(167,000)
(971)	Grants Receipts in Advance	5	(793)
(980)	Pension Liability	18	(960)
(271,463)	Long Term Liabilities		(265,506)
170,698	Net Assets		163,599
(70,456)	Usable Reserves	19	(55,877)
(100,242)	Unusable Reserves	21	(107,722)
(170,698)	Total Reserves		(163,599)

Chief Finance Officer Certificate

I certify that the accounts set out on pages 11 to 74 give a true and fair view of the financial position of the North East Combined Authority as at the 31 March 2018.

Signed: Paul Woods, Interim Chief Finance Officer



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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 finance activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

RESTATED 2016/17 £000		Note	2017/18 £000
19,940	Net Surplus/(Deficit) on the provision of services	23	(7,379)
(26,395)	Adjustments to net surplus or deficit on the provision of services for non cash movements	23	(25,450)
(94,332)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(65,301)
(100,788)	Net cash flows from Operating Activities		(98,130)
82,977	Investing Activities	24	98,827
(1,717)	Financing Activities	25	(678)
(19,527)	Net (Decrease)/Increase in cash and cash equivalents		19
41,739	Cash and cash equivalents at the beginning of the reporting period	14	22,212
22,212	Cash and cash equivalents at the end of the reporting period	14	22,231

2.5 Index of Explanatory Notes to the Core Statements

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Adjustments for Capital Purposes

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

- **Other operating expenditure** - adjusts for capital 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.

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

- **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.

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1a Expenditure and Income Analysed by Nature

	2016/17	2017/18
	£000	£000
Expenditure		
Employee benefit expenses	1,088	1,485
Other service expenses	118,358	106,246
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	80,905	86,322
Interest payments	7,451	7,134
Loss/gain on disposal of non-current assets	-	-
Total expenditure	207,802	201,187
Income		
Fees, charges and other service income (Tyne Tunnels tolls)*	(27,804)	(26,774)
Interest and investment income	(3,677)	(3,299)
Income from business rates on enterprise zones	(1,696)	(1,626)
Income from transport levy	(86,894)	(84,744)
Government grants and contributions	(101,413)	(71,657)
Other income	(6,258)	(5,708)
Total income	(227,742)	(193,808)
Surplus / Deficit on the provision of services	(19,940)	7,379

* Fees, charges and other service income relates wholly to tolls charged on the Tyne Tunnels, which is reported as income in the Tyne Tunnels line of the CIES.

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2 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.

2016/17				Adjustments between Accounting Basis and Funding Basis Under Statute	2017/18			
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
				Reversal of items debited or credited to the CIES				
(4,572)	-	-	4,572	Charges for depreciation and impairment of non current assets	(3,890)	-	-	3,890
5,092	-	-	(5,092)	Other Income that cannot be credited to the General Fund	5,092	-	-	(5,092)
74,216	-	-	(74,216)	Capital grants and contributions applied	63,183	-	-	(63,183)
(75,981)	-	-	75,981	Revenue expenditure funded from capital under statute	(82,432)	-	-	82,432
-	-	-	-	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	-
				Insertion of items not debited or credited to the CIES				
2,523	-	-	(2,523)	Statutory provision for the financing of capital investment	2,557	-	-	(2,557)
130	-	-	(130)	Capital expenditure charged against the General Fund	2,129	-	-	(2,129)
Adjustments primarily involving the Capital Grants Unapplied Account:								
20,116	-	(20,116)	-	Grants & contributions unapplied credited to CIES	2,118	-	(2,118)	-
-	-	5,378	(5,378)	Application of grants to capital financing transferred to Capital Adjustment Account	-	-	20,117	(20,117)
Adjustments involving the Capital Receipts Reserve:								
-	(2,250)	-	2,250	Loan principal repayments	-	(2,387)	-	2,387
-	46	-	(46)	Use of Capital Receipts Reserve to finance new Capital Expenditure	(50)	-	-	50
-	1,765	-	(1,765)	Application of Capital Receipts to repayment of debt	-	1,749	-	(1,749)
Adjustments involving the Financial Instruments Adjustment Account:								
1,084	-	-	(1,084)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1,392	-	-	(1,392)
Adjustments involving the Pensions Reserve:								
(150)	-	-	150	Reversal of items relating to retirement benefits debited or credited to the CIES	(310)	-	-	310
180	-	-	(180)	Employer's pensions contributions and direct payments to pensioners payable in the year	50	-	-	(50)
22,638	(439)	(14,738)	(7,461)	Total Adjustments	(10,161)	(638)	17,999	(7,200)

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3 Financing and Investment Income and Expenditure

	Note	2016/17 £000	2017/18 £000
Interest payable and similar charges		7,420	7,114
Interest on defined benefit liability	18	30	20
Interest receivable and similar income		(3,677)	(3,299)
Total		3,773	3,835

4 Taxation and Non Specific Grant Income

	Note	2016/17 £000	2017/18 £000
Transport Levy		(86,894)	(84,744)
Enterprise Zone income		(1,696)	(1,626)
Non-specific Capital Grant (LGF grant applied to Tyne Tunnels capital expenditure)		(1,826)	(840)
Total		(90,416)	(87,210)

5 Grant Income and Other Contributions

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18

Credited to Services	2016/17 £000	2017/18 £000
DCLG Capacity Grant	(500)	(500)
Growth Hub	(556)	(410)
Local Authority Contributions to NECA	(440)	(440)
Local Authority Contributions to NELEP	(250)	(250)
Local Growth Fund	(77,576)	(42,506)
Local Sustainable Transport Fund	-	-
Local Transport Plan	(13,949)	(22,889)
Mental Health Trailblazer	(1,148)	(326)
North East Smart Ticketing Initiative	(901)	(527)
North East Technical Assistance	(356)	(243)
Other Grants	(510)	(444)
Regional Growth Fund Capital	(80)	-
Regional Growth Fund Revenue	-	-
Sustainable Travel Transition Year	(2,343)	-
Total	(98,609)	(68,535)

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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	2016/17 £000	2017/18 £000
Revenue Grants		
Growth Hub	-	-
Mental Health Trailblazer	-	-
North East Smart Ticketing Initiative	(1,924)	(1,397)
Office for Low Emission Vehicles - Revenue	(30)	-
Other Grants	-	(225)
Capital Grants		
Office for-5708	(1,500)	(1,500)
Regional Growth Fund Capital	-	-
Total	(3,454)	(3,122)
Shown as Short-Term Liability on Balance Sheet	(2,483)	(2,328)
Shown as Long-Term Liability on Balance Sheet	(971)	(793)
Total	(3,454)	(3,121)

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6 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.

	2016/17 £000	2017/18 £000
Allowances	4	4
Total	4	4

7 Officers' Remuneration

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

		Salary Fees and Allowances	Pension Contribution	Total
		£000	£000	£000
Managing Director of Transport Operations	2017/18	127	22	149
	2016/17	116	19	135
Monitoring Officer	2017/18	30	-	30
	2016/17	-	-	-

Two of the Authority's interim statutory officers are not formal employees of the authority (and therefore are not included in the statutory disclosure above), but their services have been provided via agency arrangements, details of which are set out below in the interests of transparency:

		Payment for days worked	Expenses	Total
		£000	£000	£000
Interim Chief Executive Helen Golightly (wef October 2016)	2017/18	63	-	63
	2016/17	68	1	69
Interim Chief Finance Officer Adam Wilkinson (June 2015 - July 2016)	2017/18	117	2	119
	2016/17	120	3	123

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

	2016/17	2017/18
£50,000 - £54,999	1	2
£55,000 - £59,999	-	-
£60,000 - £64,999	1	3
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
Total	2	5

The increase in 2017/18 is due to officers formerly employed by other organisations and seconded to NECA being transferred into the employment of NECA during the year.

8 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 to non-audit services provided by the Authority's external auditors.

	2016/17 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	24	24
Total	24	24

9 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
- 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 4.

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 2017/18 no works or services were commissioned from companies in which any members had an interest.

Officers

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

NECA Constituent Authorities

The Leaders and Elected Mayor of the seven NECA constituent Authorities serve as members of the NECA Leadership Board. Details of income and expenditure with the seven Authorities are set out in the table below.

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Other Public Bodies

The Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus). NECA sets the policy which is delivered by Nexus, and agrees its budget and revenue grant. Income and expenditure with Nexus is set out in the table below.

Other Entities

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

Arch - a wholly owned subsidiary of Northumberland County Council, and was awarded grant funding through the Regional Growth Fund and Local Growth Fund during the year.

University of Sunderland - a disclosable related party which was awarded grant funding through the Local Growth Fund during the year.

Income and expenditure and debtors/creditors at the year end with these entities is set out in the table below.

	2016/17	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18	2017/18
	Receivables	Income	Expenditure	Payables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000	£000	£000	£000
NECA Constituent Authorities								
Durham	-	(15,539)	21,498	6,167	-	(15,539)	30,151	774
Gateshead	-	(11,778)	1,517	1,037	-	(11,990)	2,740	838
Newcastle	(614)	(16,970)	7,098	13,386	(437)	(16,505)	18,093	1,095
North Tyneside	(165)	(11,907)	7,312	3,875	(160)	(11,474)	10,546	4,347
North'land	(173)	(6,420)	9,742	1,366	(321)	(6,430)	13,584	445
South Tyneside	(2)	(8,757)	3,528	4,512	-	(8,450)	4,911	685
Sunderland	(748)	(16,220)	6,767	2,207	(708)	(16,367)	11,536	8,040
Other Public Bodies								
Nexus	(3,251)	(3,378)	62,787	42,419	(3,129)	(3,251)	60,892	4,190
Other Entities								
Newcastle International Airport Ltd	-	-	-	-	-	-	-	-
Arch	-	(21)	126	4,345	-	(20)	84	-
University of Sunderland	-	-	484	-	-	-	-	-
	(4,953)	(90,990)	120,859	79,314	(4,754)	(86,423)	152,537	20,414

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10 Property, Plant and Equipment

2017/18	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2017	-	3,205	381,075	9,726	394,005
Additions	-	-	8	2,969	2,977
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	(8)	-	(8)
At 31 March 2018	-	3,205	381,075	12,695	396,974

Accumulated Depreciation and Impairment					
At 1 April 2017	-	(1,002)	(39,947)	-	(40,949)
Depreciation Charge for the Year	-	(92)	(3,763)	-	(3,855)
Depreciation Adjustment	-	-	(27)	-	(27)
At 31 March 2018	-	(1,094)	(43,737)	-	(44,831)

Net Book Value

2017/18	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2017	-	2,203	341,128	9,726	353,057
At 31 March 2018	-	2,111	337,337	12,695	352,143

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Comparative information 2016/17	Other Land and Buildings* £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2016	-	3,205	381,075	7,900	392,180
Additions	-	-	130	1,826	1,956
Derecognition - other	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	(130)	-	(130)
At 31 March 2017	-	3,205	381,075	9,726	394,005

Comparative information 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Accumulated Depreciation and Impairment					
At 1 April 2016	-	(910)	(35,597)	-	(36,507)
Depreciation Charge for the Year	-	(92)	(3,742)	-	(3,834)
Derecognition - Adjustment	-	-	(608)	-	(608)
At 31 March 2017	-	(1,002)	(39,947)	-	(40,949)

Costs of land intrinsically linked to the original Tyne Tunnel has now been included within the valuation of that Tunnel and therefore is shown as part of the Infrastructure Assets balance within this note.

11 Financial Instruments

Categories of Financial Instruments

The investments and borrowing disclosed in the Balances Sheet are made up of the following categories of financial instrument:

RESTATED Long Term 31 March 2017 £000	RESTATED Short Term 31 March 2017 £000		Long Term 31 March 2018 £000	Short Term 31 March 2018 £000
		Investments		
-	98,000	Fixed term deposits	-	72,000
-	98,000	Total Investments	-	72,000
		Debtors		
55,780	6,119	Long term/Short term debtors - Loans and advances	53,452	8,308
-	4,785	Other debtors	-	2,642
55,780	10,904	Total Debtors	53,452	10,950
		Borrowings		
(167,867)	(667)	Financial liabilities at amortised cost - Loans (Principal)	(167,000)	(667)
-	(1,665)	Financial liabilities at amortised cost - Loans (Interest)	-	(1,659)
(167,867)	(2,332)	Total included in Borrowings	(167,000)	(2,326)
		Creditors		
-	(88,624)	Short Term Creditors	-	(77,867)
-	(88,624)	Total Creditors	-	(77,867)

Income, Expense, Gains and Losses

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

31 March 2017				31 March 2018		
Financial Liabilities at amortised cost	Financial assets: loans and receivables	Total		Financial Liabilities at amortised cost	Financial assets: loans and receivables	Total
£000	£000	£000		£000	£000	£000
7,420	-	7,420	Interest expense	7,114	-	7,114
7,420	-	7,420	Total expense in Surplus on Provision of Services	7,114	-	7,114
-	(3,677)	(3,677)	Investment income	-	(3,299)	(3,299)
-	(3,677)	(3,677)	Total Income In Surplus on Provision of Services	-	(3,299)	(3,299)
7,420	(3,677)	3,743	Net (gain)/loss for the year	7,114	(3,299)	3,815

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

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 2018, 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. 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.
- 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 2017/18 the fair values shown in the table below are split by their level in the fair value hierarchy:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability e.g. interest rates or yields for similar instruments.
- Level 3 - fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

31 March 2017			31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		Financial Liabilities		
(73,000)	(111,326)	PWLB - Maturity Loans	(73,000)	(107,028)
(6,333)	(7,156)	PWLB - EIP Loans	(5,667)	(6,181)
(89,000)	(168,411)	LOBOs	(89,000)	(165,863)
(168,333)	(286,893)		(167,667)	(279,072)

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RESTATED 31 March 2017			31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		Loans and receivables		
98,000	98,000	Fixed Term investments	72,000	72,000
55,780	84,650	Long-Term debtors	53,452	78,815
153,780	182,650		125,452	150,815

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

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

Previously, for loans between NECA and Nexus the fair value had been assumed to be the same as the carrying value. Now a proportion of the Authority's overall fair value of borrowing has been used to give an approximation of fair value for the Nexus loans.

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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 soft loans as part of its North East Investment Fund activity to encourage economic development in the region. Details of soft loans are set out in the table below. The term of two of the loans has been extended.

Valuation Assumptions

The interest rate at which the fair value of soft loans has been made is derived from the prevailing market rate of interest for a similar instrument.

2017/18

Description	Term (Years)	Contracted Rate	Fair Value Rate	Opening Balance (Nominal)	Advances in Year	FV adjustment on initial recognition	Loans Repaid	Increase in discounted amount	Closing Balance (fair value)	Closing Balance (Nominal)
				£000	£000	£000	£000	£000	£000	£000
Durham University	12	1.90%	4.95%	10,000	-	(1,192)	-	-	8,808	10,000
Neptune Test Centre	9	0.00%	4.99%	5,094	-	(1,378)	-	-	3,716	5,094
Cobalt Data Centre	6	6.00%	7.00%	2,384	-	(26)	(477)	-	1,881	1,907
Boiler Shop	3	4.50%	5.02%	1,545	-	96	-	-	1,641	1,545
The Jesmond	2	7.30%	11.02%	1,269	-	87	-	-	1,356	1,269

2016/17

Description	Term (Years)	Contracted Rate	Fair Value Rate	Opening Balance (Nominal)	Advances in Year	FV adjustment on initial recognition	Loans Repaid	Increase in discounted amount	Closing Balance (fair value)	Closing Balance (Nominal)
				£000	£000	£000	£000	£000	£000	£000
Durham University	12	1.90%	4.95%	10,000	-	(1,607)	-	-	8,393	10,000
Neptune Test Centre	9	0.00%	4.99%	5,094	-	(1,555)	-	-	3,539	5,094
Cobalt Data Centre	4	6.00%	7.00%	2,375	125	(106)	(116)	-	2,278	2,384
Boiler Shop	3	4.50%	5.02%	811	734	18	-	-	1,563	1,545
The Jesmond	2	11.00%	11.02%	1,269	-	50	-	-	1,319	1,269

12 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.

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. A provision for bad debt on the outstanding NEIF loans balance has been made in year, calculated at 5% of loans outstanding at 31 March 2018, although all loans are expected to be repaid.

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 2018 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

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 2017 £000	31 March 2018 £000
Between 1-2 years	(667)	(667)
Between 2-5 years	(2,000)	(2,000)
Between 5-10 years	(3,000)	(2,333)
More than 10 years	(162,000)	(162,000)
	(167,667)	(167,000)
Less than 1 year	(2,332)	(2,326)
Total borrowing	(169,999)	(169,326)

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.

The table below shows the impact on the debt portfolio at 31st March 2018 if interest rates had been 1% higher with all other variables held constant. The only loans affected by such a movement would be new loans taken during 2017/18 and variable interest rate loans. Existing fixed rate loans, which make up the greatest proportion of the portfolio, would not be affected. According to this strategy, at 31 March, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings	-
Increase in interest receivable on investments	(759)
Impact on Surplus on the Provision of Services	(759)

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.

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13 Short term Debtors

	31 Mar 2017 £000	31 Mar 2018 £000
Central government bodies	1,256	6,203
Other local authorities	1,800	1,843
Other entities and individuals	7,848	8,529
Total	10,904	16,575

13a Long term Debtors

	31 Mar 2017 £000	31 Mar 2018 £000
Nexus Borrowing	39,938	38,302
Airport prepayment	741	317
North East LEP Loans	15,842	15,150
Total	56,521	53,769

14 Cash and Cash Equivalents

	RESTATED 31 Mar 2017 £000	31 Mar 2018 £000
Cash balances held by Sunderland City Council	368	863
Cash held in Authority's bank account	21,844	21,368
Total Cash and Cash Equivalents	22,212	22,231

15 Short Term Creditors

	31 Mar 2017 £000	31 Mar 2018 £000
Central government bodies	(63)	(63)
Other local authorities	(32,629)	(29,036)
Other entities and individuals		
- Nexus	(42,418)	(42,239)
- TT2 Ltd	(3,458)	(3,208)
- Other	(10,056)	(3,321)
Total	(88,624)	(77,867)

16 Private Finance Initiatives & 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, refurbish the existing tunnel and operate both vehicle tunnels alongside the pedestrian and cycle tunnels for the period. The second tunnel was opened on 25 February 2011, with the refurbished original tunnel opened on 21 November 2011. Both are included on NECA's balance sheet.

In 2017/18 the payment under the contract was £19.487m (2016/17 £21.201m).

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2017/18 value of £101.845m (2016/17 £106.938m) which is written down over the remaining life of the contract, as shown in the table below.

	Deferred Income Release	
	2016/17 £000	2017/18 £000
Payable in 2018/19	(5,093)	(5,092)
Payable within 2 to 5 years	(20,369)	(20,370)
Payable within 6 to 10 years	(25,461)	(25,461)
Payable within 11 to 15 years	(25,461)	(25,461)
Payable within 16 to 20 years	(25,461)	(25,461)
Payable within 21 to 25 years	(5,093)	-
Total	(106,938)	(101,845)

	2016/17 £000	2017/18 £000
Shown as Short Term Liability on Balance Sheet	(5,093)	(5,092)
Shown as Long Term Liability on Balance Sheet	(101,845)	(96,753)
Balance outstanding at year-end	(106,938)	(101,845)

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.

17 Contingent Liabilities

There are no contingent liabilities in year.

18 Defined Benefit Pension Schemes

The Authority participates in two post-employment schemes:

(i) The largest of the two, 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 investment.

(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 eventually fall due.

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 levy 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	120	290	-	-
Past service costs	-	-	-	-
Financing and Investment Income and Expenditure:				
Interest on net defined benefit liability/(asset)	-	-	30	20
Pension expense recognised in profit and loss	120	290	30	20

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	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of/ below that recognised in net interest)	(7,640)	(570)	-	-
Actuarial (gains)/losses due to changes in financial assumptions	6,300	330	140	-
Actuarial (gains)/losses due to changes in demographic assumptions	510	-	(20)	-
Actuarial (gains)/losses due to changes in liability assumptions	(920)	570	(10)	10
Adjustment in respect of paragraph 58	1,760	(820)	-	-
Total amount recognised in Other Comprehensive Income	10	(290)	110	10
Total amount recognised	130	-	140	30

Assets and Liabilities In Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening balance at 1 April	(31,630)	(37,590)	(890)	(980)
Current service cost	(120)	(290)	-	-
Interest cost	(1,030)	(930)	(30)	(20)
Contributions by participants	(50)	(70)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	(6,300)	(330)	(140)	-
Actuarial gains/(losses) on liabilities - demographic assumptions	(510)	-	20	-
Actuarial gains/(losses) on liabilities - experience	920	(570)	10	(10)
Net benefits paid out	1,130	830	50	50
Past service costs	-	-	-	-
Closing balance at 31 March	(37,590)	(38,950)	(980)	(960)

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Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening balance at 1 April	37,150	45,050	-	-
Interest income on assets	1,210	1,120	-	-
Remeasurement gains/(losses) on assets	7,640	570	-	-
Employer contributions	130	-	50	50
Contributions by scheme participants	50	70	-	-
Net benefits paid out	(1,130)	(830)	(50)	(50)
Closing balance at 31 March	45,050	45,980	-	-

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	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Fair value of LGPS assets	34,920	37,770	37,150	45,050	45,980
Present value of liabilities:					
LGPS liabilities	(32,640)	(34,520)	(31,630)	(37,590)	(38,950)
Impact of minimum funding	(2,280)	(3,250)	(5,520)	(7,460)	(7,030)
(Deficit) on funded defined benefit scheme	-	-	-	-	-
Discretionary benefits	(960)	(1,020)	(890)	(980)	(960)
Total (Deficit)	(960)	(1,020)	(890)	(980)	(960)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows; active members 5%, deferred pensioners 10% and pensioners 85%.

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The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £39.91m has an impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative pension balance of £0.96m. 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 2019 is nil. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2019 are £0.05m in relation to unfunded benefits.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. 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 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions:-				
<u>Longevity at 65 for current pensioners:</u>				
Men	22.8	22.9	22.8	22.9
Women	26.3	26.4	26.3	26.4
Rate for discounting scheme liabilities	2.5%	2.6%	2.5%	2.6%
Rate of inflation - Retail Price Index	3.1%	3.2%	3.1%	3.2%
Rate of inflation - Consumer Price Index	2.0%	2.1%	2.0%	2.1%
Rate of increase in pensions	2.0%	2.1%	2.0%	2.1%
Pension accounts revaluation rate	2.0%	2.1%	n/a	n/a
Rate of increase in salaries	3.5%	3.6%	n/a	n/a

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

	31 March 2017	31 March 2018		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	66.9	60.7	6.3	67.0
Property	9.2	0.0	8.5	8.5
Government bonds	3.9	4.0	0.0	4.0
Corporate bonds	11.5	11.7	0.0	11.7
Cash	2.6	3.7	0.0	3.7
Other*	5.9	3.5	1.6	5.1
Total	100.0	83.6	16.4	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.

	Funded 2016/17 £000	Funded 2017/18 £000
Actual Return on Assets		
Interest income on assets	1,210	1,120
Remeasurement gain/(loss) on assets	7,640	570
Actual return on assets	8,850	1,690

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2018 and the projected service cost for the period ending 31 March 2019 is set out below.

Sensitivity analysis of unfunded benefits (where applicable) has not been included on materiality grounds.

Funded LGPS Benefits

Discount Rate assumption

Adjustment to Discount rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	38.44	38.95	39.46
% change in present value of total obligation	-1.30%		1.30%
Projected service cost (£m)	0.29	0.30	0.31
Approximate % change in projected service cost	-4.00%		4.10%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	38.97	38.95	38.93
% change in present value of total obligation	0.00%	0.00%	-0.10%
Projected service cost (£m)	0.30	0.30	0.30
Approximate % change in projected service cost	0.00%	0.00%	0.00%

Rate of increase to pensions in payment and deferred pensions

Adjustment to pension increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	39.94	38.95	37.97
% change in present value of total obligation	2.50%		-2.50%
Projected service cost (£m)	0.31	0.30	0.29
Approximate % change in projected service cost	4.10%		-4.00%

Post retirement mortality assumption

Adjustment to mortality age rating assumption *	+ 1 year	Base Figure	- 1 year
Present value of total obligation (£m)	40.41	38.95	37.56
% change in present value of total obligation	3.80%	0.00%	-3.60%
Projected service cost (£m)	0.31	0.30	0.29
Approximate % change in projected service cost	3.70%	0.00%	-3.70%

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

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19 Usable Reserves

	31 Mar 2017 £000	31 Mar 2018 £000
General Fund Balance	(34,897)	(32,808)
Metro Reinvigoration Reserve	(9,126)	(9,118)
North East LEP Earmarked Reserves	(539)	(5,532)
Capital Receipts Reserve	(168)	(892)
Capital Grants Unapplied Reserve	(25,726)	(7,728)
Total Usable Reserves	(70,456)	(55,877)

20 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 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Metro Reinvigoration Reserve	(10,005)	924	(45)	(9,126)	49	(41)	(9,118)
North East LEP Restricted cashable reserve - RGF Interest	(181)	-	(358)	(539)	-	(253)	(792)
North East LEP Restricted cashable reserve - GPF Loan	(1,729)	2,000	(271)	-	8	(1,416)	(1,408)
North East LEP GPF Revenue Grant Unapplied	(66)	66	-	-	-	-	-
Nexus Metro Fleet Renewal	-	-	-	-	-	(3,333)	(3,333)
	(11,981)	2,990	(674)	(9,665)	57	(5,043)	(14,651)

21 Unusable Reserves

	31 Mar 2017 £000	31 Mar 2018 £000
Capital Adjustment Account	(99,672)	(105,886)
Financial Instruments Adjustment Account	7,029	5,637
Revaluation Reserve	(8,579)	(8,433)
Pension Reserve	980	960
Total Unusable Reserves	(100,242)	(107,722)

Capital Adjustment Account

The Capital Adjustment Account 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 Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The Account also contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/17 £000	2017/18 £000
Opening Balance 1 April	(93,180)	(99,672)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	4,572	3,890
Other income that cannot be credited to the General Fund	(5,092)	(5,092)
Revenue expenditure funded from capital under statute	75,981	82,432
Amounts of non current assets written off on disposal	-	-
Write down of long term debtors	2,250	2,387

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Adjusting amounts written out of the Revaluation Reserve	(146)	(146)
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(79,594)	(83,299)
Statutory provision for the financing of capital investment	(2,523)	(2,557)
Capital expenditure charged against the General Fund	(130)	(2,129)
Debt redeemed using capital receipts	(1,810)	(1,899)
Balance at 31 March	(99,672)	(105,886)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or 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.

	2016/17 £000	2017/18 £000
Opening Balance 1 April	8,113	7,029
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(728)	(803)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(356)	(589)
Balance at 31 March	7,029	5,637

Revaluation Reserve

The Revaluation Reserve 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 reserve contains only 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 Capital Adjustment Account.

	2016/17 £000	2017/18 £000
Opening Balance 1 April	(8,725)	(8,579)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Difference between fair value depreciation and historical cost depreciation Amount written off to the Capital Adjustment Account	146	146
Balance at 31 March	(8,579)	(8,433)

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 Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any 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.

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Pensions Reserve

	2016/17 £000	2017/18 £000
Opening Balance 1 April	890	980
Remeasurements of the net defined benefit liability/(asset)	120	(280)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	150	310
Employer's pensions contributions and direct payments to pensioners payable in the year	(180)	(50)
Balance at 31 March	980	960

22 Capital Expenditure & Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as the assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR) a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	202,438	199,660
Capital investment:		
Property, Plant and Equipment	1,956	2,976
Revenue Expenditure Funded from Capital under Statute	75,981	82,432
Loans issued	859	-
Sources of finance:		
Capital receipts	-	-
Capital receipts - repayment of principal from long-term debtors	(1,765)	(1,699)
Government Grants and other contributions	(77,156)	(83,299)
Sums set aside from revenue:		
Direct revenue contributions	(130)	(2,129)
Minimum Revenue Provision	(2,123)	(2,111)
Additional Voluntary Provision	(400)	(447)
Closing Capital Financing Requirement	199,660	195,383
Explanation of movements in year:		
Decrease in underlying need to borrow (unsupported by government financial assistance)	(2,778)	(4,278)
Decrease in Capital Financing Requirement	(2,778)	(4,278)

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23 Adjustment to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities

	2016/17 £000	2017/18 £000
Surplus/(Deficit) on the provision of services	19,940	(7,379)
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	4,572	3,890
(Increase)/Decrease in Creditors	(24,859)	(18,208)
Increase/(Decrease) in Debtors	(569)	(5,711)
Movement in Pension Liability	(30)	260
Other non-cash items charged to the net surplus or deficit on the provision of services	(5,509)	(5,681)
	(26,395)	(25,450)
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	(94,332)	(65,301)
	(94,332)	(65,301)
Net cash flow from operating activities	(100,787)	(98,130)

Cash Flow Statement -

The cash flows for operating activities include the following items:

	2016/17 £000	2017/18 £000
Interest received	2,893	2,717
Interest paid	(7,446)	(7,119)

24 Cash Flow Statement - Investing Activities

	RESTATED 2016/17 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,700)	4,479
Purchase of short-term and long-term investments	(96,500)	(53,000)
Proceeds from short-term and long-term investments	87,500	79,000
Other receipts from investing activities	93,678	68,348
Net cash flows from investing activities	82,978	98,827

25 Cash Flow Statement - Financing Activities

	2016/17 £000	2017/18 £000
Repayments of short and long-term borrowing	(1,717)	(676)
Net cash flows from financing activities	(1,717)	(676)

26 Accounting Standards Issued, Not Yet Adopted

Impact of the adoption of the new accounting standards on the 2017/18 Financial Statements.

IFRS 9 Financial Instruments: this new standard replaces IAS 39 from 2018/19 and changes the approach to financial assets and accounting for impairments.

- The impact of IFRS 9 will require reclassification of assets and will require assessment of loans provided reflecting the impact in the accounts of the likelihood of any loan defaulting in the future. This standard may cause volatility in the Consolidated Income and Expenditure Statement and Balance Sheet going forward.

IFRS 15 Revenue from Contracts: this new standard replaces IAS 18 from 2018/19 and aims to standardise practices around the recognition of revenue from contracts. This standard will have no impact on NECA financial statements.

27 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 refurbishment of the existing Tunnel are recorded within the Authority's Property, Plant and Equipment on the Balance Sheet.

Public Sector Funding Context

There is a high degree of uncertainty regarding future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However the Authority takes the view that this uncertainty is not yet sufficient indication that the value of the Authority's assets might need to be impaired due to reduced levels of service provision.

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

28 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 2018 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	<p>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>	<p>The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2018 and the projected service cost for the year ending 31 March 2019 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 £38.44m, a variance of £0.51m, whereas a decrease of (0.1%) p.a. results in an increase to £39.46m. The percentage change in the present value of the total obligation would be (4%) and 4.1% 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 £0.02m to £38.97m, whereas a decrease of (0.1%) p.a. results in a decrease to £38.93m, a variance of £0.02m. The percentage change in the present value of the total obligation would be 0.0% and (0.1%) respectively.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		<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 £39.94m, an increase of £0.990m, whereas a adjustment of +1 year results in a reduction to £37.97m, a variance of £0.980m. The percentage change in the present value of the total obligation would be 2.5% and (2.5%) respectively.</p>

29 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2018. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The proposed Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority Order 2018 was laid in the Houses of Parliament on 24th July 2018. This starts a formal parliamentary process, which is expected to result in a positive resolution of both Houses and an order being made and enacted later in 2018. Once it is made and enacted, the order would: establish a mayoral combined authority covering the area of the three named constituent authorities; reduce the membership of NECA from the seven current authorities to the four remaining authorities; and create a Joint Transport Committee covering the area of all seven authorities. Under a Deed of Co-operation agreed by the seven authorities and NECA, NECA would be the accountable body for the Joint Transport Committee.

The proposed order was known about when the draft accounts were prepared. On the information available, the Order would not impact on the accounts for the year ended 31 March 2018. It would impact on the accounts for 2018/19 and future years, reducing the scale of reported expenditure, assets and liabilities in those years.

30 Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS).

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

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

2. Accruals of Income and Expenditure

The financial statements, other than the cash flow statement, are prepared on an accruals basis. This means that transactions are reflected in the accounts of the period in which they take place, as opposed to the period in which payments are made or received. Accruals are raised for income and expenditure exceeding £1,000.

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 service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

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

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

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 2017/18.

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 Pension Scheme

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

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

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

a) Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

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

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

d) Remeasurements comprising:

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

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

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

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

Further details are provided in Note 18 to the accounts.

9. Events after the Balance Sheet Date

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

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

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

10. 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 charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.

- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Where the fair value of loans and receivables is disclosed (i.e. the Financial Instruments note) the fair value of the Nexus borrowing debtor is estimated by applying a proportion of the Authority's total fair value of borrowing to the proportion of the carrying value which relates to loans taken on behalf of Nexus.

Soft Loans

A Soft Loan is a loan made to a third party at a preferential rate of interest, i.e. below market rate. In accordance with the Code of Practice on Local Authority Accounting, the difference between the interest payable to the Authority by the recipient of the loan and the amount they would have paid if they had acquired a loan for the same amount is charged to the income and expenditure account under the relevant net cost of service heading. This charge is then reversed out through the Movement in Reserves Statement to mitigate any effect on usable reserves.

Available-for-Sale Assets

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices - the market price.
- Other instruments with fixed and determinable payments - discounted cash flow analysis.
- Equity shares with no quoted market prices - independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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

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

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

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 construction.

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

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

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

- Infrastructure assets - depreciated historical cost.
- Assets Under Construction - cost

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

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 2017, divided by remaining life expectancy. Depreciation is therefore 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.

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 2017/18 to produce Group Accounts to include services paid 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 2017/18 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2017/18 and comparators for 2016/17. 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.

3.0 Group Financial Statements and Explanatory Notes

3.0 Group Financial Statements and Explanatory Notes

3.1 Group Movement in Reserves Statement

	NECA Usable Reserves £000	NECA Unusable Reserves £000	Total NECA Reserves £000	Authority Share of Nexus £000	Total Group Reserves £000
Balance at 1 April 2016	(57,977)	(92,901)	(150,878)	(448,840)	(599,718)
Movement in reserves during 2016/17					
Total Comprehensive Income & Expenditure	(19,940)	120	(19,820)	(13,273)	(33,093)
Adjustments between accounting basis & funding basis under regulations	7,461	(7,461)	-	-	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	(12,479)	(7,341)	(19,820)	(13,273)	(33,093)
Transfers (To)/From Earmarked Reserves	-	-	-	-	-
(Increase)/Decrease in 2016/17	(12,479)	(7,341)	(19,820)	(13,273)	(33,093)
Balance at 31 March 2017 carried forward	(70,456)	(100,242)	(170,698)	(462,113)	(632,811)
Movement in reserves during 2017/18					
Adjustment to opening balance	-	-	-	-	-
Total Comprehensive Income & Expenditure	7,379	(280)	7,099	17,856	24,955
Adjustments between accounting basis & funding basis under regulations	7,200	(7,200)	-	-	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	14,579	(7,480)	7,099	17,856	24,955
Transfers (To)/From Earmarked Reserves	-	-	-	-	-
(Increase)/Decrease in 2017/18	14,579	(7,480)	7,099	17,856	24,955
Balance at 31 March 2018 carried forward	(55,877)	(107,722)	(163,599)	(444,257)	(607,856)

North East Combined Authority Group Statement of Accounts 2017/18

3.2 Group Comprehensive Income and Expenditure Statement

2016/17				Note	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,318	(656)	662	Corporate	549	(543)	6	
344	(169)	175	Inward Investment	609	(432)	177	
61,268	(77,575)	(16,307)	Local Growth Fund	60,292	(41,673)	18,619	
6,348	(2,658)	3,690	North East Local Enterprise Partnership	4,898	(3,954)	944	
1,148	(1,148)	-	Skills	326	(326)	-	
461	-	461	Transport - Retained Levy	452	-	452	
15,414	-	15,414	Transport - Durham	15,477	-	15,477	
6,293	-	6,293	Transport - Northumberland	6,217	-	6,217	
150,633	(76,320)	74,313	Transport - Tyne and Wear	184,051	(79,878)	104,173	
19,320	(18,160)	1,160	Transport - Other	24,134	(24,232)	(98)	
25,938	(33,282)	(7,344)	Transport - Tyne Tunnels	23,542	(32,139)	(8,597)	
288,486	(209,988)	78,518	Cost of Services	320,547	(188,177)	137,370	
9,013	(2,532)	6,481	Financing & Investment Income & Expenditure	9,073	(2,177)	6,896	
-	(122,736)	(122,736)	Taxation & Non-Specific Grant Income	-	(117,101)	(117,101)	
46	-	46	(Gain)/Loss on disposal or derecognition of non-current assets	(20)	-	(20)	
		(37,692)	Deficit/(Surplus) on Provision of Services			27,145	
		4,810	Re-measurements of the defined benefit liability	G11		(2,471)	
		(211)	Taxation of Group Entities	G12		282	
		4,599	Other Comprehensive Income & Expenditure			(2,169)	
		(33,093)	Total Comprehensive Income & Expenditure Deficit/(Surplus)			24,956	

North East Combined Authority Group Statement of Accounts 2017/18

3.3 Group Balance Sheet

RESTATED 31 March 2017		Note	31 March 2018
£000			£000
840,319	Property, Plant & Equipment	G5	843,217
2,089	Intangible Assets	G6	2,860
16,583	Long Term Debtors		15,467
1	Long Term Investments		1
858,992	Long Term Assets		861,545
98,000	Short Term Investments		72,000
21,923	Short Term Debtors	G8	25,645
49,432	Cash and Cash Equivalents	G9	59,878
901	Inventories		2,852
170,256	Current Assets		160,375
(2,611)	Short Term Borrowing	G7	(2,596)
(67,286)	Short Term Creditors	G7, G10	(59,976)
(2,483)	Grants Receipts in Advance	G4	(2,329)
(5,093)	New Tyne Crossing - Deferred Income	16	(5,092)
(77,473)	Current Liabilities		(69,993)
(1,304)	Provisions		(3,222)
(4,977)	Deferred Taxation	G12	(4,763)
(101,845)	New Tyne Crossing - Deferred Income	16	(96,753)
(167,667)	Long Term Borrowing	G7	(167,000)
(971)	Grants Receipts in Advance	G4	(793)
(42,200)	Pension Liability	G7	(71,541)
(318,964)	Long Term Liabilities		(344,072)
632,811	Net Assets		607,855
(113,670)	Usable Reserves	G13	(103,777)
(519,141)	Unusable Reserves	G14	(504,078)
(632,811)	Total Reserves		(607,855)

Chief Finance Officer Certificate

I certify that the group accounts set out on pages 77 to 101 give a true and fair view of the financial position of the North East Combined Authority Group at 31 March 2018

P. Woods

3.4 Group Cash Flow Statement

RESTATED 2016/17 £000		Note	2017/18 £000
37,692	Net Surplus/(Deficit) on the provision of services after taxation of Group Entities	G15	(27,145)
(15,984)	Adjustments to net surplus or deficit on the provision of services for non cash movements	G15	40,438
(126,556)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G15	(95,160)
(104,848)	Net cash flows from Operating Activities	G15	(81,867)
91,142	Investing Activities	G16	94,503
(3,346)	Financing Activities	G17	(2,190)
(17,052)	Net (Decrease)/Increase in cash and cash equivalents		10,446
66,483	Cash and cash equivalents at the beginning of the reporting period	G9	49,432
49,432	Cash and cash equivalents at the end of the reporting period	G9	59,878

3.5 Index of Explanatory Notes to the Group Financial Statements

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3.6 Explanatory Notes to the Group Financial Statements

G1 Group Accounts

Under the Code of Practice for Local Authority 2017/18, authorities with interest in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

Nexus is the only subsidiary for the North 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 assets:

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 69 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

North East Combined Authority Group Statement of Accounts 2017/18

G2 Financing and Investment Income and Expenditure

	Note	2016/17 £000	2017/18 £000
Interest payable and similar charges		7,793	7,471
Interest on defined benefit liability	G11	1,220	1,602
Interest receivable and similar income		(2,532)	(2,177)
Total		6,481	6,896

G3 Taxation and Non Specific Grant Income

	2016/17 £000	2017/18 £000
Transport Levy	(86,894)	(84,744)
Enterprise Zone income	(1,696)	(1,626)
Nexus Capital Grants	(32,320)	(29,892)
LGF Grant applied to Tyne Tunnels capital expenditure	(1,826)	(838)
Total	(122,736)	(117,100)

G4 Grant Income and Other Contributions

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17 and 2017/18:

Credited to Services	2016/17 £000	2017/18 £000
DCLG Capacity Grant	(500)	(500)
Growth Hub	(556)	(410)
Local Authority Contributions to NECA	(440)	(440)
Local Authority Contributions to NELEP	(250)	(250)
Local Growth Fund	(79,402)	(42,506)
Local Sustainable Transport Fund	-	-
Local Transport Plan & National Productivity Investment	(13,949)	(22,889)
Mental Health Trailblazer	(1,148)	(326)
North East Smart Ticketing Initiative	(901)	(527)
North East Technical Assistance	(356)	(243)
Other Grants	(1,184)	(991)
Regional Growth Fund Capital	(80)	-
Regional Growth Fund Revenue	-	-
Sustainable Travel Transition Year	(2,343)	-
Metro Rail Grant	(24,689)	(25,110)
Heavy Rail Grant	(262)	(262)
Total	(126,060)	(94,454)

North East Combined Authority Group Statement of Accounts 2017/18

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	2016/17 £000	2017/18 £000
<u>Revenue Grants</u>		
Growth Hub	-	-
Mental Health Trailblazer	-	-
North East Smart Ticketing Initiative	(1,924)	(1,397)
Office for Low Emission Vehicles - Revenue	(30)	-
Other Grants	-	(225)
<u>Capital Grants</u>		
Office for Low Emission Vehicles - Capital	(1,500)	(1,500)
Regional Growth Fund Capital	-	-
<u>Total</u>	(3,454)	(3,122)
Shown as Short-Term Liability on Balance Sheet	(2,483)	(2,329)
Shown as Long-Term Liability on Balance Sheet	(971)	(793)
<u>Total</u>	(3,454)	(3,122)

North East Combined Authority Group Statement of Accounts 2017/18

G5 Property, Plant and Equipment

2017/18	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2017	1,739	34,283	1,057,285	53,140	1,146,447
Assets reclassified	-	-	-	-	-
Transfers from assets under construction	-	896	42,671	(44,787)	(1,220)
Derecognition - disposals	-	(206)	(4,492)	-	(4,698)
Derecognition - other	-	-	-	-	-
Additions	-	-	8	35,233	35,241
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	(8)	-	(8)
At 31 March 2018	1,739	34,973	1,095,464	43,586	1,175,762
Accumulated Depreciation and Impairment					
At 1 April 2017	(625)	(18,678)	(286,825)	-	(306,128)
Reclassification	-	-	-	-	-
Depreciation Adjustment	-	-	(27)	-	(27)
Depreciation Charge for the Year	(41)	(2,371)	(26,007)	-	(28,419)
Derecognition - Disposals	-	206	1,823	-	2,029
At 31 March 2018	(666)	(20,843)	(311,036)	-	(332,545)
Net Book Value					
At 1 April 2017	1,113	15,606	770,460	53,140	840,319
At 31 March 2018	1,073	14,130	784,428	43,586	843,217

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Comparative Information 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2016	1,739	34,462	1,016,486	56,772	1,109,459
Assets reclassified	-	-	-	-	-
Transfers from assets under construction	-	163	41,722	(41,885)	-
Derecognition - disposals	-	(342)	(923)	-	(1,265)
Derecognition - other	-	-	-	-	-
Additions	-	-	130	38,252	38,382
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	(130)	-	(130)
At 31 March 2017	1,739	34,283	1,057,285	53,139	1,146,447
Accumulated Depreciation and Impairment					
At 1 April 2016	(582)	(18,602)	(262,165)	-	(279,349)
Reclassification	-	-	-	-	-
Depreciation Adjustment	-	-	(608)	-	(608)
Depreciation Charge for the Year	(44)	(2,417)	(24,816)	-	(27,277)
Derecognition - Disposals	-	342	764	-	1,106
At 31 March 2017	(626)	(18,677)	(286,825)	-	(306,128)
Net Book Value					
At 1 April 2016	1,156	17,860	754,321	56,772	830,110
At 31 March 2017	1,113	15,606	770,460	53,140	840,319

Costs of land intrinsically linked to the original Tyne Tunnel has now been included within the valuation of that Tunnel and therefore is shown as part of the Infrastructure Assets balance within this note.

North East Combined Authority Group Statement of Accounts 2017/18

Capital Commitments

At 31 March 2018 Nexus has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years, budgeted to cost £18.47m (2017 £15.70m). The major commitments are:

	£m
Rail Traffic Management System	0.77
Radio	0.59
Overhead Line	3.06
Trackworks - Northumberland Park to South Gosforth	0.56
Track Works - Tynemouth to Northumberland Park	0.68
Track Works - Chillingham Road to St James	0.22
Metro Maintenance and Skills Centre	6.96
Cullercoats, Monkseaton, West Monkseaton Stations	0.72

G6 Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

Cost or valuation	2016/17 £000	2017/18 £000
Opening Balance	6,937	6,937
Reclassification	-	-
Derecognition - disposals	-	-
Transfers from assets under construction	-	1,220
Total	6,937	8,157

Depreciation and impairment	2016/17 £000	2017/18 £000
Opening Balance	4,310	4,847
Reclassification	-	-
Amortisation correction	-	-
Amortisation provided during the period	537	450
Derecognition - disposals	-	-
Total	4,847	5,297

Net Book Value at 31 March	2,090	2,860
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North East Combined Authority Group Statement of Accounts 2017/18

G7 Financial Instruments

Categories of Financial Instruments

The investments and borrowing disclosed in the Balances Sheet are made up of the following categories of financial instrument:

RESTATED Long Term 31 March 2017 £000	RESTATED Short Term 31 March 2017 £000		Long Term 31 March 2018 £000	Short Term 31 March 2018 £000
		Investments		
-	98,000	Fixed term deposits	-	72,000
1	-	Long term investments	1	-
1	98,000	Total Investments	1	72,000
		Debtors		
15,842	2,868	Long term/Short term debtors - Loans and advances	15,150	3,543
-	15,804	Other debtors	-	11,713
15,842	18,672	Total Debtors	15,150	15,256
		Borrowings		
(167,667)	(667)	Financial liabilities at amortised cost - Loans (Principal)	(167,000)	(667)
-	(1,944)	Financial liabilities at amortised cost - Loans (Interest)	-	(1,929)
(167,667)	(2,611)	Total included in Borrowings	(167,000)	(2,596)
		Creditors		
-	(67,286)	Short Term Creditors	-	(59,976)
-	(67,286)	Total Creditors	-	(59,976)

North East Combined Authority Group Statement of Accounts 2017/18

G8 Short Term Debtors

	31 Mar 2017	31 Mar 2018
	£000	£000
Central government bodies	9,548	14,567
Other local authorities	2,552	2,235
NHS bodies	10	81
Public corporations and trading funds	-	-
Other entities and individuals	9,812	8,762
Total	21,923	25,645

G9 Cash and Cash Equivalents

	RESTATED 31 Mar 2017	31 Mar 2018
	£000	£000
Cash	16,962	21,928
Short-term deposits with financial institutions	32,470	37,950
Total Cash and Cash Equivalents	49,432	59,878

G10 Short Term Creditors

	31 Mar 2017	31 Mar 2018
	£000	£000
Central government bodies	(550)	(2,882)
Other local authorities	(33,687)	(30,838)
Other entities and individuals	(33,049)	(26,256)
Total	(67,286)	(59,976)

G11 Defined Benefit Pension Schemes

NECA and Nexus both 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.

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 levy 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	4,500	12,258	-	-
Past service costs	-	-	-	-
Financing and Investment Income and Expenditure:				
Interest on net defined benefit liability/(asset)	1,050	1,482	170	120
Pension expense recognised in profit and loss	5,550	13,740	170	120

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	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of/ below that recognised in net interest)	(42,300)	(3,840)	-	-
Actuarial (gains)/losses due to changes in financial assumptions	54,290	(372)	410	-
Actuarial (gains)/losses due to changes in demographic assumptions	510	-	210	-
Actuarial (gains)/losses due to changes in liability assumptions	(9,780)	2,311	(290)	50
Adjustment in respect of paragraph 58	1,760	(620)	-	-
Total amount recognised in Other Comprehensive Income	4,480	(2,521)	330	50
Total amount recognised	10,030	11,219	500	170

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening balance at 1 April	(251,680)	(378,764)	(5,090)	(5,130)
Current service cost	(4,500)	(12,258)	-	-
Interest cost	(8,390)	(9,450)	(170)	(120)
Contributions by participants	(1,400)	(2,481)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	(54,290)	(1)	(410)	-
Actuarial gains/(losses) on liabilities - demographic assumptions	(130)	-	(210)	-
Actuarial gains/(losses) on liabilities - experience	9,400	(2,310)	290	(50)
Net benefits paid out	9,530	10,102	460	430
Past service costs	-	-	-	-
Closing balance at 31 March	(301,460)	(395,162)	(5,130)	(4,870)

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Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening balance at 1 April	222,650	324,420	-	-
Interest income on assets	7,520	8,158	-	-
Remeasurement gains/(losses) on assets	42,300	4,212	-	-
Employer contributions	7,510	6,352	460	430
Contributions by scheme participants	1,400	2,481	-	-
Net benefits paid out	(9,530)	(10,102)	(460)	(430)
Closing balance at 31 March	271,850	335,521	-	-

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	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Fair value of LGPS assets	194,330	218,780	222,650	271,850	335,521
Present value of liabilities:					
LGPS liabilities	(229,650)	(258,730)	(251,680)	(301,460)	(395,162)
Impact of minimum funding requirement/asset ceiling	(2,280)	(3,250)	(5,520)	(7,460)	(7,030)
(Deficit) on funded defined benefit scheme	(37,600)	(43,200)	(34,550)	(37,070)	(66,671)
Discretionary benefits	(5,740)	(5,680)	(5,090)	(5,130)	(4,870)
Total (Deficit)	(43,340)	(48,880)	(39,640)	(42,200)	(71,541)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows; NECA - active members 5%, deferred pensioners 10% and pensioners 85%; Nexus - active members 34%, deferred pensioners 10% and pensioners 56%.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total combined liabilities of NECA Nexus and Nemol of £400.032mm has an impact on the net worth of the authorities as recorded in the balance sheet, resulting in a negative pension balance of £71.541mm. However, statutory arrangements for funding the deficit mean that the financial position of the authorities remain 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 NECA, Nexus and NEMOL in the year to 31 March 2019 is £6.352m. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2019 are £0.430m in relation to unfunded benefits.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. 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 2016.

The principal assumptions used by the actuary in relation to Nexus have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions:-				
Longevity at 65 for current pensioners:				
Men	22.8	22.9	n/a	n/a
Women	26.3	26.4	n/a	n/a
Rate for discounting scheme liabilities	2.5%	2.6%	n/a	n/a
Rate of inflation - Retail Price Index	3.1%	3.2%	n/a	n/a
Rate of inflation - Consumer Price Index	2.0%	2.1%	n/a	n/a
Rate of increase in pensions	2.0%	2.1%	n/a	n/a
Pension accounts revaluation rate	2.0%	2.1%	n/a	n/a
Rate of increase in salaries	3.5%	3.6%	n/a	n/a

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

	31 March 2017	31 March 2018		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	66.9	60.7	6.3	67.0
Property	9.2	0.0	8.5	8.5
Government bonds	3.9	4.0	0.0	4.0
Corporate bonds	11.5	11.7	0.0	11.7
Cash	2.6	3.7	0.0	3.7
Other*	5.9	3.5	1.6	5.1
Total	100.0	83.6	16.4	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.

	Funded 2016/17 £000	Funded 2017/18 £000
Actual Return on Assets		
Interest income on assets	7,520	8,158
Remeasurement gain/(loss) on assets	42,300	4,212
Actual return on assets	49,820	12,370

Sensitivity Analysis

Sensitivity analysis of NECA pension liabilities is set out on pages 45-46 of the single entity accounts. Sensitivity analysis of Nexus pension liabilities is shown below.

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2018 and the projected cost for the period ending 31 March 2019 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised above.

Discount Rate assumption

Adjustment to Discount rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	266.21	270.99	275.85
% change in present value of total obligation	-1.80%		1.80%
Projected service cost (£m)	6.03	6.22	6.41
Approximate % change in projected service cost	-3.00%		3.10%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	272.18	270.99	269.81
% change in present value of total obligation	0.4%		-0.4%
Projected service cost (£m)	6.22	6.22	6.22
Approximate % change in projected service cost	0.00%		0.00%

Rate of increase to pensions in payment and deferred pensions

Adjustment to pension increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	274.65	270.99	267.38
% change in present value of total obligation	1.4%		-1.3%
Projected service cost (£m)	6.41	6.22	6.03
Approximate % change in projected service cost	3.1%		-3.0%

Post retirement mortality assumption

Adjustment to mortality age rating assumption *	+ 1 year	Base Figure	- 1 year
Present value of total obligation (£m)	278.99	270.99	263.04
% change in present value of total obligation	3.0%		-2.9%
Projected service cost (£m)	6.45	6.22	6.00
Approximate % change in projected service cost	3.6%		-3.6%

* 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 Group pension Liability of £71.541m includes NEMOL pension Liability in respect of staff transferred over from DB Regio.

G12 Deferred Tax Liability

The movement for the year comprises:

	2016/17 £000	2017/18 £000
Current year Charge	-	495
Capital Allowances	(154)	(293)
Roll over relief on capital gains	(64)	(1)
Other timing differences	7	80
Tax effect of losses	-	-
Total	(211)	282

The balance at the year end comprises:

	31 March 2017 £000	31 March 2018 £000
Excess of Capital Allowances over depreciation	(3,824)	(3,531)
Roll over relief on capital gains	(1,233)	(1,232)
Other timing differences	80	-
Tax effect of losses	-	-
Total	(4,977)	(4,763)

G13 Usable Reserves

	31 March 2017 £000	31 March 2018 £000
General Fund Balance	(34,897)	(32,808)
Metro Reinvigoration Reserve	(9,126)	(9,117)
NELEP Earmarked Reserves	(539)	(5,532)
Capital Receipts Reserve	(168)	(692)
Capital Grants Unapplied Reserve	(25,726)	(7,728)
Nexus Revenue Reserves	(15,540)	(18,747)
Nexus Capital Reserves	(27,674)	(29,153)
Total Usable Reserves	(113,670)	(103,777)

G14 Unusable Reserves

Details of movements on the Capital Adjustment Account and Financial Instruments Adjustment Account are shown on pages 47 to 48 of the NECA single entity accounts. These reserves relate to NECA only.

	31 March 2017 £000	31 March 2018 £000
Revaluation Reserve	(9,266)	(9,120)
Capital Adjustment Account	(99,672)	(105,886)
Financial Instruments Adjustment Account	7,029	5,637
Pensions Reserve	42,200	71,541
Nexus Grant Deferred Account	(432,093)	(440,582)
Nexus Unusable Capital Reserve	(27,338)	(25,668)
Total Unusable Reserves	(519,140)	(504,078)

Revaluation Reserve

The Revaluation Reserve 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 reserve contains only 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 Capital Adjustment Account.

	2016/17 £000	2017/18 £000
Balance at 1 April	(9,412)	(9,266)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
Difference between fair value depreciation and historic cost depreciation - amount written off to the Capital Adjustment Account	146	146
Balance at 31 March	(9,266)	(9,120)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any 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 substantial 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.

	2016/17 £000	2017/18 £000
Balance at 1 April	39,640	42,200
Remeasurement of the Net Defined Benefit Liability	4,810	(2,471)
Reversal of items relating to retirement benefits debited or Employer's pension contributions and direct payments to pensioners payable in the year	5,720	38,594
	(7,970)	(6,782)
Balance at 31 March	42,200	71,541

Nexus Grant Deferred Account

	2016/17 £000	2017/18 £000
Balance at 1 April	(415,894)	(432,094)
Capital Grants Released	20,730	24,697
Capital Grants Applied	(36,930)	(33,185)
Balance at 31 March	(432,094)	(440,582)

Nexus Unusable Capital Reserve

	2016/17 £000	2017/18 £000
Balance at 1 April	(28,635)	(27,338)
Depreciation	1,297	1,670
Balance at 31 March	(27,338)	(25,668)

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

	2016/17 £000	2017/18 £000
Surplus/(Deficit) on the provision of services	37,692	(27,145)
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation/ Impairment & Amortisation	28,551	28,904
(Gain)/Loss on disposal of non-current assets	46	2,648
(Increase)/Decrease in Creditors	(33,256)	(13,229)
Increase/(Decrease) in Debtors	(3,419)	(2,654)
Increase/(Decrease) in Inventories	(151)	(1,951)
Movement in Pension Liability	(2,250)	31,812
Other non-cash items charged to the net surplus or deficit on the provision of services	(5,505)	(5,092)
	(15,984)	40,438
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	(128,284)	(95,769)
Other adjustments for items that are financing or investing activities	1,728	609
	(126,556)	(95,160)
Net cash flow from operating activities	(104,848)	(81,867)

Cash Flow Statement -

The cash flows for operating activities include the following items:

	2016/17 £000	2017/18 £000
Interest received	1,407	1,288
Interest paid	(7,446)	(7,119)

G16 Cash Flow Statement - Investing Activities

	RESTATED 2016/17 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	(38,125)	(27,785)
Purchase of short-term and long-term investments	(96,500)	(53,000)
Other payments for investing activities	49	(1,699)
Proceeds from the sale of property, plant and equipment, investment property, intangible assets & heritage assets	113	20
Proceeds from short-term and long-term investments	87,500	79,000
Other receipts from investing activities	138,105	97,967
Net cash flows from investing activities	91,142	94,503

G17 Cash Flow Statement - Financing Activities

	2016/17 £000	2017/18 £000
Repayments of short and long-term borrowing	(1,787)	(742)
Other payments for financing activities	(1,559)	(1,448)
Net cash flows from financing activities	(3,346)	(2,190)

18 Prior Period Adjustments

The 2016/17 Financial Statements have been amended to reflect £6,000,000 of Money Market Investments, accounted for in Short-term Investments revised to be accounted for in Cash and Cash Equivalents as repayable without penalty on notice of not more than 24 hours.

This amendment has impacted on the 2016/17 Balance Sheet, Cash Flow Statement, Cash and Cash Equivalents Note, Financial Instruments Note and Cash flow Statement - Investing Activities in both the Single Entity and Group Accounts. Note 11 Categories of Financial Instruments has also been amended to remove prepayments as they do not fit in the category of a Financial Instrument, and Other debtors categorised correctly into Loans and Advances and Other debtors.

4.0 Supplemental Information

4.0 Supplemental Information

4.1 Glossary of Terms

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

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

Curtailment (Pensions)	For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.
Debtors	Monies owed to the Authority but not received at the balance sheet date.
Defined Benefit Scheme (Pensions)	A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.
Earmarked Reserve	A sum set aside for a specific purpose.
Emoluments	Payments received in cash and benefits for employment.
Events after the Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the statement of Accounts is authorised for issue.
Expected Rate of Return on Pensions Assets	This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.
Fees and Charges	Income arising from the provision of services, for example, charges for the use of leisure facilities.

Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
Financial Instrument	Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Financial Instruments Adjustment Account	The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
General Fund	The total services of the Authority.
Going Concern	The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.
Intangible Assets	An asset that is not physical in nature, e.g. software licences.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment Properties	Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.
Liabilities	Any amounts owed to individuals or organisations which will have to be paid at some time in the future.

Liquid Resources	Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.
Materiality	An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.
Minimum Revenue Provision (MRP)	An amount charged by the Authority to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.
Movement in Reserves Statement	The statement shows the movement in the year on the different reserves held by the Authority
Net Book Value	The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.
Net Debt	The Authority's borrowings less cash and liquid resources.
Operating Leases	Leases other than a finance lease.
Property, Plant & Equipment (PPE)	Assets that yield benefits to the Authority and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.
Provisions	These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.
Public Works Loan Board	This is a Government agency which provides loans to local authorities at favourable rates.

Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.
Reserves	These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.
Residual Value	The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.
Revaluation Reserve	The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.
Revenue Expenditure	Expenditure on providing day-to-day services, for example employee costs and premises costs.
Revenue Expenditure Funded from Capital under Statute	Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority e.g. grants to other organisations for capital purposes.
Unusable Reserves	The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulation'.
Usable Reserves	Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
Useful Life	The period over which the Authority will derive benefits from the use of a fixed asset.

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Audit Opinion to be follow

