TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Tees Valley Combined Authority Audit & Governance Committee Agenda

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Date: Tuesday 2nd August, 2022, at 10am
Venue: Teesside Airport Business Suite, Teesside International Airport, Darlington DL2 1NJ

Membership:

Councillor Robert Tiplady (Hartlepool Council)
Councillor Scott Durham (Darlington Borough Council)
Councillor Matt Storey (Middlesbrough Council)
Councillor Barry Woodhouse (Stockton Borough Council)
Councillor Anne Watts (Redcar and Cleveland Borough Council)
Angus Kidd (Independent Member)
James Stuart (Independent Member)
Jonny Munby (Independent Member)

AGENDA

1. **Welcome and Apologies for Absence**

2. **Declarations of Interest**

3. **Appointment of Chair & Vice Chair**

4. **Appointment of Representative to South Tees Development Corporation Audit & Risk Committee**

5. **Minutes and Action Tracker**
   Attached

6. **Group Update**
   Attached

7. **TVCA 2020/21 Financial Statements (Latest position)**
   Attached and Verbal Update

8. **TVCA Draft 2021/22 Financial Statements and Annual Governance Statement**
   Verbal Update

9. **Internal Audit Progress Report**
   Attached

10. **Internal Audit Reports**
Attached

11. **Internal Audit Annual Opinion**
Attached

12. **Internal Audit Annual Plan**
Attached

13. **Internal Audit Actions Update**
Attached

14. **External Audit Progress Report**
Attached

15. **Committee Effectiveness & Skills Audit Proposal**
Attached

16. **Forward Plan**
Attached

17. **Risk:**
Risk Management Compliance Update
Attached
Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and appendix are not for publication.

Risk Management Update
Attached
Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and appendix are not for publication.

18. **Date and Time of Next Meeting**
TBC

19. **FOR INFORMATION**
Group Governance Structure
Attached

Tees Valley Combined Authority Declaration of Interests Procedures

1. The purpose of this note is to provide advice and guidance to all members (the Mayor, elected and co-opted members, substitute members and associate members) of the Combined Authority Cabinet, Sub-Committees and Local Enterprise Partnership Board, on the procedure for declaring interests. The procedure is set out in full in the Combined Authority's Constitution under the "Code of Conduct for Members" (Appendix 8).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.

3. There are two types of personal interests covered by the constitution:

   a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
      i. a member of your family;
      ii. any person with whom you have a close association;
      iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
      iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
      v. any body as described in paragraph 3 b) i) and ii) below.

   b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
      i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
      ii. any body which:
         - exercises functions of a public nature;
         - is directed to charitable purposes;
         - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. The constituent councils of the Combined Authority are closely integrated with its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict

of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, or in which that council is a co-funder. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

7. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.

8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.

9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

ITEM 5

TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER –2021-22

Meeting	Item	Action	Owner	Target Date	Update
27th September 2018	Action Tracker	Committee requested that consideration be given of a formal introduction program for committee members, detailing TVCA audit framework.	TVCA	Winter 2020/21	**COMPLETE** Took place w/c 11th Jan 2021
29th November 2018	Any Other Business	Committee be provided with briefing on TVCA Vision and Values exercise	TVCA	Winter 2020/21	**COMPLETE Included** in induction as above.
28th February 2019	Treasury Management Strategy	External advisors Arling Close to be invited to a future meeting of the committee to brief members on methodology used with regards to treasury management.	TVCA	Summer 2021	**COMPLETE** Added to Forward Plan for forthcoming year.
15th October 2019	Annual Financial Statements	Members to hold conference call to discuss statements following approval from External Auditors	TVCA		**COMPLETE**
23rd January 2020	Corporate Risk Register	Members to be provided with briefing note on TVCA ask of government with regards to the UK Shared Prosperity Fund	TVCA		**COMPLETE**
23rd January 2020	Internal Audit Progress Report	Members to be provided with regular progress report on TVCA response to recommendations made by Internal Auditors	TVCA		**COMPLETE** Report from auditors to be presented at May meeting. Further updates to be presented by TVCA officers at future meetings of committee.
28th May 2020	Corporate Risk Register	Members to receive update on Impact of COVID-19 on Teesside International Airport and the South Tees Development Corporation	TVCA		**COMPLETE** Added to Forward Plan as standing item
28th May 2020	Internal Audit Update	Members to receive draft Procurement Strategy for consideration at future committee meeting.	TVCA	28th July 2020	**COMPLETE**
28th May 2020	Internal Audit Plan	Members to receive draft Internal Audit Plan for forthcoming year for consideration.	TVCA	28th July 2020	**COMPLETE**

28th May 2020	Draft Risk Framework	Members to make annual review of Risk Management Framework, with recommendation for revision to be submitted to Cabinet.	TVCA	Summer 2021	**COMPLETE** - Added to Forward Plan for forthcoming year.
21st July 2020	Draft Annual Financial Statements	Details of Officers earning over £50k to be shared with Committee	TVCA	Winter 2020	**COMPLETE** - Detailed in Annual Financial Statements once complete. On agenda for 28th Jan 2021 meeting.
21st July 2020	Corporate Risk Register	Timetable for Covid Business Survey analysis to be shared	TVCA	Autumn 2020	**COMPLETE** - Shared with Committee w/c 16th November 2020.
19th November 2020	Appointment of Chair and Vice Chair	Confirmation to be sought of Councillor Harrison's willingness to accept the position of Vice Chair prior to seeking Cabinet approval for this nomination	TVCA	November 2020	**COMPLETE -** Confirmation received and nomination approved at TVCA Cabinet 27th November.
19th November 2020	Corporate Risk Register	Draft Group Assurance Framework to be brought to future Committee meetings	TVCA	Summer 2021	**COMPLETE** - Added to Forward Plan for forth coming year when available
28th January 2021	Action Tracker	Discussion to take place between the Chair and the Monitoring Officer on potential for periodic assurance updates from STDC/Airport Boards	TVCA	Ongoing	**COMPLETE -** Chair and the Monitoring Officer met to discuss periodic assurance updates. Paper and Indicative Timetable proposed to be produced for Committee endorsement
28th January 2021	CEO UPDATE including COVID 19 UPDATE	Thematic Updates to be scheduled across the forthcoming year,	TVCA	Ongoing	**COMPLETE** - Added to Forward Plan for forthcoming year.
28th January 2021	Corporate Risk Register	TVCA CSR Submission, Levelling Up Agenda response and UKSPF Consultation response to be shared confidentially with Committee	TVCA	May 2021	**COMPLETE -** Shared in advance of May Committee meeting

28th January 2021	Corporate Risk Register	Agree mechanism for updating Committee on Brexit impacts	TVCA	May 2021	**COMPLETE** - To be shared with Members via Corporate Risk Register Updates
28th January 2021	Forward Plan	External Audit Strategy Memorandum 2020/21 to be added to Forward Plan	TVCA	May 2021	**COMPLETE** – Added to Forward Plan for forthcoming year
25th May 2021	STDC Regeneration Business Case Audit	Include in future meeting packs a visual structure of the Group	TVCA	July 2021	**COMPLETE –** To be a Standing Item at future meetings
25th May 2021	Action Tracker	Freeports thematic update to be given to Members at July meeting	TVCA	July 2021	**COMPLETE –** Added to July Agenda
27th July 2021	External Audit Strategy Memorandum	Papers be bookmarked as individual documents for ease of reference for future meetings	TVCA	Ongoing	**COMPLETE –** To be formatted in future meeting packs
27th July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Draft Group Accounts to be circulated to members when complete	TVCA	2nd August 2021	**COMPLETE**
27th July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Analysis of reserves / ear marked reserves to be provided	TVCA	August 2021	**COMPLETE**
27th July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Share link to Investment Plan one year on report	TVCA	August 2021	**COMPLETE**
27th July 2021	Freeports Thematic Update	Presentation to be circulated to members post meeting	TVCA	30th July 2021	**COMPLETE**

27th July 2021	Freeports Thematic Update	Update on skills strategy to be added to September meeting agenda – relevant officer to be invited.	TVCA	August 2021	**COMPLETE**
27th July 2021	Forward Plan	Offshore Wind Thematic Update to be added to Forward Plan for September meeting	TVCA	August 2021	**COMPLETE**
27th July 2021	Forward Plan	Review Risk Register format making top risks more visible and provide update at September meeting	TVCA	August 2021	**COMPLETE**
27th July 2021	Forward Plan	Updated Forward Plan to be circulated	TVCA	August 2021	**COMPLETE**
27th July 2021	Forward Plan	Provide TVCA Organogram	TVCA	August 2021	**COMPLETE**
27th July 2021	Forward Plan	Pre-Meetings to be scheduled for Chair/Vice Chair and TVCA	TVCA	30th July 2021	**COMPLETE**
21st September 2021	Action Tracker	Produce a Paper and Indicative Timetable for the next meeting on how future updates on STDC/TIAL will be communicated in the future	TVCA	December 2021	**COMPLETE –** added to December Agenda
21st September 2021	CEO Update	Share the Airport Trust Terms of Reference with members	TVCA	December 2021	**COMPLETE –** circulated to Members
21st September 2021	CEO Update	Add a Transport Update and Clean Growth as deep dive areas to the Forward Plan	TVCA	December 2021	**COMPLETE –** added to Forward Plan for forthcoming year
21st September 2021	CEO Update	Get update from Transport Team if there are plans to extend the Tees Flex outside of rural areas and share with members	TVCA	December 2021	**COMPLETE –** responses sent to Members
21st September 2021	CEO Update	Determine if the plan is to keep Billingham Station open while the improvements are undertaken and advise members	TVCA	December 2021	**COMPLETE –** responses sent to Members
21st September 2021	External Audit Progress Report	Circulate Audit Reports on STDC/Airport & Goosepool to members	TVCA	Ongoing	
21st September 2021	External Audit Progress Report	Add Net Zero to the Forward Plan as a topic introduction		December 2021	**COMPLETE –** added to Forward Plan
21st September 2021	Corporate Risk Register Update	Review the Group risk environment/systems and processes already in place	TVCA		**COMPLETE**

1st September 2021	Corporate Risk Register Update	Condense top 10 risks & actions around them – circulate asap get feedback for going forward.	TVCA	December 2021	**COMPLETE**
21st September 2021	Corporate Risk Register Update	Circulate presentation to members	TVCA	December 2021	**COMPLETE**
21st September 2021	Offshore Wind Thematic Update	Circulate presentation to members	TVCA	December 2021	**COMPLETE**
1st December 2021	Transport Deep Dive	Circulate Transport Presentation to Members	TVCA	December 2021	**COMPLETE**
1st December 2021	Internal Audit Progress Reports	Develop an Open Audit Actions Report to be shared periodically with the Committee	TVCA & RSM	March 2022	**COMPLETE**
1st December 2021	Internal Audit Progress Reports	Check whether the role of the CEO is accurately reflected in the published Declarations of Interest	TVCA	December 2021	**COMPLETE** and members notified
1st December 2021	Retender of External Audit Contracts	TVCA to consider points raised and undertake soft market testing for directly procuring external audit services	TVCA	December 2021	**COMPLETE**
1st December 2021	Forward Plan	Prepare a self-evaluation and skills audit questionnaire for Members and the results to be prepared and shared for discussion at a future meeting.	TVCA	March 2022	**FOR CONSIDERATION AT AUGUST MEETING**
20th January 2022	Internal Audit Progress Update	January 2022 Report to be circulated to members	TVCA	February 2022	**COMPLETE**

Tees Valley Combined Authority (TVCA) Audit and Governance Committee

Thursday 20th January 2022 at 10.00am

These Minutes are in draft form until approved at the next Audit & Governance Committee meeting and are therefore subject to amendments.

PRESENT
Members
Councillor Paul Crudass, Chair (Darlington Borough Council) Councillor Barry Woodhouse (Stockton-on-Tees Borough Council) Councillor Michael Lockwood (Redcar and Cleveland Borough Council) Councillor Brian Hubbard (Middlesbrough Borough Council) Jonny Munby (Independent Member) Angus Kidd (Independent Member) James Stuart (Independent Member)
Apologies for Absence Gary Macdonald (Group Finance & Resources Director, TVCA) Cllr Tom Feeney (Hartlepool Borough Council)
IN ATTENDANCE
Officers
Alison Fellows (Group Commercial Director, TVCA) Victoria Smith (Group Financial Controller, TVCA) Peter Judge (Group Chief Legal Officer, TVCA) Natalie Robinson (Group Risk Manager, TVCA) Charlie Kemp (Head of Creative Place, TVCA) Ruth Callaghan (Acting Governance & Business Support Manager, TVCA) Nicola Dean (Governance Support Officer, TVCA)
Also in Attendance Cameron Waddell (Mazars – External Auditors) Michael Gibson (RSM – Internal Auditors)

AGC 41/21	**APOLOGIES FOR ABSENCE** Apologies for absence were submitted as detailed above and it was noted that Alison Fellows, Group Financial Director for TVCA and Victoria Smith, Group Financial Controller for TVCA were in attendance in the absence of Gary Macdonald.
AGC 42/21	**DECLARATIONS OF INTEREST** No declarations of interest were received.

AGC 43/21	**APPOINTMENT OF VICE CHAIR** The Chair noted that Cllr Mike Lockwood would be willing to take the role as Vice Chair of the Committee and no other nominations were received. Committee members approved the appointment.
AGC 44/21	**MINUTES OF MEETING HELD ON 1st DECEMBER 2021** The minutes of the previous meeting were agreed as a true record.
AGC 45/21	**ACTION TRACKER 2021-2022** The outstanding actions were discussed, and Members were advised that the actions were discharged as noted and updates on outstanding actions were provided as follows: • The Audit reports for STDC/TIAL and Goosepool would be shared as soon as they were available once finalised • Natalie Robinson, Risk Manager at TVCA had met with Mike Gibson, RSM, to progress the action of an Open Actions Report to be shared periodically with Members • The Self Evaluation and Skills Audit Questionnaire for Members is being developed and a Paper with a proposal on this will be provided at the next meeting.
AGC 46/21	**DEEP DIVE – CREATIVE PLACE** Charlie Kemp, Head of Creative Place at TVCA, provided a presentation on the Creative Place programme to update on delivery through the pandemic to date. The presentation covered the following areas: • Creative Place Pandemic Recovery programme • Work undertaken to establish and agree the main Creative Place programme • How arrangements for this programme will be governed and managed. Members asked: • Is there anything included for NEET students or children in care? Charlie Kemp, Head of Creative Place explained as the detail of TVCA's interventions is developed in terms of the skills development element, there will be opportunities for engaging with programmes that intersect with those areas. • Why do LAs not appear to be mentioned anywhere? Members were assured that representatives from each LA are part of the Creative Place Advisory Group and work closely with TVCA on day-to-day basis, so relevant officers are contributing and engaging to shape that area. • Enjoy Tees Valley and social media is a great way to sell this but is there any update on print versions of Newsletters etc. to highlight events? It was advised that the Place marketing team leads on this and pre-pandemic there was a print version of this, but this was pulled when the pandemic hit, although there is a plan to reintroduce it. • Do we know what the trends are and how global megatrends have been interpreted in our context? CK discussed the Destination Management Plan, advising that key markets have been identified in the Tees Valley around what we can offer, and these reflect those trends – emphasizing the importance of experience and not just about the place. We have an opportunity to build on these in the Tees Valley with the large number of independent businesses and hospitality sector businesses that

	need support and help to "join up". People are interested in where things are sourced, so we are making sure we are working with local business to demonstrate the capability of the area. Members were assured TVCA is cognisant of those trends and once the Destination Management Plan is finalised, it will be shared with Members. • What are risks to delivery and what relationships to Skills and Digital is there? Charlie Kemp, Head of Creative Place, advised there are systemic issues in the creative place and hospitality areas. Members were informed there are fewer courses in schools around that sort of career, with 54% of the sector in the North East being freelance. It was agreed that there is a need to focus on how we can promote that there are successful careers in this area and address the potential pipeline issue. Digital was explained to be connected to that and, in the pandemic, businesses had to put more online, but still need considered approaches to engaging with their audiences. We need to embed digital in business practices in this sector in terms of step-changes to business models, to reach new audiences beyond immediate geography, and there is a need for more targeted focus on that. Members were assured that the Creative Place team is working closely with TVCA EES team with cross-cutting work embodied in creative education partnership and we recognise that there is more work to do on this. • Visitor infrastructure has collapsed and how do you capitalize on it? Alison Fellows, TVCA Group Commercial Director informed members that significant capital has been invested in the programme with TVCA putting funding into the Railway Heritage Quarter in Darlington, Kirkleatham Walled Garden, Hartlepool marina, Redcar seafront projects such as the new cinema, Hartlepool Film Studios, and work on Stockton Town Centre. It was also emphasized that LAs are themselves investing in culture and we need to ensure collectively that this infrastructure supports the region. • In terms of festivals and the £2.8m spent, how is the return of 9:1 measured? Charlie Kemp advised that she could share the methodology on this and explained that research is undertaken through various routes including in person business surveys, on-line surveys, and meetings with businesses to determine the return. Other factors are considered such as business investment leveraged through the pot, displacement – looking at new spend generated and also movement across the boroughs, as well as visitors that come into the area. Members were given assurance that work had been done with all festivals to look at their methodologies to engage with audiences. • Was all the £345K spent and how do you get the message out that you have funding? It was confirmed that yes, all money was claimed and that the message is communicated to ensure as much coverage as possible for people to engage with the team. Methods of communication were explained to be via press releases, engagement with media, social media channels, direct contacts on internal mailing lists, members of Task Force and advocating LAs. • How is the procurement of consultants sourced? It was explained that there is a tendering portal to advertise opportunities where tenders are submitted to bid for the consultancy work. Interested parties must register to be on the portal and consultants regularly check to see what opportunities are there. • What about the wider offer in the North East, for example someone visiting the area for walking, golfing – what's our engagement with North Yorkshire etc.? The Tourism Alliance meeting was advised to be an arena where all North East culture people meet to identify opportunities in the area and develop joined-up responses

	for areas of activity such as walking. Understand the need to be outward looking and we actively seek collaboration where able to.
AGC 47/21	**GROUP UPDATE** The Group Update was shared with Members detailing the key activities of the Combined Authority since the last Committee meeting. There were no questions raised. **RESOLVED that: Members noted the Report.**
AGC 48/21	**EXTERNAL AUDIT PROGRESS UPDATE** CW provided a verbal update on progress of the external audit. It was advised that the TVCA single entity audit was near completion but can't complete until STDC is complete. TIA Audit is complete, but Tait Walker still need to finalise Goosepool before sign off. The STDC single entity audit was advised to be making good progress but awaiting Tait Walker finishing work on Teesworks, STSC and STDL. Tait Walker appear to be on track to complete everything by March 2022 subject to getting all the information they need. It was reported that there was good communication between all parties on progress, findings or any escalation of issues identified.
AGC 49/21	**INTERNAL AUDIT PROGRESS UPDATE** An update was provided to members on the progress of work on the Internal Audit. A more recent Report will be forwarded to Members following the meeting. MG assured members that all activities are in progress as detailed in the Report.
AGC 50/21	**STDC/TIAL UPDATE** A Paper was provided to Members in advance of the meeting providing assurance updates on the progress of the South Tees Development Corporation (STDC) Programme and Teesside International Airport Limited (TIAL) Investment. Members asked: • Will all staff move to the Airport? Alison Fellows, Group Commercial Director advised that the lease for Cavendish House is due to run out in March and staff will move to the airport for an interim period then moving to Darlington at a later date. **RESOLVED that: Members noted the Report.**
AGC 51/21	**UPDATE ON GDPR** A Report with an update on the TVCA Group's GDPR compliance was circulated, and Members were asked to consider and make comment on the progress and proposals. **RESOLVED that: Members noted the Report.**

AGC 52/21	**FORWARD PLAN** The Forward Plan was reviewed, and the work identified for the future, was agreed.
AGC 53/21	**RISK REGISTER UPDATE** A resolution was passed to exclude the press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972 for a presentation to be delivered to the Committee. **RESOLVED that**: **Members noted the Risk Register Report.**
AGC 54/21	**DATE & TIME OF NEXT MEETING** TBC

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AGENDA ITEM 6

REPORT TO THE TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE

2nd AUGUST 2022

REPORT OF THE GROUP CHIEF EXECUTIVE

GROUP UPDATE

SUMMARY

This report provides a general update on the key activities of the Combined Authority since the last Committee meeting, which are not covered in other reports to this meeting.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority Audit & Governance Committee note the report.

DETAIL

TEESWORKS

1. Site demolition activity continues, with all major demolition works expected to be complete by the end of 2022. Good progress continues to be made on the construction of South Bank Quay Phase 1, with the main quay wall very close to being completed and related river works scheduled to commence in September.

2. Several ground remediation projects are nearing completion, such as the 90-acre land platform for the recently announced SeAH Wind monopile manufacturing facility at South Bank, with work on the facility now under way. Work will also commence on the preparation of the 100-acre site for the Net Zero Teesside Power carbon capture, utilisation and storage project at the Redcar end of the site.

3. The new Eston Road roundabout scheme at Dorman Point is very close to completion, which will provide one of several strategic accesses into the Teesworks site. Construction of the Teesworks Skills Academy building on Dorman Point was completed at the end of March 2022 and the facility is now being readied for occupation.

FREEPORT

4. Following the submission of the Full Business Case (FBC) on 31st January, the Freeport has received and responded to HMG review panel questions and actions. The current HMG timetable suggests that the FBC process will conclude in Q3 2021.

5. Following the approval of the FBC, Teesside Freeport (through TVCA) will enter into an MOU to deliver the objectives of Freeport. The draft MOU which has been circulated to all English Freeports is being reviewed by external counsel, Muckles LLP, on behalf of the Teesside Freeport.

6. A number of events were held in March to further develop the Teesside Freeport Innovation concept of a “Centre for Frictionless Trade” and this has culminated in a coming together of a parallel and complementary project being developed through the ICC regarding a digital trade centre. The combination of both concepts has led to the establishment of the ICC’s Centre for Digital Trade and Innovation (C4DTI), launched virtually on 8th April, 12 months ahead of schedule. The launch coincided with ICC’s Digital Trade conference and can be viewed online.

7. Marketing of Teesside Freeport is focused on driving new investment and trade enquiries into the region. We have identified a gap in the knowledge of our target markets of what a freeport is and can offer, from stakeholder feedback. Our marketing focus in 2022 is to drive though leadership and educate the market in tandem with profile raising.

TEESSIDE INTERNATIONAL AIRPORT

8. TIA has been working to support the growth plans of several Northside tenants, including on the refurbishment of Hangar 2 with international company Willis Lease Finance Corporation so it can be used as a Maintenance, Repair and Overhaul facility. This involved Willis and FedEx swapping hangars so that both tenants are now in improved premises. Construction has begun on a new hangar for Draken, which will enable the company to expand its operational capacity and deliver a new training contract for the MOD.

9. Construction of the main access road into the airport’s Southside development started in spring 2022, and a planning application will be submitted for the phase 1 buildings in summer 2022. Redevelopment work continues on the main terminal building, with the landside Skybar now open to passengers, ahead of a new at-height viewing platform later this year.

10. Teesside Airport’s schedule of summer flights is now well under way. Teesside is one of Ryanair’s best performing airports for its flights to Palma, Alicante, Faro and Corfu. TUI’s summer season to Palma is almost sold out. The airport continues discussions with airlines with a view to delivering more airline partnerships, routes and services, and continuing to grow passenger numbers.

ONE PUBLIC ESTATE (OPE)

11. The OPE programme provides practical and technical support and funding to deliver ambitious property-focused programmes in collaboration with central government and other public sector partners. It aims to generate efficiencies, create economic growth and deliver better, more integrated customer services. The Combined Authority is the accountable body for the OPE programme in Tees Valley.

12. The Tees Valley OPE Partnership has been successful in securing £100,000 from the OPE 9 funding round for the Expansion and Re-Development of the Integrated

Care Centre (The Live Well Centre) in Middlesbrough, to fund feasibility and business case development.

13. In February 2022, the Tees Valley OPE Partnership was awarded £142,000 Opportunity Development Funding to provide capacity funding. The funding will assist the Partnership develop a pipeline of investable public sector property opportunities in Tees Valley.

BUSINESS INVESTMENT

14. The Business Investment Team held two outreach webinars in April with the Department for International Trade's (DIT) staff in locations across Europe, Asia and North America to promote Offshore Wind opportunities in Tees Valley. This was part of DIT's joint marketing initiative with the Humber who also participated in the webinar. In May, a session to help identify potential overseas companies to target for this type of investment also took place.

15. The Business Investment Team exhibited at the two-day CHEM UK event held at the NEC in May to promote the area for inward investment into the chemicals and process industry. We promoted the decarbonisation and hydrogen project announcements in the region, alongside the opportunities presented by the Teesside Freeport.

EDUCATION, EMPLOYMENT AND SKILLS

16. The Combined Authority has been awarded £3.2m from the Department for Education (DfE) to implement L3-L5 employer-led Skills Bootcamps. These courses of up to 16 weeks train residents for the jobs available from employers. Delivery is intended to run from July 2022 until the 31 March 2023.
17. DfE has also confirmed the £2.5m allocation to the Combined Authority for the Level 3 Adult Offer (Free Courses for Jobs) for the 2022/23 academic year. This programme is aimed at targeting Tees Valley residents aged 24+ who do not already have a level 3 qualification (or equivalent). The existing 15 providers procured in 2021 will continue to deliver this offer alongside additional providers.

18. The DfE has allocated £3.6m to the Combined Authority over the next three years to implement the Multiply programme as part of the wider UK Shared Prosperity Funding (UKSPF). The programme is aimed at improving the levels of numeracy skills in adults (19+), and is expected to commence from September 2022.

19. The devolved Adult Education Budget for the 2022/23 academic year has been confirmed by DfE as £30.5m. The existing 31 providers procured in 2021 will continue to deliver the adult skills programmes into the next academic year and thereafter for up to the next 2+1 academic year.

20. The Department for Work and Pensions (DWP) Kickstart Scheme closed to new applicants on 31st March 2022. The TVCA Gateway continues to support businesses and young people who are still in placement. The last placement will finish 30th September 2022, with 516 young people taking them up.

MAYORAL DEVELOPMENT CORPORATIONS

21. In 2017, the first Mayoral Development Corporation (MDC) outside of London was established at South Tees. Following the success of this locally led model to

accelerate regeneration, secure private investment and create jobs. the Tees Valley Mayor is proposing the designation of two new Mayoral Development Corporations, one in Middlesbrough and one in Hartlepool.

22. The Combined Authority has opened a period of consultation with statutory consultees and other stakeholders, for each proposed area which can be found via the following links: Hartlepool Mayoral Development Corporation Consultation - Tees Valley Combined Authority (teesvalley-ca.gov.uk) and Middlesbrough Mayoral Development Corporation Consultation - Tees Valley Combined Authority (teesvalley-ca.gov.uk). These consultations were published on the TVCA website on Thursday 23rd June and will close on Thursday 4th August at 12noon.

23. Masterplans are being developed over the coming months for each MDC area, with a focus on accelerating key projects and leveraging private sector investment.

24. Following the closure of the consultation period, the Mayor will write to the Secretary of State to formally designate the two new Mayoral Development Corporations. Specific legislation will then be passed in Parliament, which we expect to be around October time. We expect the Masterplans for each area to be launched in October.

TRANSPORT

25. The £310m City Region Sustainable Transport Settlement (CRSTS) for the period 2022/23 to 2026/27 was incorporated into the Investment Plan by Cabinet on the 28th of January 2022.

26. A programme business case has been submitted to government and dialogue is ongoing prior to government agreeing the final project list, with all local authorities engaged throughout development. Once the government has agreed the project list, they will publish the funding settlement, outcomes, delivery timeframes and estimated costs on a single, easily accessible website. This will include detailed information about the projects and progress towards delivery.

27. The programme business case consists of six investment packages:

- Making cycling & walking the natural choice for shorter journeys
- Transforming the Tees Valley rail system
- A shared commitment with the operators to transform the Tees Valley bus network
- Putting the Tees Valley at the heart of the digital transport revolution
- Positioning the Tees Valley at the forefront of decarbonising transport
- Ensuring everyone can access opportunity

28. Once government has agreed the final project list, further detail will be included in the Investment Plan under each investment package.

CLEAN GROWTH AND INNOVATION

29. TVCA's Clean Growth and Innovation team has supported a group of the region's industrial cluster with submissions to the BEIS CCUS Cluster Sequencing competition, the outcome is expected in July. The Redcar Hydrogen Community bid,

which TVCA assisted, has been announced by Northern Gas Networks. We are developing a Hydrogen Vision with BP, Kellas, Northern Gas Networks and Arup and have completed our own study on hydrogen demand to assist Arup, and our own work on the ISCF-funded Cluster Plan for Decarbonisation.

30. TVCA is leading a £3.2m Home Upgrade Grant programme to improve the energy efficiency of low income off-gas properties in the region. It is also leading a £4.5m Social Housing Decarbonisation Fund programme, in partnership with Beyond Housing, Darlington Borough Council, North Star Homes, and Thirteen group.

31. The BEIS-funded North East and Yorkshire Energy Hub, for which TVCA is the accountable body, has rebranded to the North East and Yorkshire Net Zero Hub. It has launched and is delivering a programme of COP26 Legacy Grants to SMEs. It has secured additional resources for the Rural Community Energy Fund, one of the beneficiaries of which is Hartlepower. It has launched a programme of funded support to help local authorities bid into the Public Sector Decarbonisation Fund.

CREATIVE PLACE

32. The Business Case for TVCA's Growth Programme for the Creative & Visitor Economies has been formally approved. There are four key programme pillars: Sustainable Sector Growth for the Cultural Industries; Festivals & Events; Destination Product Development; Profile Raising. Launch events are now being planned.

33. Eight home-grown Tees Valley festivals with high growth potential will be supported through a new Festivals Scale-Up Programme. The programme will combine financial investment with tailored business development support to accelerate capacity development and enable longer-term sustainability of organisations delivering distinctive regional festivals.

34. With grant funding of up to 10k from TVCA, eight cultural businesses were supported to prepare bids to become part of Arts Council England's National Portfolio. Tees Valley currently has six National Portfolio Organisations (NPOs), all of which have reapplied to retain their status – the eight businesses supported through this grant programme are new applicants. As a designated Priority Place, increased investment in the NPO profile will create jobs, support creative & visitor economy growth and create wider reach & greater impacts for local audiences and communities.

FINANCIAL IMPLICATIONS

35. There are no financial implications to this report.

LEGAL IMPLICATIONS

36. There are no legal implications to this report.

RISK ASSESSMENT

37. This report is an update and therefore is categorised as low risk.

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Introduction

Welcome to the Tees Valley Combined Authority Group's Annual Statement of Accounts for 2020/21. The Statement of Accounts contains all the financial statements and disclosure notes required by statute. The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. These Annual Statement of Accounts incorporates Goosepool 2019 and South Tees Development Corporation as part of the group accounts.

The Tees Valley Combined Authority (TVCA) was established in April 2016 as a new legal body that brings together the five Authorities which serve Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton, alongside private sector representation from the region's Local Enterprise Partnership. The TVCA is responsible for a number of transport functions, economic development and growth across the combined area. In May 2017 the first Tees Valley Mayor was elected to chair the Combined Authority and drive forward our ambitious plans.

Strategy and Priorities

The ambition is for Tees Valley to become a high value, low carbon, diverse and inclusive economy. These aspirations and goals, along with the Combined Authority's plan for delivering them, are laid down in the refreshed Strategic Economic Plan (SEP), published in December 2016. Our ambition incorporates economic, social and environmental priorities and will allow all partners to work towards a sustainable and socially responsible Tees Valley.

Underlying this ambition is a commitment to improving the lifetime opportunities for local people, tackling some of the difficult challenges of social exclusion, providing opportunities across all of the Tees Valley including rural areas and disadvantaged communities, thereby ensuring that all citizens are able to share in the benefits of economic growth. The SEP is focused around six thematic building blocks which reflect the main priorities and areas of activities over the next ten years to unlock transformational growth:-

- **Business Growth**: Further increase jobs and business density through targeted support to create and attract new companies and to grow businesses and sectors with high growth potential;
- **Research, Development, Innovation & Energy**: Further enhance productivity in all core sectors through the commercialisation of knowledge;
- **Education, Employment & Skills**: Ensure a labour market which meets the needs of local business and supports the lifetime opportunities of all our residents;
- **Place**: Promote the Tees Valley as the preferred location in the UK for energy intensive indigenous firms, Foreign Direct Investment and create the conditions necessary to attract businesses and individuals with a focus on vibrant town centres;
- **Culture**: Change the external perceptions of Tees Valley through the arts, cultural and leisure offer, create places that attract and retain businesses and business leaders, and make the area an attractive place to live, work and visit; and
- **Transport & Infrastructure**: Facilitate local, regional, national and international road, rail and broadband connectivity through collaborative investment in physical infrastructure.

The Tees Valley Combined Authority's first Investment Plan was published and agreed in March 2017 setting out the investment priorities for the period to 2021. In the time since this plan the Authority has been developing its detailed strategies for key areas of activity set out in the SEP. Alongside this work the draft Local Industrial Strategy was approved by Cabinet in July 2019 setting out the productivity challenges and opportunities for the region. With this long term thinking already in place, together with the significant uncertainties for the economy over the coming years, it was deemed critical that the Authority makes use of the devolution powers for long term investment planning. Therefore in January 2019 the Authority published its investment strategy covering the period 2019-29.

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The Vision for the South Tees regeneration programme is to see the area transformed into a hotbed of new industry and enterprise for the Tees Valley that makes a substantial contribution to the sustained economic growth and prosperity of the region and the communities it serves.

In October 2017 the South Tees Development Corporation masterplan was launched which presents the vision, strategy and ideas for the transformational regeneration of the area into a world class employment-generating zone and economic growth enabler for the Tees Valley. The total area of opportunity extends to almost 4,500 acres (1,800 hectares). The masterplan for the redevelopment of the site has been agreed with the long term view to redevelop the site to provide a high value, low carbon, diverse and inclusive economy thus creating significant employment prospects for the area.

The Vision of the STDC masterplan sees the creation of up to 20,000 new jobs. The focus is on higher skilled sectors and occupations, centred on manufacturing innovation and advanced technologies and those industries best able to deliver sustained economic prosperity for the Tees Valley and its people, while realising a jobs spectrum that offers opportunities for all. The strategic plan to redevelop the site is set out in the masterplan which is available on the

Masterplan - Teesworks: The UK's Largest Freeport

Achievements in Year

2020/21 was the fifth operational year for TVCA and we have successfully built on the work undertaken in the previous years to prepare the organisation to undertake new devolved responsibilities. We have developed strategies and plans to shape future priorities and investments to meet our aims and objectives.
During the year the Authority undertook its first Government Gateway review which it successfully passed. We have continued to strive for further devolved powers whilst securing additional funding from Government to fund our investments. A summary of these can be found below:-

- During the year we have invested £197 million on programmes, projects, grant schemes and development funding for future projects.
- The first Government Gateway review was undertaken during the year by SQW which assessed progress to date against the Authorities devolution deal. The report highlighted that in addition to the benefits being realised from interventions that the Investment Plan illustrated strong stakeholder agreement about the long term economic priorities for the Tees Valley.
- The Authority was successful in securing £125 million from Government via submission of a business case for the redevelopment of the Teesworks site. This funding will be utilised over the period 2020-22.
- In August 2020 the Authority was awarded £17.4 million from the Get Building Fund to support delivery of shovel ready infrastructure projects to boost economic growth and fuel local recovery from the Covid pandemic.
- The Brownfield Housing Fund is aimed at unlocking stalled, brownfield sites across the Tees Valley. The Authority was successful in securing £19.8 million to deliver this project in conjunction with the Local Authorities and Housing Associations.
- Business growth support for SME's (Small and Medium Enterprises) programme launched in July 2020 funded via £8.8 million European Regional Development Fund (ERDF). In addition, £1.97 million ERDF funding has been secured for an SME Energy Efficiency Scheme.
- COVID 19 has had a significant impact on the local economy, however demand for business growth support has remained strong, especially for grants to support capital projects. The Business Gateway has supported the delivery of a number of COVID specific support funds namely: Apprenticeship Grants; Welcome Back Fund; Back to Business Funds: Visitor Economy and Wider Economy; Kickstart scheme; Culture Development and Innovation Fund; Peer to Peer Programme.

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- In February 2021 the Mayor and Combined Authority submitted a bid to become a Freeport. In March 2021, as part of the Spring Budget, Tees Valley was announced as one of the first places to get Freeport status under the new Government policy to create Freeports across the country. Covering 4,500 acres, the Teesside Freeport is the largest in the UK. The Freeport is forecast to create more than 18,000 jobs and provide a £3.2billion boost to the local economy over the next five years.
- One of the key objectives in the airport's 10-year Business Plan was to secure a deal with a Low Cost Carrier, and a seven year contract was duly signed in November 2020 with Ryanair, who commenced services from TIA to Alicante and Palma with effect from June 2021
- In August 2020, a new five-year deal was signed with KLM to continue operating its flights to Amsterdam. Loganair had also introduced flights to Heathrow, which were well received by passengers, but unfortunately these became unsustainable when Heathrow's take-off and landing charges increased substantially, along with significant increases in aviation fuel costs, and so we and Loganair took the difficult decision to discontinue this route in late May 2022.
- In September 2020, a new contract with Loganair was signed to commence domestic flights from February 2021. Other routes secured or expanded include the return of TUI, the UK's biggest holiday company, offering flights to Majorca beginning summer 2022, nine years after its last departures from the airport. Balkan Holidays has committed to an expanded summer season offer to Bourgas, Bulgaria, also in 2021.

Impact of Covid-19

Although the COVID-19 outbreak in March 2020 presented significant challenges to local government, the nature of work of the Combined Authority and robust pre-existing business continuity plans ensured it was possible to minimise the impact of the disruption on the delivery of services and finances.

Following the outbreak of Covid-19, we worked closely with our partners to facilitate and deliver rapid responses to help businesses manage the immediate impact of the pandemic.

The Authority was successful in securing several funding streams from Central Government which provided support to local businesses in the short term during the initial outbreak and has been followed up by several schemes assisting organisations to recover from the impact of the pandemic.

Looking forward the Combined Authority will have a significant role to play in driving the region's economic revitalisation. We have undertaken extensive analysis, including engagement with our local business community, to identify a suite of interventions that will address the vulnerabilities in our economy, and enable local businesses and residents to realise future opportunities.

Due to COVID-19, Teesside International Airport (TIA) ceased commercial flights on 25th March 2020, and the planned start of the development work on the Southside was also suspended. The non-commercial flights with Cobham continued throughout the lock-down period, as well as the on-going property rental, including the addition of Willis Asset Management.

TIA responded to the initial easing of the lockdown restrictions by implementing a phased reopening of the airport to passengers from 22nd June 2020. All airport staff underwent the requisite training, with stringent social-distancing and sanitising policies put in place to ensure the safety of the airport's passengers and staff.

The reduced operations has had a significant impact on the airports financial performance for the year. In order to minimise the financial impact of the pandemic on the airport, advantage has been taken of both the Government's furlough scheme and business rates relief. Cost savings have also been effected through negotiations with airlines and key service providers.

Narrative Report

Looking Ahead Including Risks and Opportunities

During the coming years we will continue to develop long-term commitments whilst being in a position to be responsive to new ideas and opportunities. We will continue to deliver transformational programmes and improve outcomes as a direct result of local decision making. Through our determination to secure a greater transfer of funding, powers and responsibility from London we aim to establish the Tees Valley as a flagship of successful devolution.

Our ambitious plans will rely on us securing the funding to make them a reality, and as such we will strive for further devolution through our continual dialogue with Government officials. We will continue to build upon our strong track record of securing funding to maximise all funding opportunities available. Through the use of our newly appointed borrowing powers and our partnership working with co-investors we will seek to explore a range of innovative funding instruments to maximise the impact for the area.

The STDC masterplan is an opportunity to enhance the local area through the creation of high quality jobs in industries which are resilient to future change, creating an increase in GVA locally and further afield. The initial risks are safeguarding the hazards and progression to land ownership and it is anticipated that these will be resolved in the near term. Medium term risks are unforeseen issues when redeveloping the site, principally ground conditions but there could also be a similarly small risk of items identified whilst demolition of current structures takes place.

Building upon the Government's Industrial Strategy and various local and sub-regional policies, a strategic vision has been developed that will deliver the comprehensive regeneration of the South Tees site and the creation of around 20,000 new jobs across the Tees Valley region. In supporting the delivery of this vision, the Government would have a national exemplar of economic transformation, built around the region's industrial innovation strengths in clean energy, manufacturing and production and crucially, a new platform for international trade and investment.

A partnership approach is required to deliver this ambition, not only to sustain development activity, but also to underpin the robustness of local acquisition strategies, including a process of compulsory acquisition, so that STDC can ensure development ready plots are made available for investment and to attract occupiers to the site. STDC have engaged with Department for International Trade (DIT) to ensure awareness of the detailed programme supporting the development of the South Tees site and to enable best practice to be shared as we move into detailed planning and subsequent implementation.

A business case has been approved by Government which secured partnership funding arrangements to support:
• the regeneration of the South Tees site through the creation of an investment fund to deliver remediation and infrastructure works across the whole site in the early-years which will facilitate development of the site by making it ready for private sector investment.
• demolition of all residual assets across the site as part of the site development requirements that will be critical to the achievement of the UK's Industrial Strategy, by the creation of a clean technology hub, amongst other innovative energy and green industrial initiatives.

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The acquisition of the airport provides significant opportunities not only to transform an important part of our economic infrastructure, it presents major opportunities through land development for inward investment and jobs growth. As a significant investment we have in place extensive governance arrangements to ensure plans for the airport are delivered and progress monitored.

As a result of the on-going roll-out of the COVID-19 vaccination program, TIA are optimistic about the recovery of the aviation industry in the coming months. Significant progress has already been made in terms of securing signed contracts for future flight programs.

One of the key objectives in the airport's 10-year Business Plan was to secure a deal with a Low Cost Carrier, and a seven year contract was duly signed in November 2020 with Ryanair, who are due to commence services with effect from June 2021. In August 2020, a new five year deal was signed with KLM to continue operating its flights to Amsterdam. Also in August 2020, Eastern Airways commenced flights to London Heathrow, for the first time in more than a decade. In September 2020, a new contract with Loganair was signed to commence domestic flights from February 2021.

Other routes secured or expanded include the return of TUI, the UK's biggest holiday company, offering flights to Majorca beginning summer 2022, nine years after its last departures from the airport. JetsGo Holidays is flying to Majorca in summer 2021 and, after a successful year in 2019, Balkan Holidays has committed to an expanded summer season offer to Bourgas, Bulgaria, also in 2021.

Brexit will have profound implications for the UK, and for the Tees Valley specifically. As one of a small number of areas which qualify for an enhanced level of access to European Funding, the resources available for investment in our economy are at particular risk. However there are also opportunities to develop new methods of funding, which could mean that Brexit actually improves the impact of regional economic development funding for areas such as ours. We will continue to engage with Government on future funding plans post Brexit.

In order to achieve our aims of delivering better outcomes for local people we will continue to build and maintain relationships with key local partners. We will engage with the business community utilising our working relationship with the Local Enterprise Partnership members and key partners.

Key Sections Included in the Statement of Accounts

Statement of Responsibilities - This sets out the respective responsibilities of the Combined Authority and the Chief Financial Officer for the Accounts.

Movement in Reserves Statement - This statement shows the movement during the year of the different reserves held by the Combined Authority.

Comprehensive Income and Expenditure Statement - This account summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.

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

Cash Flow Statement - This statement provides a summary of the flow of cash into and out of the Combined Authority for revenue and capital purposes.

Notes to the Financial Statements - These include the accounting policies and concepts applied, as well as the disclosure notes relating to the above statements.

Narrative Report

Borrowing and Lending Arrangements

During 2019/20, the Combined Authority utilised its powers to borrow for investment for the first time (£30million) which was within the forecasts set out in the approved 10 year investment plan in order to deliver transformational change to the region. No further borrowing was taken out within 2020/21.

The majority of the Authority's surplus cash is invested in short-term bank deposits, and money market funds. At the end of the financial year the Authority held investments totalling £100 million. During the year the Authority has generated £143k in interest from Treasury management activities as a direct result of securing higher yielding investments in the year.

Retirement Benefits (IAS 19)

The Authority is required to comply with the accounting principles as required by International Accounting Standard 19 (IAS19). This requires the cost of retirement benefits to be recognised in the Financial Statements when employees earn them, rather than when the benefits are actually paid as pensions. Disclosure requirements include figures for the Net Pension Asset/Liability and the Pension Reserve in the Balance Sheet. There are also entries in the Comprehensive Income and Expenditure Statement and Movement In Reserves Statement to reflect movements in the Net Pension Asset/Liability from one year to the next. Entries are also required to reconcile back to actual pension contributions payable for Authority tax purposes.

AON Hewitt, an independent firm of actuaries, has calculated the Authority's net liability position as £7.63 million on the Local Government Pension Scheme as at 31st March 2021. Employer's contributions to the pension fund during 2019/20 were charged at 15.9% of total pensionable employee pay in line with actuarial advice. Further information on retirement benefits is available in Note 23 of the Notes to the Core Financial Statements.

Further Information

Further information about our finances is available from the Combined Authority's website, https://teesvalley-ca.gov.uk or from the Group Director of Finance & Resources, Tees Valley Combined Authority, Cavendish House, Teesdale Business Park, Stockton-on-Tees, Tees Valley, TS17 6QY.

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Group Movement in Reserves Statement for the year ended 31 March 2021

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Comprehensive Income and Expenditure line shows the true economic cost of providing the Groups services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General Fund Balance	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Combined Authority Reserves**	Authority Share of Subsidiaries Reserves	**Total Reserves attributable to the Authority**	Minority Interest	**Total Group Reserves**
	£000s	£000s	**£000s**	£000s	**£000s**	£000s	**£000s**	**£000s**	**£000s**
Movement in reserves during 2019/20									
Balance at 1 April 2019 brought forward	52,550	35,425	**87,975**	(2,951)	**85,024**	-	**85,024**	(60)	**84,964**
Total Comprehensive Income and Expenditure	14,449	-	**14,449**	(827)	**13,622**	(987)	**12,635**	(718)	**11,917**
Adjustments between Group Accounts and authority accounts	(48)		**(48)**		**(48)**		**(48)**		**(48)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(8,635)	8,189	**(446)**	446	**-**	-	**-**	-	**-**
Increase/Decrease in Year	5,766	8,189	**13,955**	(381)	**13,574**	(987)	**12,587**	(718)	**11,869**
Balance at 31 March 2020 carried forward	58,316	43,614	**101,930**	(3,332)	**98,598**	(987)	**97,611**	(778)	**96,833**
Re-Allocation of Subsidiary Reserves	(2,882)	2,716	**(166)**	(821)	**(987)**	987	**-**	-	**-**
Group Reserves	55,434	46,330	**101,764**	(4,153)	**97,611**	-	**97,611**	(778)	**96,833**
General Fund analysed over:									
Amounts earmarked (Note 8)	54,054								
Amounts uncommitted	1,380								
Total General Fund Balance 31 March 2020	55,434								
Movement in reserves during 2020/21									
Balance at 1 April 2020 brought forward	55,434	46,330	**101,764**	(4,153)	**97,611**	-	**97,611**	(778)	**96,833**
Total Comprehensive Income and Expenditure	63,867	-	**63,867**	(2,112)	**61,755**	(18,501)	**43,254**	(4,956)	**38,298**
Adjustments between Group Accounts and authority accounts	1,965		**1,965**	(3)	**1,962**		**1,962**	9	**1,971**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(65,600)	71,382	**5,782**	(5,782)	**-**		**-**		**-**
Increase/Decrease in Year	232	71,382	71,614	(7,897)	63,717	(18,501)	45,216	(4,947)	40,269
Balance at 31 March 2021 carried forward	55,666	117,712	**173,378**	(12,050)	**161,328**	(18,501)	**142,827**	**(5,725)**	**137,102**
Re-Allocation of Subsidiary Reserves	(9,983)	(5,172)	**(15,155)**	(3,346)	**(18,501)**	18,501	**-**	-	**-**
Group Reserves	45,683	112,540	**158,223**	(15,396)	**142,827**	-	**142,827**	(5,725)	**137,102**
General Fund analysed over:									
Amounts earmarked (Note 8)	44,303								
Amounts uncommitted	1,380								
Total General Fund Balance 31 March 2021	**45,683**								

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices.

2019/20					2020/21		
£000s	**£000s**	**£000s**			**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
22,207	(17,684)	**4,523**	Business Growth		78,687	(62,301)	**16,386**
2,897	(2,600)	**297**	Research Development Innovation & Energy		3,360	(1,925)	**1,435**
22,139	(22,066)	**73**	Education Employment & Skills		48,038	(45,399)	**2,639**
2,260	(1,977)	**283**	Culture		2,602	(2,505)	**97**
38,339	(33,070)	**5,269**	Transport		50,700	(37,483)	**13,217**
2,294	(2,057)	**237**	Enabling Infrastructure		-	-	**-**
691	(244)	**447**	Project Development		16	(15)	**1**
-	-	**-**	Place		4,677	(3,423)	**1,254**
5,267	(4,129)	**1,138**	Core Running Costs		5,429	(4,192)	**1,237**
16,569	(16,636)	**(67)**	Concessionary Fares		15,846	(16,201)	**(355)**
130	-	**130**	SSI Related Schemes Not in the Investment Plan		4	-	**4**
273	(6,755)	**(6,482)**	Not Directly Attributable to Themes		194	(983)	**(789)**
113,066	**(107,218)**	**5,848**	**Cost Of Services**		**209,553**	**(174,427)**	**35,126**
			Financing and Investment Income and Expenditure:				
154	-	154	Interest payable and similar charges		790	-	790
248	(198)	50	Net interest on the net defined benefit liability/asset		299	(206)	93
-	(783)	(783)	Interest receivable and similar income		-	(497)	(497)
-	(1,586)	(1,586)	Income & costs and changes in fair value relating to investment properties		-	(473)	(473)
			Taxation and Non-Specific Grant Income:				
5	(1,054)	(1,049)	Taxation		777	(279)	498
-	-	**-**	Non-ringfenced government grants		-	-	-
-	(15,693)	(15,693)	Capital grants and contributions	21	-	(78,223)	(78,223)
113,473	**(126,532)**	**(13,059)**	**(Surplus) or Deficit on Provision of Services**		**211,419**	**(254,105)**	**(42,686)**
		-	(Surplus) or deficit on revaluation of non current assets				-
		1,191	Re-measurements of the defined benefit liability	23			2,417
		-	Other (gains) and losses				-
		1,191	**Other Comprehensive Income and Expenditure**				**2,417**
		(11,868)	**Total Comprehensive Income and Expenditure**				**(40,269)**
		746	*(Surplus) or Deficit on Provision of Services - minority interest share*				*4,956*

Group Balance Sheet as at 31 March 2021

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Group are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	Note	**31 March 2021 £000s**	31 March 2020 £000s
Non-current assets			
Property, plant and equipment	6	52,659	25,945
Investment property	6	8,323	7,102
Intangible assets	6	19,388	19,388
Long term investments	22	6,000	6,000
Long Term Debtors	12	8,091	9,783
Total non-current assets		94,461	68,218
Current assets			
Short term investments		5,000	-
Inventories		423	193
Debtors	13	17,319	16,640
Cash and Cash Equivalents	14	108,342	69,445
Total current assets		131,084	86,278
Current liabilities			
Short Term Borrowing	22	(880)	(857)
Grant Receipts In Advance	21	(11,071)	(8,727)
Short Term Creditors	15	(36,293)	(11,574)
Total current liabilities		(48,244)	(21,158)
Long term liabilities			
Long Term Creditors	16	(1,722)	(1,512)
Long Term Borrowing	16 & 22	(28,263)	(29,143)
Other Long Term Liabilities	16 & 23	(7,745)	(4,515)
Provisions	16	(2,469)	(1,335)
Total long term liabilities		(40,199)	(36,505)
Net Assets:		**137,102**	96,833
Reserves			
Usable reserves:			
General Fund Balance		1,380	1,380
P&L Reserve	8	(15,116)	(7,118)
Earmarked General Fund Reserves	8	59,419	61,172
Capital Grants Unapplied		112,540	46,330
		158,223	101,764
Unusable Reserves:			
Pensions Reserve	16 & 23	(7,745)	(4,515)
Minority Interest		(5,725)	(778)
Capital Adjustment Account	9	(7,458)	529
Accumulated Absences Account		(193)	(167)
		(21,121)	(4,931)
Total Reserves:		**137,102**	96,833

Mayor Ben Houchen ....

Chair Tees Valley Combined Authority Cabinet
Date

Group Cash Flow Statement For The Year Ended 31 March 2021

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way contributions and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Note	**Group 2020/21 £000s**	Group 2019/20 £000s
Net (surplus) or deficit on the provision of services		**(42,686)**	(13,059)
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(20,127)	(17)
Revaluation Gains / (Losses)		473	1,055
Pension Fund adjustments		(813)	(812)
Increase/(Decrease) in Inventories (Stock)		230	(3)
Increase/(Decrease) in Revenue Debtors	13	1,191	1,165
(Increase)/Decrease in Revenue Creditors	15	(24,858)	(1,688)
(Increase)/Decrease in Grants Received in Advance		(2,344)	(2,768)
(Increase)/Decrease in Long Term Creditors		(210)	1,000
(Increase)/Decrease in Provisions		(995)	605
Increase/(Decrease) in Long Term Debtors	12	80	1,201
(Increase)/Decrease in IFRS9 Adjustments	12	(1,772)	-
		(49,145)	(262)
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 or deficit on the provision of services		(129,938)	(40,416)
		(129,938)	(40,416)
Net cashflow from operating activities		**(221,769)**	**(53,737)**
Investing activities			
Purchase of short term and long term investments		611,000	167,500
Purchase of property, plant and equipment, investment property and intangibles		47,591	410
Disposal of property, plant and equipment, investment property and intangibles		(2)	-
Proceeds from short term and long term investments		(606,000)	(189,000)
Other receipts from investing activities		129,938	40,416
Net cashflow from investing activities		**182,527**	19,326
Financing activities			
Movement in short and long term borrowings	22	857	(30,000)
Net cashflow from financing activities		**857**	(30,000)
Net (increase) or decrease in cash and cash equivalents		**(38,385)**	(64,411)
Cash and cash equivalents at the beginning of the reporting period		**69,445**	**5,034**
Cash and cash equivalents at the end of the reporting period	14	**107,830**	69,445
The cashflow for operating activities includes the following items:			
Interest received		**(224)**	**(549)**
Interest paid		**783**	**-**

Note 1: Group Structure

During 2020/21 there has been the below changes to the group structure:

South Tees Site Company ("STSC"):

- On 8th October 2020 STDC acquired South Tees Site Company Limited (STSC) from the Department for Business Energy and Industrial Strategy for a nominal sum. STSC is responsible for the management and keep safe of the former SSI steelworks site which vested into the ownership of STDC on the same day.
- As the organisation is 100% owned by the STDC it will be treated as a subsidiary.
- The financial statements of STSC are prepared under FRS102 and are to the same financial year end as the Combined Authority. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Teesworks:

- On 31 July 2020 STDC assumed a 50% shareholding in Teesworks Limited following the allotment of 2 £1 shares at nominal value. Teesworks Limited is accounted for as a joint venture vehicle between STDC and its private sector partners which manages commercialisation of land once remediated.

Details of other Group entities is set out below:

South Tees Development Corporation ("STDC"):

- Under new legal powers available to the Combined Authority STDC was established in August 2017 to redevelop the site of the former SSI steelworks which closed down in 2015 following SSI's liquidation. STDC is the first mayoral development corporation outside London.
- STDC is classed as a public body as such their financial statements are prepared under the CiPFA code.

South Tees Developments Limited ("STDL"):

- On 3rd January 2019 STDC formed a new 100% subsidiary company South Tees Developments Limited.
- South Tees Developments Ltd was set up in 2019 to hold and develop land areas on behalf of STDC. The masterplan for the redevelopment of the site under STDC has been agreed with the long term view to redevelop the site to provide a high value, low carbon, diverse and inclusive economy. Creating significant employment prospects for the area.
- As the organisation is 100% owned by the STDC it will be treated as a subsidiary.
- The financial statements of STDL are prepared under FRS102 and are to the same financial year end as the Combined Authority. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Goosepool 2019 Limited

- On 31st January 2019 the Combined Authority formed a new 100% subsidiary company, Goosepool 2019 Limited. The purpose of setting up the Company was to support the purchase of Teesside Airport (Formerly Durham Tees Valley Airport).
- The financial statements of Goosepool 2019 Limited are prepared under FRS102 and are to the same financial year end date as the Combined Authority. Where relevant and material, accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Teesside International Airport Limited (TIAL)

- On the 15th February 2019 Goosepool 2019 Limited purchased 89% of the share capital of Teesside International Airport (Formerly Durham Tees Valley Airport Limited) for a consideration of £40m . This is the first acquisition made by the group.
- The vision for this purchase was to secure for Tees Valley an internationally connected airport and aviation orientated business park which will continue to support indigenous economic growth and act as a catalyst for enhanced inward investment and tourism activity.
- The 89% shareholding held by TVCA is a controlling share and thus will be recognised as a subsidiary.
- The financial statements of TIAL are prepared under FRS102 and are to the same financial year end date as the Combined Authority. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Note 2: Group Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Group in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Groups directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
6,652	(2,129)	**4,523**	Business Growth	44,068	(27,682)	**16,386**
2,310	(2,013)	**297**	Research Development Innovation & Energy	1,935	(500)	**1,435**
20,538	(20,465)	**73**	Education Employment & Skills	33,798	(31,159)	**2,639**
1,879	(1,596)	**283**	Culture	1,574	(1,477)	**97**
14,715	(9,446)	**5,269**	Transport	20,288	(7,071)	**13,217**
(132)	369	**237**	Enabling Infrastructure	-	-	**-**
666	(219)	**447**	Project Development	5,305	(5,304)	**1**
-	-	**-**	Place	2,333	(1,079)	**1,254**
3,199	(2,061)	**1,138**	Core Running Costs	2,135	(898)	**1,237**
-	(67)	**(67)**	Concessionary Fares	208	(563)	**(355)**
-	130	**130**	SSI Related Schemes Not in the Investment Plan	-	4	**4**
282	(6,764)	**(6,482)**	Not Directly Attributable to Themes	194	(983)	**(789)**
50,109	**(44,261)**	**5,848**	**Net Cost Of Services**	**111,838**	**(76,712)**	**35,126**
(50,138)	31,231	(18,907)	Other Income and Expenditure	(112,382)	34,570	(77,812)
(29)	**(13,030)**	**(13,059)**	Surplus or Deficit	**(544)**	**(42,142)**	**(42,686)**
(1,284)			**Opening General Fund Balance**	**(1,380)**		
(29)			Less/Plus Surplus or (Deficit)	**(544)**		
(67)			Movements (To)/From Other Reserves	**544**		
(1,380)			**Closing General Fund Balance at 31 March 2020**	**(1,380)**		

Note 2: Group Expenditure & Funding Analysis

Group Notes to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis 2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	22,855	113	(50,650)	**(27,682)**
Research Development Innovation & Energy	1,094	9	(1,603)	**(500)**
Education Employment & Skills	2,579	52	(33,790)	**(31,159)**
Culture	80	9	(1,566)	**(1,477)**
Transport	38	-	(7,109)	**(7,071)**
Enabling Infrastructure	-	-	-	**-**
Project Development	-	5	(5,309)	**(5,304)**
Place	-	3	(1,082)	**(1,079)**
Core Running Costs	-	530	(1,428)	**(898)**
Concessionary Fares	-	-	(563)	**(563)**
SSI Related Schemes Not in the Investment Plan	-	-	4	**4**
Not Directly Attributable to Themes	1,250	-	(2,233)	**(983)**
Net Cost Of Services	27,896	721	(105,329)	**(76,712)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(88,844)	93	123,321	**34,570**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(60,948)	814	17,992	**(42,142)**

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	2,256	23	(4,408)	(2,129)
Research Development Innovation & Energy	-	11	(2,024)	(2,013)
Education Employment & Skills	-	66	(20,531)	(20,465)
Culture	-	28	(1,624)	(1,596)
Transport	2,055	5	(11,506)	(9,446)
Enabling Infrastructure	369	-	-	369
Project Development	-	38	(257)	(219)
Place	-	-	-	-
Core Running Costs	530	639	(3,230)	(2,061)
Concessionary Fares	-	-	(67)	(67)
SSI Related Schemes Not in the Investment Plan	-	-	130	130
Not Directly Attributable to Themes	-	-	(6,764)	(6,764)
Net Cost Of Services `	**5,210**	**810**	**(50,281)**	**(44,261)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(15,693)	50	46,874	31,231
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**(10,483)**	**860**	**(3,407)**	**(13,030)**

Adjustments for capital purposes: this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

Group Notes to the Expenditure and Funding Analysis:

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

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

Net Change for the Pensions Adjustments: this is the 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 Group 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 between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

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

Expenditure and Income Analysed By Nature

The Group's expenditure and income is analysed as follows:

	Group 2020/21 £000s	Group 2019/20 £000s
Expenditure		
Employee benefits expenses	17,854	10,224
Other services expenses	192,476	102,855
Interest payments	1,089	394
Total Expenditure	**211,419**	113,473
Income		
Fees, charges and other service income	(26,570)	(11,856)
Interest and investment income	(1,176)	(2,567)
Government grants and contributions	(226,080)	(111,055)
Taxation	(279)	(1,054)
Total Income	**(254,105)**	(126,532)
(Surplus) or Deficit on the Provision of Services	**(42,686)**	(13,059)

Segmental Income

Income received on a segmental basis is analysed below:

Services	Group 2020/21 £000s Income from Services	Group 2019/20 £000s Income from Services
Business Growth	(2,029)	-
Research Development Innovation & Energy	(21)	(26)
Education Employment & Skills	(12)	(6)
Culture	(75)	(1)
Transport	(4,818)	(6,700)
Enabling Infrastructure	(17,616)	-
Project Development	(1,938)	-
Place	-	-
Core Running Costs	(61)	(5,123)
SSI Related Schemes Not in the Investment Plan	-	-
Not Directly Attributable to Themes	-	-
Total income analysed on a segmental basis	**(26,570)**	(11,856)

Note 3: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

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

- Interest Rate Benchmark Reform : Amendments to IFRS9, IAS39 & IFRS7
- Interest Rate Benchmark Reformn Phase 2 : Amendments to IFRS4 and IFRS16.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

These changes are not expected to have a material impact on the Groups Accounts but it will be dependent on arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

Note 4: Critical Judgements in Applying Accounting Policies

In applying its accounting policies the TVCA and the Group 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:

- The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities by other organisations in which the Council has an interest. The Combined Authority has considered its interests in this respect, both quantitatively and qualitatively, and has concluded that South Tees Development Corporation (STDC) and Goosepool 2019, are materially significant to the overall financial position of the Combined Authority and are therefore consolidated into the Group Financial Statements.
- The Group has applied its judgement in the classification of the assets of the Goosepool Group upon consolidation and conversion to the code. All assets that are intrinsic to the operations of the airport are classified as an infrastructure asset under the code and valued at historic cost. All other plant and Equipment is held as such and valued at historical cost. Any Goosepool asset which obtains rentals and is not used in any way to facilitate the delivery of services or is held for sale then it meets the definition of investment property and is held at fair value. Within the 817 acre site that the Airport sits on there is a large area of land which is not currently providing service potential for the Group and is therefore deemed a surplus asset and is valued at fair value under IFRS13. The hotel which resides on the airport land is currently mothballed and as such is held as a surplus asset and valued at fair value.
- The Group has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes, wider socio-economic reasons or are used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation. Where this is the case, these properties have been classed as Property, Plant and Equipment.
- The code of practice requires that annual impairment tests are carried out on the value of goodwill. Management have carried out the required assessments in year and in doing so have tested the assumptions set out in the business forecasts and have conducted appropriate sensitivity analysis that reflect the inherent risks at this stage of the plan.

Note 5: 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 TVCA and the Group 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 TVCA's and the Group Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Pension liabilities**: 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 TVCA and the Group with expert advice about the assumptions to be applied. Sensitivities are included in Note 23.
- **Property Plant & Equipment:-** Within the Group entities valuations have been provided which have been reported subject to a Material Valuation Uncertainty clause due to the unique nature and scale of the land holdings. The inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

Note 6: Tangible Fixed Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Other Assets	Assets Under Construction	Surplus Assets	TOTAL
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost						
As at 1 April 2020	11,500	-	263	1,970	12,549	**26,282**
Additions	17,996	240	1,119	29,656	-	**49,011**
Revaluation	-	-	-	-	-	**-**
Reclassification	8,200	-	-	(8,200)	-	**-**
Disposals	-	-	(2)	-	-	**(2)**
As at 31 March 2021	37,696	240	1,380	23,426	12,549	**75,291**
Depreciation						
As at 1 April 2020	-	-	18	319	-	**337**
Additions	-	-	13	-	-	**13**
Depreciation Charge	-	18	103	-	-	**121**
Impairments	3,494	-	-	18,667	-	**22,161**
Derecognition of Disposals	-	-	-	-	-	**-**
As at 31 March 2021	3,494	18	134	18,986	-	**22,632**
Net Book Value						
As at 1 April 2020	11,500	-	245	1,651	12,549	25,945
As at 31 March 2021	**34,202**	**222**	**1,246**	**4,440**	**12,549**	**52,659**

The Authority does not hold any fixed assets as a single entity.

Land and buildings are held by STDC Group with all other assets being held by Goosepool Group.
The Authority's accounting policy requires that all property, plant & equipment is revalued at fair value at least every three years with valuations being carried out by external experts. All valuations are carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuation of plant, equipment fixtures and fittings are based on current process where there is an active market or latest list prices adjusted for the condition of the asset.

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.
Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

An independent valuers opinion of the current value of the STDC Group land was prepared in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation has informed the revalued figure shown in the accounts with an effective date of 31/03/2021. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

The Valuer included a material uncertainty clause as per VPS 3 and VPGA 10 of the RICS valuation due to the unique nature and scale of the land holdings. They clarify that: For the avoidance of doubt, the inclusion of the 'material uncertainty' declaration above does not mean that the valuation cannot be relied upon.

The assets of Goosepool Group are held based on continuing operations as an operational airport.
Surplus assets within Goosepool Group are the mothballed hotel and land which is not currently providing service potential for the Group, both of which are held at fair value. An independent values opinion of Fair Value was prepared as at 31 March 2019 in accordance with the RICS Valuation - Global Standards 2017 , CPIFA Code, and the International Financial Reporting Standards (IFRS) and related definition of “Fair Value”. This valuation was carried out by JK Property Consultants LLP and has informed the figure shown in the accounts.

Note 6: Tangible Fixed Assets Investment Properties

	£000s
Cost	
As at 1 April 2020	7,102
Additions	748
Revaluation	473
Disposals	-
As at 31 March 2021	8,323
Depreciation	
As at 1 April 2020	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2021	-
Net Book Value	
As at 1 April 2020	7,102
As at 31 March 2021	**8,323**

Investment properties are those that do not in any way facilitate the delivery of services or production of goods, are held for sale or form part of a wider regeneration programme. All the Investment Properties held by the group are assets of Goosepool Group and are not involved in the running of an operational airport and are revalued annually. Investment properties have been valued at fair value based on valuations performed by independent qualified professional valuers and adoption of their methodologies by the directors.

Note 6: Intangible Fixed Assets

	£000s
As at 1 April 2020	19,388
Additions	-
Impairment	-
As at 31 March 2021	**19,388**

The intangible assets in the group consists wholly of Goodwill within Goosepool group associated with the purchase of Teesside International Airport.

A cash-generating unit to which goodwill has been allocated shall be tested for impairment at least annually by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. There are two options under which the recoverable amount can be derived, being the higher of fair value less costs to sell or value in use. The value in use valuation method has been utilised in order to derive the goodwill figure.

Value in use is the present value of the future cash flows expected to be derived from an asset. This present value calculation involves the following steps:
(a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and
(b) applying the appropriate discount rate to those future cash flows.

The latest available financial projections for the asset based on the business case and financial plan have been utilised to forecast future cashflows. Cash flow projections beyond the period covered by the most recent budgets or forecasts have been extrapolated based on a steady growth rate for subsequent years. The current expectation and intention is that the airport will continue in use for the foreseeable future, given this the disposal of the asset has not been included in the cashflow as allowed, instead the forecasts have been extended over a 30 year period, to reflect this continued use.

The plan is driven by a combination of increased revenues and reduced unit costs arising from growth in passenger numbers in line with the business case and market analysis. Various factors were taking into account when carrying out the impairment review and management have conducted appropriate sensitivity analysis in respect of passenger numbers that reflects the inherent risk at this stage of the plan. With the proposed NPV calculation we have included the Government suggested rate of 3.5%. The plans that have been set out assume that the asset will continue in its current use as an airport and that any capital investment that is made will be to maintain the current operations rather than to enhance the asset.

Contractual Commitments
At 31 March 2021 the Group had entered into contracts which would continue into the 2021/22 financial year. These consisted of £3.5 million for preparation of land for development.

Note 6: Tangible Fixed Assets Plant, Property and Equipment

	Land & Buildings	Fixtures & Fittings	Assets Under Construction	Surplus Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s
Cost					
As at 1 April 2019	12,000	149	1,831	12,549	**26,529**
Additions	30	114	139	-	**283**
Revaluation	(530)	-	-	-	**(530)**
Disposals	-	-	-	-	**-**
As at 31 March 2020	11,500	263	1,970	12,549	**26,282**
Depreciation					
As at 1 April 2019	-	-	319	-	**319**
Additions	-	-	-	-	**-**
Depreciation Charge	-	18	-	-	**18**
Impairments	-	-	-	-	**-**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2020	-	18	319	-	**337**
Net Book Value					
As at 1 April 2019	12,000	149	1,512	12,549	26,210
As at 31 March 2020	**11,500**	**245**	**1,651**	**12,549**	**25,945**

The Authority does not hold any fixed assets as a single entity.

Land and buildings are held by STDC Group with all other assets being held by Goosepool Group.
The Authority's accounting policy requires that all property, plant & equipment is revalued at fair value at least every three years with valuations being carried out by external experts. All valuations are carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuation of plant, equipment fixtures and fittings are based on current process where there is an active market or latest list prices adjusted for the condition of the asset.
Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.
Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

An independent valuers opinion of the current value of the STDC Group land was prepared in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation has informed the revalued figure shown in the accounts with an effective date of 31/03/2020. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

The Valuer included a material uncertainty clause as per VPS 3 and VPGA 10 of the RICS valuation effective from 31 January 2020 because of the impact of Covid-19. They clarify that: For the avoidance of doubt, the inclusion of the 'material uncertainty' declaration above does not mean that the valuation cannot be relied upon.

The assets of Goosepool Group are held based on continuing operations as an operational airport.
Surplus assets within Goosepool Group are the mothballed hotel and land which is not currently providing service potential for the Group, both of which are held at fair value. An independent values opinion of Fair Value was prepared as at 31 March 2019 in accordance with the RICS Valuation - Global Standards 2017 , CPIFA Code, and the International Financial Reporting Standards (IFRS) and related definition of “Fair Value”. This valuation was carried out by JK Property Consultants LLP and has informed the figure shown in the accounts.
The asset under construction relates to the Radar at the airport which is held at current value, determined as the amount the amount that would be paid for the asset in its existing use.

Note 6: Tangible Fixed Assets Investment Properties

	£000s
Cost	
As at 1 April 2019	5,388
Additions	323
Revaluation	1,391
As at 31 March 2020	7,102
Depreciation	
As at 1 April 2018	-
Additions	-
Depreciation Charge	-
Impairments	-
As at 31 March 2019	-
Net Book Value	
As at 1 April 2019	5,388
As at 31 March 2020	**7,102**

Investment properties are those that do not in any way facilitate the delivery of services or production of goods, are held for sale or form part of a wider regeneration programme. All the Investment Properties held by the group are assets of Goosepool Group and are not involved in the running of an operational airport and are revalued annually. Investment properties have been valued at fair value based on valuations performed by independent qualified professional valuers and adoption of their methodologies by the directors.

Note 6: Intangible Fixed Assets

	£000s
As at 1 April 2019	19,388
Additions	-
Amortisation	-
Impairment	-
As at 31 March 2020	**19,388**

The intangible assets in the group consists wholly of Goodwill within Goosepool group associated with the purchase of Durham Tees Valley Airport.

A cash-generating unit to which goodwill has been allocated shall be tested for impairment at least annually by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. There are two options under which the recoverable amount can be derived, being the higher of fair value less costs to sell or value in use. The value in use valuation method has been utilised in order to derive the goodwill figure.

Value in use is the present value of the future cash flows expected to be derived from an asset. This present value calculation involves the following steps:
(a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and
(b) applying the appropriate discount rate to those future cash flows.

The latest available financial projections for the asset based on the business case and financial plan have been utilised to forecast future cashflows. Cash flow projections beyond the period covered by the most recent budgets or forecasts have been extrapolated based on a steady growth rate for subsequent years. The current expectation and intention is that the airport will continue in use for the foreseeable future, given this the disposal of the asset has not been included in the cashflow as allowed, instead the forecasts have been extended over a 30 year period, to reflect this continued use.

The plan is driven by a combination of increased revenues and reduced unit costs arising from growth in passenger numbers in line with the business case and market analysis. Various factors were taking into account when carrying out the impairment review and management have conducted appropriate sensitivity analysis in respect of passenger numbers that reflects the inherent risk at this stage of the plan. With the proposed NPV calculation we have included the Government suggested rate of 3.5%. The plans that have been set out assume that the asset will continue in its current use as an airport and that any capital investment that is made will be to maintain the current operations rather than to enhance the asset.

The useful life of an intangible asset is either finite or indefinite. Intangible assets with finite useful life (including those that are revalued) are amortised. Management have estimated that the useful life of associated Goodwill is 10 years, this is consistent with the business plan that management have implemented to bring the airport back into profit.

Contractual Commitments

At 31 March 2020 the Group had entered into contracts which would continue into the 2020/21 financial year. These consisted of £173,196 for preparation of land for development and £183,003 for plant and machinery.

Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations

2020/21	**General Fund Balance £000s**	**Capital Receipts Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unusable Reserves £000s**
Adjustments involving the Capital Adjustment Account	7,987			(7,987)
Adjustments involving the Capital Grants Unapplied Account	(66,210)		66,210	-
Adjustments involving the Pensions Reserve	813			(813)
Adjustments involving the Accumulated Absences Adjustment Account	26			(26)
Total Adjustments	**(57,384)**	**-**	**66,210**	**(8,826)**

2019/20	**General Fund Balance £000s**	**Capital Receipts Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unusable Reserves £000s**
Adjustments involving the Capital Adjustment Account	(802)	-	-	802
Adjustments involving the Capital Grants Unapplied Account	(10,905)	-	10,905	-
Adjustments involving the Pensions Reserve	860	-	-	(860)
Adjustments involving the Accumulated Absences Adjustment Account	1	-	-	(1)
Total Adjustments	**(10,846)**	**-**	**10,905**	**(59)**

Note 8: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

Earmarked Reserves	Balance at 31 March 2020 £000s	Transfers Out 2020/21 £000s	Transfers In 2020/21 £000s	Balance at 31 March 2021 £000s
Revenue Reserves				
Development Pot	-	-	-	-
Investment Fund	(49,385)	4,978	(3,134)	(47,541)
SSI	(11,720)	275	(10)	(11,455)
Concessionary Fares	(67)	-	(356)	(423)
P&L Reserve	7,127	10,592	(2,603)	15,116
Total Revenue Reserves	**(54,045)**	**15,845**	**(6,103)**	**(44,303)**
Capital Grants Unapplied	(46,330)	6,723	(72,933)	(112,540)
Total Capital Reserves	**(46,330)**	**6,723**	**(72,933)**	**(112,540)**

Earmarked Reserves	Balance at 1 April 2019 £000s	Transfers Out 2019/20 £000s	Transfers In 2019/20 £000s	Balance at 31 March 2020 £000s
Revenue Reserves				
Development Pot	(1,030)	1,030	-	-
Investment Fund	(43,233)	3,047	(9,199)	(49,385)
SSI	(12,217)	564	(67)	(11,720)
Concessionary Fares	-	-	(67)	(67)
P&L Reserve	5,214	1,913	-	7,127
Total Revenue Reserves	**(51,266)**	**6,554**	**(9,266)**	**(54,045)**
Capital Grants Unapplied	(35,425)	4,311	(15,216)	(46,330)
Total Capital Reserves	**(35,425)**	**4,311**	**(15,216)**	**(46,330)**

Development Pot - The development pot reserve was established as part of the 2017-21 Investment Plan where funding was held for the early development costs associated with projects and programmes to be delivered as part of the wider investment plan or through alternate funding routes.

Investment Fund - The authority receives grant and other funding into a single pot which is used to fund the delivery of the investment plan. This funding is received annually and any funds not required in year are held in reserve for future years delivery of the investment plan.

SSI - The Authority manages the funding awarded to the SSI Task Force following the closure of SSI. This reserve holds the funding received that is yet to be drawn down to deliver the projects and programmes approved by the Task Force.

P&L Reserve - This reserve is in relatation to the reserves of subsidiary bodies within the group.

Note 9: Capital Adjustment Account

	2020/21	2019/20
	£000s	**£000s**
Balance at 1 April	(529)	273
Revaluation Losses on non current assets	-	530
Impairment Charge	22,161	-
Depreciation Charge	121	-
Revenue expenditure funded from capital under statute	66,450	34,415
	88,732	34,945
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(72,496)	(29,618)
Application of grants to capital financing from the Capital Grants Unapplied Account	(6,724)	(4,788)
Statutory provision for the financing of capital investment charged against the General Fund	(1,417)	(1,332)
Capital expenditure charged against the General Fund balance	(108)	(9)
	(80,745)	(35,747)
Balance at 31 March	**7,458**	**(529)**

Note 10: Members' Allowances

Details of the amounts paid to each elected member of the Authority are published annually. Elected members from the constituent local authorities sit on various TVCA boards and receive no allowance for carrying out this role from the Authority.

During the year payments were made to the Mayor totalling £38,546 which consisted of £37,778 Mayoral Allowance and £768 travel and subsistence (2019/20 £38,374).
The Chair of the Local Enterprise partnership, Paul Booth, sits on TVCA Cabinet and during the year he was re-imbursed £0 in relation to accommodation and travel costs incurred whilst representing TVCA (2019/20 £4,704).

STDC retains its own separate Board (chaired by the Mayor of the Tees Valley) and governance committees with members drawn from both the public and private sectors. None of these members are paid any remuneration. Expenses claimed in 2020/21 amounted to £3,497 2019/20 £nil.

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Note 11: Employee remuneration

Remuneration of the Chief Executive and her senior staff are shown in the following table.

Remuneration of Senior Employees 2020/21					
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Total Remuneration excluding pension contributions 2020/21 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2020/21 £**
Group Chief Executive (Julie Gilhespie)	165,960	82	**166,042**	25,392	**191,434**
Strategy & Investment Planning Director	99,759	29	**99,788**	2,525	**102,313**
Group Commercial Director	114,156	61	**114,217**	17,639	**131,856**
Director of Business & Skills	104,436	-	**104,436**	15,781	**120,217**
Group Director of Finance & Resources	115,287	-	**115,287**	-	**115,287**
Group Marketing & Communications Manager	53,023	228	**53,251**	8,113	**61,364**
TVCA TOTAL	**652,621**	**400**	**653,021**	**69,450**	**722,471**
Engineering and Project Director	136,247		**136,247**	27,522	**163,769**
CEO	35,000		**35,000**	-	**35,000**
Commercial Director	123,300	32	**123,332**	24,907	**148,239**
Strategic Utilities Director	92,475		**92,475**	18,680	**111,155**
Teesworks Operations Director	70,000	3,150	**73,150**	14,140	**87,290**
Capital Projects Director	5,484		**5,484**	1,108	**6,592**
Director of Estates	3,375		**3,375**	682	**4,057**
EHSS Director	6,500		**6,500**	1,313	**7,813**
Managing Director	21,875	-	**21,875**	1,313	**23,188**
Commercial Director	46,654	-	**46,654**	2,799	**49,453**
Operations Director	69,398	-	**69,398**	3,764	**73,162**
Finance Director	71,726	-	**71,726**	4,304	**76,030**
GROUP ENTITIES TOTAL	**682,034**	**3,182**	**685,216**	**100,531**	**785,747**
GROUP TOTAL	**1,334,655**	**3,582**	**1,338,237**	**169,981**	**1,508,218**

During the year the amendment to Group Governance arrangements resulted in the roles and responsibilites of the Chief Executive, Commercial Director and Director of Finance & Reosurces being amended to cover the Group.
In May 2020 the Strategy and Investment Planning Director left the Authority and the post was deleted as part of the revised senior management structure, redundancy costs have been included within the above remuneration.

STDC - The Chief Executive left the organisation in April 2019. The Teesworks Operations Director, Capital Projects Director, Director of Estates and EHSS Diretcor roles were filled for less than a complete year in 2020/21
The Director of Finance is employed by Tees Valley Combined Authority, a proportion of this salary was recharged to STDC by TVCA and in 2020/21 this amounted to £51,991. The former Director of Finance was not recharged in this year. (2019/20 £25,885)

Goosepool - The Managing Director was appointed in December 2020, the Commercial Director post was vacated in December 2020.

Note 11: Employee remuneration

Remuneration of Senior Employees 2019/20					
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Total Remuneration excluding pension contributions 2019/20 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2019/20 £**
Chief Executive	141,859	711	**142,570**	22,556	**165,126**
Strategy & Investment Planning Director	97,466	311	**97,777**	15,497	**113,274**
Commercial & Delivery Director	95,769	397	**96,166**	15,367	**111,533**
Director of Business & Skills	52,800	556	**53,356**	8,395	**61,751**
Director of Finance & Resources	57,475	-	**57,475**	-	**57,475**
Head of Comms & Marketing	78,537	746	**79,283**	12,487	**91,770**
TVCA TOTAL	**523,906**	**2,721**	**526,627**	**74,302**	**600,929**
Engineering & Project Director	132,600	3,934	**136,534**	22,542	**159,076**
Assistant Director of Regeneration	68,501	484	**68,985**	-	**68,985**
Senior Non Executive Director	16,667	110	**16,777**	-	**16,777**
Interim Commercial Director	25,000	6,831	**31,831**	-	**31,831**
CEO	34,306	-	**34,306**	-	**34,306**
Commercial Director	37,053	1,976	**39,029**	6,299	**45,328**
Strategic Utilities Director	14,483	125	**14,608**	2,462	**17,070**
Managing Director	28,272	-	**28,272**	2,785	**31,057**
Commercial Director	4,809	-	**4,809**	307	**5,116**
Operations Director	56,394	-	**56,394**	3,492	**59,886**
GROUP ENTITIES TOTAL	**418,085**	**13,460**	**431,545**	**37,886**	**469,431**
GROUP TOTAL	**941,991**	**16,181**	**958,172**	**112,188**	**1,070,360**

TVCA - A senior management restructure took place in the year which resulted in all Heads of Service who previously reported direct to the Chief Executive now reporting to relevant Directors with the exception of the Head of Comms & Marketing who continues to report to the Chief Executive. This has led to a reduction of the senior employees reported in the above table however the roles are now included in the table at the end of this note.
At the start of the year both the Director of Business & Skills and Director of Finance & Resources were vacant, both of these roles were filled in September 2019. All other posts have been in post for the full year.
STDC - The Chief Executive was employed by the South Tees Site Company from October 2019 in the 2019/20 year, a Government run organisation responsible for the safety, security and upkeep of the former SSI site. His remuneration is included in the table information for that entity. Costs charged in relation to his services amounted to £46,121. There was no recharge in the prior year. In the period from June to September the CEO was directly employed by South Tees Development Corporation.
The Director of Finance is employed by Tees Valley Combined Authority.
Neither of the above received direct remuneration from STDC, however a proportion of the current Director of Finance salary was recharged to STDC by TVCA and in 2019/20 this amounted to £25,885.
The former Director of Finance was not recharged in this year. (2018/19 £11,461) The role holder of the Director of Finance position changed in September 2019

Goosepool - The Managing Director left the Goosepool group in September 2019 , the Commercial Director joined the organisation in March 2020 and the Operations Director was in post all year.

The number of employees whose taxable remuneration, including benefits, redundancy and other severance payments, exceeded £50,000 is shown below, in bands of £5,000:

	Group	
Remuneration Summary Salary Range	**Number of Employees 2020/21**	**Number of Employees 2019/20**
£50,001 - £55,000	6	6
£55,001 - £60,000	6	4
£60,001 - £65,000	-	2
£65,001 - £70,000	2	1
£70,001 - £75,000	4	1
£75,001 - £80,000	1	2
£80,001 - £85,000	3	-

Remuneration of the Chief Executive and her senior staff has been excluded from the salary range analysis shown in the table above. The senior management restructure that took place has led to an increase in the employees reported in the above table which is offset by the reduction reported in previous senior employees table.

Note 12: Long Term Debtors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	-	-
Local Government	5,841	6,154
Other entities and individuals	2,250	3,629
	8,091	**9,783**

Note 13: Debtors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	7,449	3,794
Local Government	1,757	5,942
Other entities and individuals	8,113	6,904
	17,319	**16,640**

Note 14: Cash and Cash Equivalents

	31 March 2021 £000s	31 March 2020 £000s
Bank and Imprests	13,342	7,945
Cash Equivalents	95,000	61,500
	108,342	**69,445**

Note 15: Short Term Creditors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	(2,535)	(351)
Local Government	(5,703)	(1,543)
Other entities and individuals	(28,055)	(9,680)
	(36,293)	**(11,574)**

Note 16: Other Long Term Liabilities

	31 March 2021 £000s	31 March 2020 £000s
Net pensions liability	(7,745)	(4,515)
Long Term Creditors	(1,722)	(1,512)
Long Tem Borrowing	(28,263)	(29,143)
Deferred Tax Provision	(728)	(728)
Other Provisions	(1,741)	(607)
	(40,199)	**(36,505)**

Note 17: Related Party Transactions

The Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence them or to be controlled or influenced by them. Disclosure of these transactions allows readers to assess the extent to which the Group 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 Group.

TVCA Constituent Authorities

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

2020/21	**Income Received £000s**	**Expenditure £000s**
Stockton On Tees Borough Council	4,731	9,639
Middlesbrough Borough Council	4,228	10,500
Redcar & Cleveland Borough Council	4,249	8,767
Hartlepool Borough Council	1,961	4,426
Darlington Borough Council	3,319	6,804
Total	**18,488**	**40,136**

2019/20	**Income Received £000s**	**Expenditure £000s**
Stockton On Tees Borough Council	4,512	8,173
Middlesbrough Borough Council	4,195	9,999
Redcar & Cleveland Borough Council	4,814	6,364
Hartlepool Borough Council	2,341	5,060
Darlington Borough Council	3,200	8,522
Total	**19,062**	**38,118**

As at 31 March 2021 the below balances were held in the groups balance sheet in respect of the constituent authorities.

2020/21	**Long Term Debtors £000s**	**Short Term Debtors £000s**	**Short Term Creditors £000s**
Stockton On Tees Borough Council	-	305	774
Middlesbrough Borough Council	2,610	1,214	1,403
Redcar & Cleveland Borough Council	-	2,181	3,284
Hartlepool Borough Council	-	1,953	1,377
Darlington Borough Council	3,230	329	793
Total	**5,840**	**5,982**	**7,631**

As at 31 March 2020 the below balances were held in the groups balance sheet in respect of the constituent authorities.

2019/20	**Long Term Debtors £000s**	**Short Term Debtors £000s**	**Short Term Creditors £000s**
Stockton On Tees Borough Council	-	331	340
Middlesbrough Borough Council	2,924	735	307
Redcar & Cleveland Borough Council	-	2,562	194
Hartlepool Borough Council	-	2,008	176
Darlington Borough Council	3,230	295	645
Total	**6,154**	**5,931**	**1,662**

Note 18: External Audit Costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts and to non-audit services provided by the Groups external auditors:

	2020/21	2019/20
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	39	43
Fees payable to MHA Tait Walker with regard to external audit services	34	45
	73	88
Rebate from Public Sector Audit Appointments Ltd		(3)

In addition to the above fees paid to MHA Tait Walker, £4k other fees were paid for Taxation compliance services provided.

Note 19: Leases

Operating leases:

From the 1st January 2017 the TVCA took on the lease of the third floor of Cavendish House. The new lease is for a term of 10 years. The minimum lease payments due in future years are:

Future minimum lease payments due	**2020/21**	2019/20
	£000s	£000s
Not later than one year	152	152
Later than one year & not later than five years	608	608
Later than five years	114	266
	874	1,026

Within STDC Group there are leases which came with the purchase of land (both as lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets, e.g. pipework, the annual value of these leases is £173k. (2019/20£195k)

At the end of 2020/21 Goosepool did not hold any leases.

Operating leases: Group lessors

Within the Group Goosepool act as a lessors and have granted a number of long-term leases to commercial operations for land and property, accounting for them as operating leases.

Future minimum lease payments due	**2020/21**	2019/20
	£000s	£000s
Not later than one year	299	391
Later than one year & not later than five years	550	687
Later than five years	773	815
	1,622	1,893

Within STDC Group there are leases which came with the purchase of land (both as lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets, e.g. pipework, the annual value of these leases is £213k (2019/20 £257k).

At the end of 2020/21 TVCA did not grant any leases.

Note 20: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year by the Group 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 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 Group that has yet to be financed. The CFR is analysed in the bottom part of this note.

	31 March 2021 £000s	31 March 2020 £000s
Opening Capital Financing Requirement	**41,098**	**40,698**
Capital investment		
Plant, Property & Equipment	49,011	283
Revenue expenditure funded from capital under statute	66,448	34,415
Loans for Capital Investment	66	1,702
Sources of Finance		
Government grants and other contributions	(79,220)	(34,545)
Sums set aside from revenue:		
Direct revenue contributions	-	(123)
Minimum Revenue Provision (MRP)	(1,417)	(1,332)
Closing Capital Financing Requirement	**75,986**	**41,098**

Note 21: Grant Income

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2020/21 £000s	2019/20 £000s
Credited to Taxation and Non Specific Grant Income		
BEIS/MHCLG South Tees Development Corporation	739	-
Local Growth Fund	-	234
Transforming Cities Fund	13,452	12,266
DfT Active Travel Fund	1,434	-
LAD2 Green Homes Grant	52,950	-
Major Transport Development Fund	382	-
Brownfield Housing	3,976	-
South Tees Development Corporation Prairie Site	5,290	3,193
Total	**78,223**	15,693
Credited to Services		
Adult Education Budget	29,627	15,936
BEIS Local Energy Capacity Support	304	405
BEIS Growth Hub	462	246
BEIS Rural Community Energy Fund	678	123
BEIS Operating Grant	1,814	-
BEIS Peer to Peer Network	81	-
BEIS/MHCLG South Tees Development Corporation	25,544	-
Brownfield Housing	915	-
Devolution	15,000	15,000
DfT Access Fund	701	1,022
DfT Active Travel Fund	385	
DfT Covid Bus Support	269	-
DfT Travel Demand Management	113	-
Department For International Trade	60	-
DWP Routes To Work	1,842	2,053
ERDF Back to Business	985	-
ERDF Business Compass	729	4,451
ERDF Business Growth Fund	1,047	-
ERDF SME Energy Efficiency	73	
EU Exit Preparation Fund	182	104
Get Building Fund	8,750	-
Home to School Transport	1,697	-
HLF Great Places	359	460
LAD2 Green Homes Grant	65	-
LEP Core	500	500
Local Growth Fund	14,217	9,182
Local Transport Plan	13,930	13,930
Major Transport Development Fund	398	-
Mayoral Capacity Funding	1,000	1,000
MHCLG Covid SFC	221	-
National Productivity Investment Fund	-	5,050
One Public Estate	84	-
One Vision Pilot	102	-
Pothole Action Fund	6,891	534
Skills Analysis	101	25
South Tees Development Corporation OPEX	-	3,000
South Tees Development Corporation Prairie Site	-	107
Transforming Cities Fund	4,548	734
Other Misc Grants	157	400
	133,831	**74,262**

Capital and Revenue Grants Receipts in Advance

	2020/21 £000s	2019/20 £000s
Adult Education Budget	3,922	2,642
BEIS Local Energy Capacity Support	887	1,113
Brownfield Housing	301	-
Careers & Enrterprise	147	-
DfT Access Fund	436	29
DfT Active Travel Fund	385	
DfT Covid Bus Support	139	-
DfT Travel Demand Management	112	-
DWP Routes To Work	816	2,658
EU Exit Preparation Fund	204	250
Home to School Transport	671	-
LAD2 Green Homes Grant	185	-
Local Industrial Strategy	241	241
Pothole Action Fund	1,573	-
Rural Community Energy Fund	882	1,560
Other Grants	170	234
Total	**11,071**	8,727

Note 22: Financial Instruments

Categories of Financial Instruments

IFRS9 Financial Instruments is the new accounting standard for investments, borrowing, receivables and payables, which came into affect for all Local Authorities from the 2018/19 financial year.

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

Financial Assets

A financial asset is a right to future economic benefits controlled by the group that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the group. The financial assets held by the group during the year are accounted for under the following three classifications:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the group.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority. The majority of the Authority's financial liabilities held during the year are measured at amortised cost and comprised of long term loans from Public Works Loans Board and trade payables for goods and services received

Financial Instruments

The value of debtors and creditors reported in the tables below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Long Term		**Short Term**	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£000s	£000s	**£000s**	£000s
At Amortised Cost	14,091	15,783	122,772	81,372
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**14,091**	15,783	**122,772**	81,372

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long Term		**Short Term**	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(28,263)	(29,143)	(33,925)	(11,774)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(28,263)**	(29,143)	**(33,925)**	(11,774)

Note 22: Financial Instruments

Financial Instruments - Fair Values

Financial instruments classified at amortised cost 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 cashflows at 31st March 2021.

Fair values are shown in the table below, 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. Pooled Property Fund based on the latest market value from quarterly unaudited accounts.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability. For PWLB loans payable, PWLB premature repayment rates. For non-PWLB loans payable, prevailing market rates.
- Level 3 – fair value is determined using unobservable inputs. Loans are based on estimated creditworthiness taking into account security held against loans.

Financial Assets	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2021		31 March 2020	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	119,342	119,342	74,800	74,800
Loans to Subsidiaries	3	-	-	-	-
Loans To Local Authorities	3	5,840	5,840	6,570	6,570
Loans To Companies	3	2,249	2,249	3,720	3,720
Other Short Term Assets*	N/A	9,432	9,432	12,066	12,066
Total Financial Assets		**136,863**	136,863	**97,156**	97,156
Recorded on Balance Sheet as:-					
Long Term Debtors		8,090		9,783	
Short Term Debtors		9,431		11,928	
Long Term Investments		6,000		6,000	
Short Term Investments		5,000		-	
Cash and Cash Equivalents		108,342		69,445	
Total Financial Assets		**136,863**		**97,156**	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Financial Liabilities	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2021		31 March 2020	
		£000s	**£000s**	£000s	£000s
Long Term PWLB Loans	2	(29,143)	(32,568)	(30,000)	32,970
Other Short Term Liabilities*	N/A	(33,045)	(33,045)	(10,917)	10,917
Total Financial Liabilities		**(62,188)**	(65,613)	**(40,917)**	43,887
Recorded on Balance Sheet as:-					
Short Term Creditors		(33,045)		(10,917)	
Short Term Borrowing		(880)		(857)	
Long Term Creditors		-		-	
Long Term Borrowing		(28,263)		(29,143)	
Total Financial Liabilities		**(62,188)**		**(40,917)**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

PWLB Borrowing Breakdown

	31 March 2021	31 March 2020
1-2 Years	1,784	1,737
2 - 5 Years	2,860	2,785
Over 5 Years	24,499	25,478
Total	**29,143**	**30,000**

Nature and Extent of Risks Arising from Financial Instruments

Key risks

Note 22: Financial Instruments

The group’s activities expose it to a variety of financial risks; the key risks are:

- **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
- **re-financing risk –** the possibility that the Authority might be requiring to renew a financial instrument on maturity
- **market risk –** the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

Note 22: Financial Instruments

Credit Risk: Treasury Investments

The group manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the group has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the group has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

	2020/21		**2019/20**	
	Long Term	**Short Term**	**Long Term**	**Short Term**
Credit Rating	**£000s**	**£000s**	**£000s**	**£000s**
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	25,000	-	37,500
A+	6,000	60,000	6,000	19,000
A	-	-	-	-
A-	-	-	-	-
Unrated Local Authorities	-	15,000	-	5,000
Total financial assets	**6,000**	**100,000**	6,000	61,500

Liquidity Risk

The group manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The group is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

As at 31 March 2021, all of the group's deposits were due to mature within 364 days.

Market Risk

- borrowings at variable rates – the interest expense charged to the (Surplus) or Deficit on the Provision of Services
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the (Surplus) or Deficit on the Provision of Services
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, 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, subject to influences from Government grants. 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 Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

	2020/21	2019/20
	£000s	£000s
Increase in interest receivable on variable rate investments	(148)	(152)
Impact on (Surplus) or Deficit on the Provision of Services	**(148)**	(152)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk: *The group, excluding the pension fund, does not invest in equity shares or marketable bonds.*

Foreign Exchange Risk: *The group has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.*

Note 23: Defined Benefit Pension Schemes

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Group participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

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 Group resources 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:

Note 23: Defined Benefit Pension Schemes

	Local Government Pension Scheme	
	2020/21	2019/20
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service cost	1,517	1,423
• Past service cost	261	100
Financing and Investment Income and Expenditure		
Net interest cost	95	52
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**1,873**	1,575
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• Return on plan assets (excluding the amount included in the net interest expense)	(2,021)	546
• Actuarial gains and losses arising on changes in financial assumptions	4,549	(315)
• Actuarial gains and losses due to liability experience	(104)	1,274
• Actuarial gains and losses due to changes in demographic assumptions	-	(316)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**2,424**	1,189
Movement in Reserves Statement		
• Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,873)	(1,575)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**1,067**	713

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£2.305m).

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Groups obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2020/21	2019/20
	£000s	£000s
Present value of defined benefit obligation	(19,511)	(12,877)
Fair value of assets	11,766	8,362
Net liability recognised in the Balance Sheet	**(7,745)**	(4,515)

Note 23: Defined Benefit Pension Schemes

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

	Local Government Pension Scheme	
	2020/21	2019/20
	£000s	£000s
Opening fair value of scheme assets	8,362	7,117
Interest income	206	198
Remeasurement gains and (losses)	2,021	(546)
Contributions from the employer	1,067	722
Contributions from employees into the scheme	385	332
Benefits paid	(275)	539
Closing balance at 31 March	**11,766**	8,362

Reconciliation Of Present Value Of The Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2020/21	2019/20
	£000s	£000s
Opening balance at 1 April	(12,877)	(9,629)
Current service cost	(1,517)	(1,423)
Interest cost	(301)	(250)
Contributions by scheme participants	(385)	(332)
Actuarial gains and losses - financial assumptions	(4,549)	315
Actuarial gains and losses - demographic assumption	-	323
Actuarial gains and losses - liability experience	104	(1,281)
Benefits paid	275	(539)
Net adjustment from acquisitions	-	39
Past service cost	(261)	(100)
Closing balance at 31 March	**(19,511)**	(12,877)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2020/21		2019/20	
	£000s	**%**	£000s	%
Equity investments (Quoted)	9,482	79.8%	6,079	72.7%
Property (Quoted)	891	7.5%	744	8.9%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	891	7.5%	1,121	13.4%
Other Investments	618	5.2%	418	5.0%
	11,882	**100%**	8,362	100%

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 Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

Note 23: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

	2020/21	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9	21.8
Women	23.6	23.5
Longevity at 45 for future pensioners:		
Men	23.3	23.2
Women	25.4	25.3
Other assumptions:		
Rate of inflation (CPI)	2.6%	1.8%
Rate of increase in salaries	3.6%	2.8%
Rate of increase in pensions	2.6%	1.8%
Rate of Pension accounts revaluation rate	2.6%	1.8%
Rate for discounting scheme liabilities	2.1%	2.3%

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

Impact on the Defined Benefit Obligation in the Scheme	**Increase**	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (increase or decrease in 1 year)	20,128	19,429	18,730
Rate of increase in salaries (increase or decrease by 0.1%)	19,513	19,429	19,345
Rate of increase in pensions payment (increase or decrease by 0.1%)	19,871	19,429	19,025
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	18,903	19,429	19,955

Impact on the Groups Cash Flows
The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2022.
The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Group anticipates to pay £0.827m contributions to the scheme in 2021/2022.

Note 24: Termination Benefits

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

GROUP **Exit package cost band (including special payments)**	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2020/21	2019/20	**2020/21**	2019/20	**2020/21**	2019/20	**2020/21** **£000s**	2019/20 £000s
£1 to £20,000	-	-	1	1	1	1	3	15
£20,001 to £40,000	-	-	3	-	3	-	88	-
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	2	-	2	-	147	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-		-	-	-	-
Total	**-**	-	**6**	1	**6**	1	**238**	15

Note 25: Provisions

	Deferred Tax **£000**	**Other** **£000**	**Total** **£000**
Opening Balance at 1st April 2020	728	607	1,335
Increase / (Decrease) In Provision		1,134	1,134
Closing Balance at 31st March 2021	**728**	**1,741**	**2,469**

Within the group statements a deferred tax provision has been included relating to the fair value adjustment of assets within the Goosepool Group.

Note 26: Contingent Liabilities

Since incorporation STDC has prepared its accounts on the assumption that, as a public body, it would be subject to an exemption from Corporation Tax . Accordingly, no Corporation Tax liabilities have been recognised in its accounts to date. However, following recent dialogue, confirmation has yet to be received from HMRC that this treatment is acceptable. Accordingly, there remains a possibility that STDC will be required to account for Corporation tax from its date of incorporation.

In accordance with the International Financial Reporting Interpretations Committee's interpretation 23 STDC has continued to assume that a Corporation tax exemption applies as, STDC considers this treatment to be appropriate and the most probable agreed outcome with HMRC. However, should HMRC determine that STDC is subject to Corporation Tax, our current estimate of the potential Corporation tax liability to 31 March 2021 is £1,095,000. This assumes reported comprehensive income to March 2020 is equivalent to taxable profits and subject to corporation tax at 19%. Should a tax liability crystallise more work would be needed at the time to calculate the exact liability.

Within STSC the company's staff were transferred from SSI UK in Liquidation in a TUPE like arrangement. Enhanced payment in lieu of notice was offered to those who remained in post throughout its liquidation and this will be honoured upon final decommissioning of the site. There is a potential outflow of £537,815 which is dependant on staff remaining in post throughout the full decommissioning process. If staff leave before this they will not be entitled to these terms, consequently the timing and amount are uncertain and hence no provision has been made.

An incident occurred on the site during the preparation form the demolition of the South Bank Coke Ovens during the year. The incident is currently under investigation by the HSE and the outcomes and/or implication are not known. At the date of signing the accounts no conclusions have been reached and no contingent liability is reported as, in the judgement of management, the risk of such a liability is considered remote.

(2019/20 STDC Corporation Tax £1,095,000)

Note 27: Post Balance Sheet Events

On 18 August 2021, and agreement was reached to transfer 40% of the share capital in Teesworks Limited to DCS Industrial Limited and JC Musgrave Limited, with South Tees Development Corporation retaining 10% of the Share Capital. The transfer is in exchange for Teesworks taking on the future development of the site together with the net future liabilities in preparing the site for tenants. As part of the agreement an option exists, allowing the purchase of areas of the Teesworks site for a value which is equal to a value determined by an independent valuer. The transaction has an effective date of 26 November 2021.
(2019/20 Nil)

No events after the reporting period have been noted that would be considered material to the accounts.

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Tees Valley Combined Authority Statement of Accounts 2020/21

TVCA Movement in Reserves Statement for the year ended 31 March 2021

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Comprehensive Income and Expenditure line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
<u>Movement in reserves during 2019/20</u>						
Balance at 1 April 2019 brought forward	55,618	-	32,916	**88,534**	(2,483)	**86,051**
Total Comprehensive Income and Expenditure	14,449	-	-	**14,449**	(827)	**13,622**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(8,635)	-	8,189	**(446)**	446	**-**
Increase/Decrease in Year	**5,814**		**8,189**	**14,003**	**(381)**	**13,622**
Balance at 31 March 2020 carried forward	**61,432**		**41,105**	**102,537**	**(2,864)**	**99,673**
Amounts earmarked (Note 7)	60,374					
Amounts uncommitted	1,058					
Total General Fund Balance at 31 March 2020	**61,432**					
<u>Movement in reserves during 2020/21</u>						
Balance at 1 April 2020 brought forward	61,432	-	41,105	**102,537**	(2,864)	**99,673**
Total Comprehensive Income and Expenditure	63,867	-	-	**63,867**	(2,112)	**61,755**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(65,600)	-	71,382	**5,782**	(5,782)	**-**
Increase/Decrease in Year	**(1,733)**	**-**	**71,382**	**69,649**	**(7,894)**	**61,755**
Balance at 31 March 2021 carried forward	**59,699**	**-**	**112,487**	**172,186**	**(10,758)**	**161,428**
General Fund analysed over:						
Amounts earmarked (Note 7)	58,641					
Amounts uncommitted	1,058					
Total General Fund Balance at 31 March 2021	**59,699**					

TVCA Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices.

2019/20					2020/21		
£000s	£000s	£000s			£000s	£000s	£000s
Expenditure	Income	Net			Expenditure	Income	Net
14,657	(11,429)	**3,228**	Business Growth		45,154	(38,884)	**6,270**
2,897	(2,600)	**297**	Research Development Innovation & Energy		3,360	(1,925)	**1,435**
22,139	(22,066)	**73**	Education Employment & Skills		48,038	(45,399)	**2,639**
2,260	(1,977)	**283**	Culture		2,602	(2,505)	**97**
27,108	(24,867)	**2,241**	Transport		31,629	(31,827)	**(198)**
268	(244)	**24**	Project Development		16	(15)	**1**
-	-	**-**	Place		4,677	(3,423)	**1,254**
5,338	(4,200)	**1,138**	Core Running Costs		5,429	(4,192)	**1,237**
16,569	(16,636)	**(67)**	Concessionary Fares		15,846	(16,201)	**(355)**
130	-	**130**	SSI Related Schemes Not in the Investment Plan		4	-	**4**
273	(6,755)	**(6,482)**	Not Directly Attributable to Themes		194	(983)	**(789)**
91,639	**(90,774)**	**865**	**Cost Of Services**		**156,949**	**(145,354)**	**11,595**
			Financing and Investment Income and Expenditure:				
154	-	154	Interest payable and similar charges		790	-	790
240	(190)	**50**	Net interest on the net defined benefit liability/asset		276	(193)	83
-	(3,018)	**(3,018)**	Interest receivable and similar income		-	(3,402)	(3,402)
			Taxation and Non-Specific Grant Income:				
-	-	**-**	Non-ringfenced government grants		-	-	-
-	(12,500)	**(12,500)**	Capital grants and contributions	20	-	(72,933)	(72,933)
92,033	**(106,482)**	**(14,449)**	**(Surplus) or Deficit on Provision of Services**		**158,015**	**(221,882)**	**(63,867)**
		827	Re-measurements of the defined benefit liability	22			2,112
		-	Other (gains) and losses				-
		827	**Other Comprehensive Income and Expenditure**				**2,112**
		(13,622)	**Total Comprehensive Income and Expenditure**				**(61,755)**

TVCA Balance Sheet as at 31 March 2021

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by TVCA. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Authority are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	Note	**31 March 2021 £000s**	31 March 2020 £000s
Non-current assets			
Long Term Debtors	11	115,735	77,594
Total non-current assets		115,735	77,594
Current assets			
Short term investments		5,000	-
Debtors	12	40,302	18,582
Cash and Cash Equivalents	13	95,122	62,652
Total current assets		140,424	81,234
Current liabilities			
Short Term Borrowing		(880)	(857)
Grant Receipts In Advance	20	(11,071)	(8,727)
Short Term Creditors	14	(47,738)	(16,491)
Total current liabilities		**(59,689)**	(26,075)
Long term liabilities			
Long Term Borrowing	15	(28,263)	(29,143)
Other Long Term Liabilities	15 & 22	(6,779)	(3,937)
Total long term liabilities		**(35,042)**	(33,080)
Net Assets:		**161,428**	99,673
Reserves			
Usable reserves:			
General Fund Balance		1,058	1,058
Earmarked General Fund Reserves	7	58,641	60,374
Capital Grants Unapplied	7	112,487	41,105
		172,186	102,537
Unusable Reserves:			
Pensions Reserve	15 & 22	(6,779)	(3,937)
Capital Adjustment Account	8	(3,810)	1,224
Accumulated Absences Account		(169)	(151)
		(10,758)	(2,864)
Total Reserves:		**161,428**	99,673

Mayor Ben Houchen ……………………………………………………

Chair Tees Valley Combined Authority Cabinet
Date

TVCA Cash Flow Statement For The Year Ended 31 March 2021

The Cash Flow Statement shows the changes in cash and cash equivalents of TVCA during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authorityp are funded by way contributions and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Note	**TVCA 2020/21 £000s**	TVCA 2019/20 £000s
Net (surplus) or deficit on the provision of services		**(63,867)**	(14,449)
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Pension Fund adjustments		(730)	(780)
Increase/(Decrease) in Revenue Debtors	12	21,720	4,952
(Increase)/Decrease in Revenue Creditors	14	(31,247)	(7,278)
(Increase)/Decrease in Grants Received in Advance	20	(2,344)	(2,768)
(Increase)/Decrease in IFRS9 Adjustments	11	(1,772)	(264)
Increase/(Decrease) in Long Term Debtors	11	39,913	17,092
		25,540	10,954
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 or deficit on the provision of services		(129,938)	(37,700)
		(129,938)	(37,700)
Net cashflow from operating activities		**(168,265)**	**(41,195)**
Investing activities			
Purchase of short term and long term investments		611,000	161,500
Proceeds from short term and long term investments		(606,000)	(189,000)
Other receipts from investing activities		129,938	37,700
Net cashflow from investing activities		**134,938**	10,200
Financing activities			
Movements in short and long term borrowings	21	857	(30,000)
Net cashflow from financing activities		**857**	(30,000)
Net (increase) or decrease in cash and cash equivalents		**(32,470)**	(60,995)
Cash and cash equivalents at the beginning of the reporting period		**62,652**	**1,657**
Cash and cash equivalents at the end of the reporting period	14	**95,122**	62,652
The cashflow for operating activities includes the following items:			
Interest received		**(224)**	**(547)**
Interest paid		**783**	**-**

Note 2: Expenditure & Funding Analysis TVCA

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

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
6,652	(3,424)	**3,228**	Business Growth	21,714	(15,444)	**6,270**
2,310	(2,013)	**297**	Research Development Innovation & Energy	1,935	(500)	**1,435**
20,538	(20,465)	**73**	Education Employment & Skills	33,798	(31,159)	**2,639**
1,879	(1,596)	**283**	Culture	1,574	(1,477)	**97**
9,715	(7,474)	**2,241**	Transport	6,873	(7,071)	**(198)**
666	(642)	**24**	Project Development	5,305	(5,304)	**1**
	-	**-**	Place	2,333	(1,079)	**1,254**
2,517	(1,379)	**1,138**	Core Running Costs	2,135	(898)	**1,237**
-	(67)	**(67)**	Concessionary Fares	208	(563)	**(355)**
-	130	**130**	SSI Related Schemes Not in the Investment Plan	-	4	**4**
282	(6,764)	**(6,482)**	Not Directly Attributable to Themes	194	(983)	**(789)**
44,559	**(43,694)**	**865**	**Net Cost Of Services**	**76,069**	**(64,474)**	**11,595**
(44,588)	29,274	(15,314)	Other Income and Expenditure	(76,069)	607	(75,462)
(29)	**(14,420)**	**(14,449)**	Surplus or Deficit	**(0)**	**(63,867)**	**(63,867)**
(962)			**Opening General Fund Balance**	**(1,058)**		
(29)			Less/Plus Surplus or (Deficit)	**(0)**		
(67)			Movements To/(From) Other Reserves	**-**		
(1,058)			**Closing General Fund Balance at 31 March 2021**	**(1,058)**		

Note 2: Expenditure & Funding Analysis TVCA

Notes to the Expenditure and Funding Analysis: TVCA

Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Business Growth	2,850	40	(18,334)	**(15,444)**
Research Development Innovation & Energy	1,094	9	(1,603)	**(500)**
Education Employment & Skills	2,579	52	(33,790)	**(31,159)**
Culture	80	9	(1,566)	**(1,477)**
Transport	38	-	(7,109)	**(7,071)**
Project Development	-	5	(5,309)	**(5,304)**
Place	-	3	(1,082)	**(1,079)**
Core Running Costs	-	530	(1,428)	**(898)**
Concessionary Fares	-	-	(563)	**(563)**
SSI Related Schemes Not in the Investment Plan	-	-	4	**4**
Not Directly Attributable to Themes	1,250	-	(2,233)	**(983)**
Net Cost Of Services	7,891	648	(73,013)	**(64,474)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(72,933)	83	73,457	**607**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(65,042)	731	444	**(63,867)**

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Business Growth	2,256	23	(5,703)	(3,424)
Research Development Innovation & Energy	-	11	(2,024)	(2,013)
Education Employment & Skills	-	66	(20,531)	(20,465)
Culture	-	28	(1,624)	(1,596)
Transport	2,055	5	(9,534)	(7,474)
Enabling Infrastructure	-	-	-	-
Project Development	-	38	(680)	(642)
Core Running Costs	-	559	(1,938)	(1,379)
Concessionary Fares	-	-	(67)	(67)
SSI Related Schemes Not in the Investment Plan	-	-	130	130
Place	-	-	-	-
Not Directly Attributable to Themes	-	-	(6,764)	(6,764)
Net Cost Of Services `	4,311	730	(48,735)	**(43,694)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,500)	50	41,724	29,274
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**(8,189)**	**780**	**(7,011)**	**(14,420)**

Adjustments for capital purposes: this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

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

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

Net Change for the Pensions Adjustments - this is the 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 between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

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

Expenditure and Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

	2020/21	2019/20
	£000s	£000s
Expenditure		
Employee benefits expenses	6,746	6,117
Other services expenses	150,203	85,522
Interest payments	1,066	394
Total Expenditure	**158,015**	92,033
Income		
Fees, charges and other service income	(264)	(129)
Interest and investment income	(3,595)	(3,208)
Government grants and contributions	(218,023)	(103,145)
Total Income	**(221,882)**	(106,482)
(Surplus) or Deficit on the Provision of Services	**(63,867)**	(14,449)

Segmental Income

Income received on a segmental basis is analysed below:

	2020/21	2019/20
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	(90)	0
Research Development Innovation & Energy	(21)	(26)
Education Employment & Skills	(12)	(6)
Culture	(75)	(1)
Transport	(5)	(83)
Project Development	0	0
Place	0	0
Core Running Costs	(61)	(13)
SSI Related Schemes Not in the Investment Plan	0	0
Not Directly Attributable to Themes	0	0
Total income analysed on a segmental basis	**(264)**	(129)

Note 3: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

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

- Interest Rate Benchmark Reform : Amendments to IFRS9, IAS39 & IFRS7
- Interest Rate Benchmark Reformn Phase 2 : Amendments to IFRS4 and IFRS16.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

These changes are not expected to have a material impact on the Authority’s Accounts but it will be dependent on arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

Note 4: Critical Judgements in Applying Accounting Policies

In applying its accounting policies the TVCA has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There are no critical judgements made for the authority as a single entity.

Note 5: 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 TVCA 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 TVCA's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension liabilities: 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 TVCA with expert advice about the assumptions to be applied. Sensitivities are included in Note 22

Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

2020/21	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	5,034			(5,034)
Adjustments involving the Capital Grants Unapplied Account	(71,382)		71,382	-
Adjustments involving the Pensions Reserve	730			(730)
Adjustments involving the Accumulated Absences Adjustment Account	18			(18)
Total Adjustments	**(65,600)**	**-**	**71,382**	**(5,782)**

2019/20	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	(1,224)	-	-	1,224
Adjustments involving the Capital Grants Unapplied Account	(8,189)	-	8,189	-
Adjustments involving the Pensions Reserve	780	-	-	(780)
Adjustments involving the Accumulated Absences Adjustment Account	(2)	-	-	2
Total Adjustments	**(8,635)**	**-**	**8,189**	**446**

Note 7: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

TVCA

Earmarked Reserves	Balance at 1 April 2020 £000s	Transfers Out 2020/21 £000s	Transfers In 2020/21 £000s	Balance at 31 March 2021 £000s
Revenue Reserves				
Investment Fund	(48,587)	4,958	(3,134)	(46,763)
SSI	(11,720)	275	(10)	(11,455)
Concessionary Fares	(67)	-	(356)	(423)
Total Revenue Reserves	**(60,374)**	**5,233**	**(3,500)**	**(58,641)**
Capital Grants Unapplied	(41,105)	1,551	(72,933)	(112,487)
Total Capital Reserves	**(41,105)**	**1,551**	**(72,933)**	**(112,487)**

Note 7: Movements in Earmarked Reserves

Earmarked Reserves	Balance at 1 April 2019 £000s	Transfers Out 2019/20 £000s	Transfers In 2019/20 £000s	Balance at 31 March 2020 £000s
Revenue Reserves				
Development Pot	(1,030)	1,030	-	-
Investment Fund	(41,409)	2,069	(9,247)	(48,587)
SSI	(12,217)	564	(67)	(11,720)
Concessionary Fares	-	-	(67)	(67)
Total Revenue Reserves	**(54,656)**	**3,663**	**(9,381)**	**(60,374)**
Capital Grants Unapplied	(32,916)	4,311	(12,500)	(41,105)
Total Capital Reserves	**(32,916)**	**4,311**	**(12,500)**	**(41,105)**

Development Pot - The development pot reserve was established as part of the 2017-21 Investment Plan where funding was held for the early development costs associated with projects and programmes to be delivered as part of the wider investment plan or through alternate funding routes.

Investment Fund - The authority receives grant and other funding into a single pot which is used to fund the delivery of the investment plan. This funding is received annually and any funds not required in year are held in reserve for future years delivery of the investment plan.

SSI - The Authority manages the funding awarded to the SSI Task Force following the closure of SSI. This reserve holds the funding received that is yet to be drawn down to deliver the projects and programmes approved by the Task Force.

Concessionary fares - The Authority manages the concessionary travel fares budget for the Tees Valley, any surpluses generated in year are held in this reserve.

Note 8: Capital Adjustment Account

	2020/21 £000s	2019/20 £000s
Balance at 1st April	(1,224)	-
Revenue expenditure funded from capital under statute	66,448	33,831
	66,448	33,831
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(58,556)	(29,511)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,552)	(4,311)
Statutory provision for the financing of capital investment charged against the General Fund	(1,306)	(1,224)
Capital expenditure charged against the General Fund balance	-	(9)
	(61,414)	(35,055)
Balance at 31st March	**3,810**	**(1,224)**

Note 9: TVCA Members' Allowances

Details of the amounts paid to each elected member of the Authority are published annually. Elected members from the constituent local authorities sit on various TVCA boards and receive no allowance for carrying out this role from the Authority.

During the year payments were made to the Mayor totalling £38,546 which consisted of £37,778 Mayoral Allowance and £768 travel and subsistence (2019/20 £38,374).
The Chair of the Local Enterprise partnership, Paul Booth, sits on TVCA Cabinet and during the year he was re-imbursed £0 in relation to accommodation and travel costs incurred whilst representing TVCA (2019/20 £4,704).

Note 10: Employee remuneration

Remuneration of the Chief Executive and her senior staff are shown in the following table.

Remuneration of Senior Employees 2020/21						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Total Remuneration excluding pension contributions 2020/21 £**		**Pension contributions £**	**Total Remuneration including pension contributions 2020/21 £**
Group Chief Executive (Julie Gilhespie)	165,960	82	**166,042**		25,392	**191,434**
Strategy & Investment Planning Director	99,759	29	**99,788**		2,525	**102,313**
Group Commercial Director	114,156	61	**114,217**		17,639	**131,856**
Director of Business & Skills	104,436	-	**104,436**		15,781	**120,217**
Group Director of Finance & Resources	115,287	-	**115,287**		-	**115,287**
Group Marketing & Communications Manager	53,023	228	**53,251**		8,113	**61,364**
TVCA TOTAL	**652,621**	**400**	**653,021**		**69,450**	**722,471**

During the year the amendment to Group Governance arrangements resulted in the roles and responsibilites of the Chief Executive, Commercial Director and Director of Finance & Reosurces being amended to cover the Group.
In May 2020 the Strategy and Investment Planning Director left the Authority and the post was deleted as part of the revised senior management structure, redundancy costs have been included within the above remuneration.

Remuneration of Senior Employees 2019/20						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Total Remuneration excluding pension contributions 2019/20 £**		**Pension contributions £**	**Total Remuneration including pension contributions 2019/20 £**
Chief Executive	141,859	711	**142,570**		22,556	**165,126**
Strategy & Investment Planning Director	97,466	311	**97,777**		15,497	**113,274**
Commercial & Delivery Director	95,769	397	**96,166**		15,367	**111,533**
Director of Business & Skills	52,800	556	**53,356**		8,395	**61,751**
Director of Finance & Resources	57,475	-	**57,475**		-	**57,475**
Head of Comms & Marketing	78,537	746	**79,283**		12,487	**91,770**
TVCA TOTAL	523,906	2,721	**526,627**		74,302	**600,929**

A senior management restructure took place in the year which resulted in all Heads of Service who previously reported direct to the Chief Executive now reporting to relevant Directors with the exception of the Head of Comms & Marketing who continues to report to the Chief Executive. This has led to a reduction of the senior employees reported in the above table however the roles are now included in the table at the end of this note.
The restructure resulted in change of job titles for Directors as set out below:-
- Strategy Director changed to Strategy and Investment Planning Director.
- Business Director changed to Director of Business and Skills.
- Investment Director changed to Commercial and Delivery Director
- Finance Director changed to Director of Finance and Resources.

At the start of the year both the Director of Business & Skills and Director of Finance & Resources were vacant, both of these roles were filled in September 2019. All other posts have been in post for the full year.

Note 10: Employee remuneration

	TVCA	
	Number of Employees	Number of Employees
	2020/21	2019/20
£50,001 - £55,000	1	2
£55,001 - £60,000	3	1
£60,001 - £65,000	-	1
£65,001 - £70,000	-	1
£70,001 - £75,000	-	1
£75,001 - £80,000	1	2
£80,001 - £85,000	3	-
£85,001 - £90,000		-
£90,001 - £95,000		-
£95,001 - £100,000		-

Remuneration of the Chief Executive and her senior staff has been excluded from the salary range analysis shown in the table above. The senior management restructure that took place has led to an increase in the employees reported in the above table which is offset by the reduction reported in previous senior employees table.

Note 11: Long Term Debtors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	-	-
Local Government	41,863	17,369
Other entities and individuals	73,872	60,225
	115,735	**77,594**

Note 12: Debtors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	4,398	2,316
Local Government	31,666	12,838
Other entities and individuals	4,238	3,428
	40,302	**18,582**

Note 13: Cash and Cash Equivalents

	31 March 2021 £000s	31 March 2020 £000s
Bank and Imprests	122	1,152
Cash Equivalents	95,000	61,500
	95,122	**62,652**

Note 14: Short Term Creditors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	(739)	(269)
Local Government	(39,811)	(12,973)
Other entities and individuals	(7,188)	(3,249)
	(47,738)	**(16,491)**

Note 15: Other Long Term Liabilities

	31 March 2021 £000s	31 March 2020 £000s
Net pensions liability	(6,779)	(3,937)
Long Tem Borrowing	(28,263)	(29,143)
	(35,042)	**(33,080)**

Note 16: Related Party Transactions

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

Central Government

Central government has effective control over the general operations of TVCA – it is responsible for providing the statutory framework within which they operate, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that they have with other parties. Grants received from government departments are set out in the subjective analysis in Note 21.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 10. During 2020/21, there were no related party transactions between members and TVCA.

Entities Controlled or Significantly Influenced by the Authority

The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities by other organisations in which the Council has an interest. The Combined Authority has considered its interests in this respect, both quantitatively and qualitatively, and has concluded that South Tees Development Corporation (STDC) and Goosepool 2019, are materially significant to the overall financial position of the Combined Authority and are therefore consolidated into the Group Financial Statements.

The tables below set out the income and expenditure during year between TVCA and these organisations.

2020/21	Income Received £000s	Expenditure £000s
South Tees Development Corporation Group	192	30,480
Goosepool 2019 Group	2,982	15
Total	**3,174**	**30,495**

2019/20	Income Received £000s	Expenditure £000s
South Tees Development Corporation Group	71	1,900
Goosepool 2019 Group	2,331	-
Total	**2,402**	**1,900**

As at 31 March 2021 the below balances were held in the Authority's balance sheet in respect of the controlled organisations.

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
South Tees Development Corporation Group	36,022	28,751	35,266
Goosepool 2019 Group	71,622	81	-
Total	**107,644**	**28,832**	**35,266**

As at 31 March 2020 the below balances were held in the Authority's balance sheet in respect of the controlled organisations.

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
South Tees Development Corporation Group	11,215	9,856	13,200
Goosepool 2019 Group	56,596	94	-
Total	**67,811**	**9,950**	**13,200**

TVCA Constituent Authorities

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

2020/21	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,731	9,635
Middlesbrough Borough Council	4,228	10,500
Redcar & Cleveland Borough Council	4,249	8,763
Hartlepool Borough Council	1,961	4,426
Darlington Borough Council	3,319	6,327
Total	**18,488**	**39,651**

2019/20	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,512	8,172
Middlesbrough Borough Council	4,195	9,999
Redcar & Cleveland Borough Council	4,809	6,334
Hartlepool Borough Council	2,341	5,060
Darlington Borough Council	3,200	8,025
Total	**19,057**	**37,590**

As at 31 March 2021 the below balances were held in the Authority's balance sheet in respect of the constituent authorities.

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Stockton On Tees Borough Council	-	305	774
Middlesbrough Borough Council	2,610	1,214	1,403
Redcar & Cleveland Borough Council	-	2,181	3,284
Hartlepool Borough Council	-	1,953	1,377
Darlington Borough Council	3,230	329	793
Total	**5,840**	**5,982**	**7,631**

As at 31 March 2020 the below balances were held in the Authority's balance sheet in respect of the constituent authorities.

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Stockton On Tees Borough Council	-	331	339
Middlesbrough Borough Council	2,924	735	307
Redcar & Cleveland Borough Council	-	2,562	133
Hartlepool Borough Council	-	2,008	176
Darlington Borough Council	3,230	295	637
Total	**6,154**	**5,931**	**1,592**

Note 17: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and to non-audit services provided by the Authority's external auditors:

	TVCA 2020/21 £000s	TVCA 2019/20 £000s
Fees payable to Mazars LLP with regard to external audit services	23	27
	23	27
Rebate from Public Sector Audit Appointments Ltd	*0*	(3)

Note 18: Leases

Operating leases: TVCA as lessee

From the 1st January 2017 the TVCA took on the lease of the third floor of Cavendish House. The new lease is for a term of 10 years. The minimum lease payments due in future years are:

Future minimum lease payments due	**2020/21 £000s**	2019/20 £000s
Not later than one year	152	152
Later than one year & not later than five years	608	608
Later than five years	114	266
	874	1,026

Note 19: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year by TVCA 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 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. The CFR is analysed in the bottom part of this note.

	31 March 2021 £000s	31 March 2020 £000s
Opening Capital Financing Requirement	**41,176**	**40,698**
Capital investment		
Revenue expenditure funded from capital under statute	66,448	33,831
Loans for Capital Investment	29,608	1,702
Sources of Finance		
Government grants and other contributions	(60,108)	(33,822)
Sums set aside from revenue:		
Direct revenue contributions	-	(9)
Minimum Revenue Provision (MRP)	(1,306)	(1,224)
Closing Capital Financing Requirement	**75,818**	**41,176**

Note 20: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2020/21	2019/20
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
BEIS/MHCLG South Tees Development Corporation	739	-
Brownfield Housing	3,976	-
DfT Active Travel Fund	1,434	-
LAD2 Green Homes Grant	52,950	-
Local Growth Fund	-	234
Major Transport Development Fund	382	-
Transforming Cities Fund	13,452	12,266
Total	**72,933**	12,500
Credited to Services		
Adult Education Budget	29,627	15,936
BEIS Local Energy Capacity Support	304	405
BEIS Growth Hub	462	246
BEIS Rural Community Energy Fund	678	123
BEIS Peer to Peer Network	81	-
BEIS/MHCLG South Tees Development Corporation	25,544	-
Brownfield Housing	915	-
Devolution	15,000	15,000
DfT Access Fund	701	1,022
DfT Active Travel Fund	385	
DfT Covid Bus Support	269	-
DfT Travel Demand Management	113	-
Department For International Trade	60	-
DWP Routes To Work	1,842	2,053
ERDF Back to Business	985	-
ERDF Business Compass	729	4,451
ERDF Business Growth Fund	1,047	-
ERDF SME Energy Efficiency	73	
EU Exit Preparation Fund	182	104
Get Building Fund	8,750	-
Home to School Transport	1,697	-
HLF Great Places	359	460
LAD2 Green Homes Grant	65	-
LEP Core	500	500
Local Growth Fund	14,217	9,182
Local Transport Plan	13,930	13,930
Major Transport Development Fund	398	-
Mayoral Capacity Funding	1,000	1,000
MHCLG Covid SFC	221	-
National Productivity Investment Fund	-	5,050
One Public Estate	84	-
One Vision Pilot	102	-
Pothole Action Fund	6,891	534
Skills Analysis	101	25
Transforming Cities Fund	4,548	734
Other Grants	157	400
	132,017	71,155

Capital and Revenue Grants Receipts in Advance

	2020/21	2019/20
	£000s	£000s
Adult Education Budget	3,922	2,642
BEIS Local Energy Capacity Support	887	1,113
Brownfield Housing	301	-
Careers & Enrterprise	147	-
DfT Access Fund	436	29
DfT Active Travel Fund	385	
DfT Covid Bus Support	139	-
DfT Travel Demand Management	112	-
DWP Routes To Work	816	2,658
EU Exit Preparation Fund	204	250
Home to School Transport	671	-
LAD2 Green Homes Grant	185	-
Local Industrial Strategy	241	241
Pothole Action Fund	1,573	-
Rural Community Energy Fund	882	1,560
Other Grants	170	234
Total	**11,071**	8,727

Note 22: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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 Authority resources 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:

Note 22: Defined Benefit Pension Schemes

	Local Government Pension Scheme	
	2020/21	2019/20
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
· Current service cost	1,285	1,273
· Past service cost	261	91
Financing and Investment Income and Expenditure		
Net interest cost	83	50
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**1,629**	1,414
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
· Return on plan assets (excluding the amount included in the net interest expense)	(1,880)	668
· Actuarial gains and losses arising on changes in financial assumptions	4,089	(304)
· Actuarial gains and losses due to liability experience	(97)	769
· Actuarial gains and losses due to changes in demographic assumptions	-	(306)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**2,112**	827
Movement in Reserves Statement		
· Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,629)	(1,414)
Actual amount charged against the General Fund Balance for pensions in the year:		
· Employers' contributions payable to scheme	**899**	**634**

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£2.112m).

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2020/21	2019/20
	£000s	£000s
Present value of defined benefit obligation	(17,865)	(11,668)
Fair value of assets	11,086	7,731
Net liability recognised in the Balance Sheet	**(6,779)**	(3,937)

Note 22: Defined Benefit Pension Schemes

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

	Local Government Pension Scheme	
	2020/21	2019/20
	£000s	£000s
Opening fair value of scheme assets	7,731	6,984
Interest income	193	190
Remeasurement gains and (losses)	1,880	(668)
Contributions from the employer	899	634
Contributions from employees into the scheme	312	291
Benefits paid	71	300
Closing balance at 31 March	**11,086**	7,731

Reconciliation Of Present Value Of The Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme	
	2020/21	2019/20
	£000s	£000s
Opening balance at 1 April	(11,668)	(9,314)
Current service cost	(1,285)	(1,273)
Interest cost	(276)	(240)
Contributions by scheme participants	(312)	(291)
Actuarial gains and losses - financial assumptions	(4,089)	304
Actuarial gains and losses - demographic assumption	-	306
Actuarial gains and losses - liability experience	97	(769)
Benefits paid	(71)	(300)
Past service cost	(261)	(91)
Closing balance at 31 March	**(17,865)**	(11,668)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2020/21		2019/20	
	£000s	**%**	£000s	%
Equity investments (Quoted)	8,847	79.8%	5,620	72.7%
Property (Quoted)	831	7.5%	688	8.9%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	831	7.5%	1,036	13.4%
Other Investments	576	5.2%	387	5.0%
	11,086	**100%**	7,731	100%

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 Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

Note 22: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

	2020/21	2019/20
Mortality assumptions:		
<u>*Longevity at 65 for current pensioners:*</u>		
Men	21.9	21.8
Women	23.6	23.5
<u>*Longevity at 45 for future pensioners:*</u>		
Men	23.3	23.2
Women	25.4	25.3
<u>*Other assumptions:*</u>		
Rate of inflation (CPI)	2.6%	1.8%
Rate of increase in salaries	3.6%	2.8%
Rate of increase in pensions	2.6%	1.8%
Rate of Pension accounts revaluation rate	2.6%	1.8%
Rate for discounting scheme liabilities	2.1%	2.3%

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (increase or decrease in 1 year)	18,508	17,865	17,222
Rate of increase in salaries (increase or decrease by 0.1%)	17,936	17,865	17,794
Rate of increase in pensions payment (increase or decrease by 0.1%)	18,276	17,865	17,472
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	17,383	17,865	18,347

Impact on the Authority’s Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates to pay £0.662m contributions to the scheme in 2021/2022.

The weighted average duration of the defined benefit obligation for scheme members is 26.9 years.

Note 21: Financial Instruments

Categories of Financial Instruments

IFRS9 Financial Instruments is the new accounting standard for investments, borrowing, receivables and payables, which came into affect for all Local Authorities from the 2018/19 financial year.

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

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Authority. The financial assets held by the Authority during the year are accounted for under the following three classifications:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet .their contractual commitments to the Authority.
During the year adjustments to the value of £1.7 million have been charged to the CIES to take account of this allowance in line with the requirements under IFRS9.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority. The majority of the Authority's financial liabilities held during the year are measured at amortised cost and comprised of llong term loans from Public Works Loans Board and trade payables for goods and services received

Financial Instruments

The value of debtors and creditors reported in the tables below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Long Term		Short Term	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£000s	£000s	**£000s**	£000s
At Amortised Cost	115,735	77,594	138,432	81,012
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**115,735**	77,594	**138,432**	81,012

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long Term		Short Term	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(28,263)	(29,143)	(48,319)	(16,990)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(28,263)**	(29,143)	**(48,319)**	(16,990)

Note 21: Financial Instruments

Financial Instruments - Fair Values

Financial instruments classified at amortised cost 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 cashflows at 31st March 2021.

Fair values are shown in the table below, 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. Pooled Property Fund based on the latest market vaule from quarterly unaudited accounts.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability. For PWLB loans payable, PWLB premature repayment rates. For non-PWLB loans payable, prevailing market rates.
- Level 3 – fair value is determined using unobservable inputs. Loans are based on estimated creditworthiness takign into account security held against loans.

Financial Assets	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2021		31 March 2020	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	100,122	100,122	62,006	62,006
Loans to Subsidiaries	3	107,645	107,645	59,295	59,295
Loans To Local Authorities	3	5,840	5,840	6,571	6,571
Loans To Companies	3	2,250	2,250	3,720	3,720
Other Short Term Assets*	N/A	38,310	38,310	18,498	18,498
Total Financial Assets		**254,167**	254,167	**150,090**	150,090
Recorded on Balance Sheet as:-					
Long Term Debtors		115,735		69,078	
Short Term Debtors		38,310		19,006	
Long Term Investments		-		-	
Short Term Investments		5,000		-	
Cash and Cash Equivalents		95,122		62,006	
Total Financial Assets		**254,167**		**150,090**	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Financial Liabilities	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2021		31 March 2020	
		£000s	**£000s**	£000s	£000s
Long Term PWLB Loans	2	(29,143)	(32,568)	(30,000)	(32,970)
Other Short Term Liabilities*	N/A	(47,439)	(47,439)	(16,133)	(16,133)
Total Financial Liabilities		**(76,582)**	(80,007)	**(46,133)**	(49,103)
Recorded on Balance Sheet as:-					
Short Term Creditors		(47,439)		(16,133)	
Short Term Borrowing		(880)		(857)	
Long Term Creditors		-		-	
Long Term Borrowing		(28,263)		(29,143)	
Total Financial Liabilities		**(76,582)**		**(46,133)**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

PWLB Borrowing Breakdown

	31 March 2021	31 March 2020
1-2 Years	1,784	1,737
2 - 5 Years	2,860	2,785
Over 5 Years	24,499	25,478
Total	**29,143**	**30,000**

Note 21: Financial Instruments

Nature and Extent of Risks Arising from Financial Instruments

Key risks

The Authority's activities expose it to a variety of financial risks; the key risks are:

- **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
- **re-financing risk –** the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **market risk –** the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

Credit Risk: Treasury Investments

The Authority manages credit risk by ensuring that treasury investments are only placed with organisations of high credit

	2020/21		2019/20	
	Long Term	Short Term	Long Term	Short Term
Credit Rating	**£000s**	**£000s**	**£000s**	**£000s**
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	25,000	-	37,500
A+	-	60,000	-	19,000
A	-	-	-	-
A-	-	-	-	-
Unrated Local Authorities	-	15,000	-	5,000
Total financial assets	**-**	**100,000**	-	61,500

Liquidity Risk

The group manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The group is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

As at 31 March 2021, all of the group's deposits were due to mature within 364 days.

Market Risk

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the (Surplus) or Deficit on the Provision of Services will
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, 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, subject to influences from Government grants. 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 Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

	2020/21	2019/20
	£000s	£000s
Increase in interest payable on variable rate borrowings		-
Increase in interest receivable on variable rate investments	(148)	(152)
Impact on (Surplus) or Deficit on the Provision of Services	**(148)**	(152)

Note 21: Financial Instruments

The approximate impact of a 1% fall in interest rates would be as above but with the movements being
Price Risk: *The Authority, excluding the pension fund, does not invest in equity shares or marketable bonds.*

Foreign Exchange Risk: *The Authority has no financial assets or liabilities denominated in foreign currencies and*

Note 23: Termination Benefits

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	**2020/21**	2019/20	**2020/21**	2019/20	**2020/21** **£000s**	2019/20 £000s
£1 to £20,000	-	-	-	-	-	-	-	-
£20,001 to £40,000	-	-	2	-	2	-	53	-
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	1	-	1	-	86	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-		-	-	-	-
Total	**-**	-	**3**	-	**3**	-	**139**	-

Note 24: Provisions

There are no provisions for the Authority (2019/20 Nil)

Note 25: Contingent Liabilities

There are no contingent liabilities for the Authority (2019/20 Nil)

Note 26: Post Balance Sheet Events

There are no post balance sheet events to report for the Authority for the Authority (2019/20 Nil)

Statement of Accounting Policies (Group)

General Principles
The Statement of Accounts summarises TVCA's and Group transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. They are 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 Group Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).
Upon consolidation of the Group accounts all subsidiary accounting policies are aligned to those of the Authority.

The accounts for the Authority and the Group are prepared on a going concern basis.

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

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

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 highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management.

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 Group’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.

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 for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Group 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 at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year.

Statement of Accounting Policies (Group)

Post Employment Benefits
Employees of the Group are members of one pension scheme:

- The Local Government Pensions Scheme, administered by Middlesbrough Borough Council.

The schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Group and its predecessor.

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

- The liabilities of the Teesside Pension Fund attributable to the Group 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, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the Aon Hewitt GBP Central AA Curve.
- The assets of the Teesside Pension Fund attributable to the Group are included in the Balance Sheet at their fair value:
  quoted securities – current bid price
  unquoted securities – professional estimate
  unitised securities – current bid price
  property – market value.

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

Service cost comprising:

- *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
- *past service cost* : the increase in liabilities as a result of a scheme amendment or curtailment 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
- net interest on the net defined benefit liability: i.e. net interest expense for the Group - 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 of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability 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.

Remeasurements comprising:

- *the return on plan assets* - excluding amounts included in the net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and 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.

Contributions paid to the Teesside Pension Fund:

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

Statement of Accounting Policies (Group)

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Group 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.

Events after the Reporting Period
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are 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 Financial Statements are 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 financial statements.

Financial Assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:
- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.
The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:
- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis. The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 (CIES) 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 Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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 Council 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 within the general fund. 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.

Statement of Accounting Policies (Group)

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

- the Group will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Group 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 receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced 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.

Intangible Assets
Expenditure on non monetary assets that do not have physical substance but are controlled by the Group as a result of past events are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

Inventories
Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is determined on the basis of the initial invoice price.

Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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

Operating Leases as Lessor
Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services
The costs of overheads and support services are charged to service segments in accordance with the Group's arrangements for accountability and financial performance.

Property, Plant and Equipment
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment. The Authority and Group has a de-minimus level of £10,000 for PPE.

Statement of Accounting Policies (Group)

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 Group 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 Group 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 Group). 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 Group.

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
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective in line with IFRS13.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every three years. 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 by:

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

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

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

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

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

Depreciation is calculated on the following bases:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer
- plant, furniture and equipment – straight line over the useful life of the asset, as advised by a suitably qualified officer
- infrastructure – straight line allocation over a period of 10 to 40 years.

Statement of Accounting Policies (Group)

Goodwill
The CIPFA Code states that the acquisition method should be adopted through the initial business combination following IFRS 3 for guidance and refers to IAS 36 for consideration of goodwill.
Identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree, are recognised separately from goodwill. All assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value.
Goodwill is measured as the difference between:
• the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and
• the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed
After initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost/ revaluation less accumulated amortisation and accumulated impairment losses.

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

Contingent Liabilities & Contingent Assets
A contingent liability arises where an event has taken place that gives the Group 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 Group. A contingent asset arises where an event has taken place that gives the Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves
The Group 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 Group 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 Group.

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 Group has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged.

VAT
VAT on income and expenditure is included only to the extent that it is not recoverable from HM Revenue and Customs.

Fair Value Measurement
The Group measures some of its non-financial assets, and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Group measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Group 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 Group uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. this takes into account the three levels of categories for inputs to valuations for fair value assets:

Statement of Accounting Policies (Group)

- Level 1 - quoted prices
- 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.

Responsibilities for the Annual Financial Statements

The Authority and Group's Responsibilities

The Tees Valley Combined Authority Group is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Group, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Annual Financial Statements by the date specified by the Secretary of State.

The Chief Financial Officers Responsibilities

The Chief Financial Officer is responsible for the preparation of the Groups Annual Financial Statements in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice).

In preparing the Annual Financial Statements, the Chief Financial 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 of Practice.

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of Tees Valley Combined Authority Group Accounts at the accounting date and its income and expenditure for the year ended 31 March 2021.

G Macdonald **Date:** 31/07/2021
Group Director of Finance & Resources

These financial statements replace the unaudited financial statements certified by the Director of Finance on 31st July 2020

G Macdonald **Date:**
Group Director of Finance & Resources

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEES VALLEY COMBINED AUTHORITY

Appendix A

Glossary of Terms

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Amortised cost
The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount. International Accounting Standard (IAS) 39 requires the amortised cost to be calculated using the effective interest method.

Capital Charge
A charge to service revenue accounts to reflect the cost of non current assets used in the provision of a service.

Capital Expenditure

Expenditure on the acquisition of a non current asset or expenditure designed to extend its useful life.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingency
A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

Effective interest method
This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument to the net carrying amount at initial recognition.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items, merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

Appendix A

Glossary of Terms

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

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.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

Inventories

Comprise the value of items held in the following categories:

a) goods or other assets purchased for resale;
b) consumable stores;
c) raw materials and components purchased for incorporation into products for sale;
d) products and services in intermediate stages of completion;
e) long term contract balances; and
f) finished goods.

Investments

A long term investment is an investment that is being held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria are classified as current assets.

Long Term Contracts

A contract entered into for the design, manufacture or construction of a substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts, if they are sufficiently material to the activity of the period.

Net Book Value

The amount at which non current assets are included in the balance sheet i.e. the historical cost or current value, less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the costs of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of a non operational asset), less any expenses incurred in realising the asset.

Appendix A

Glossary of Terms

Non Current Assets
Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Non Operational Assets
Non current assets held by a Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Lease
A lease other than a finance lease.

Operational Assets

Non current assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Prior Year Adjustments
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

Prudence
The concept that revenue is not anticipated, but is recognised only when realised, in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Usable Reserves
Amounts set aside to meet future costs, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Unusable Reserves

Reserves that not available to spend; this category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

TEES VALLEY COMBINED AUTHORITY

Internal Audit Progress Report

28 June 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

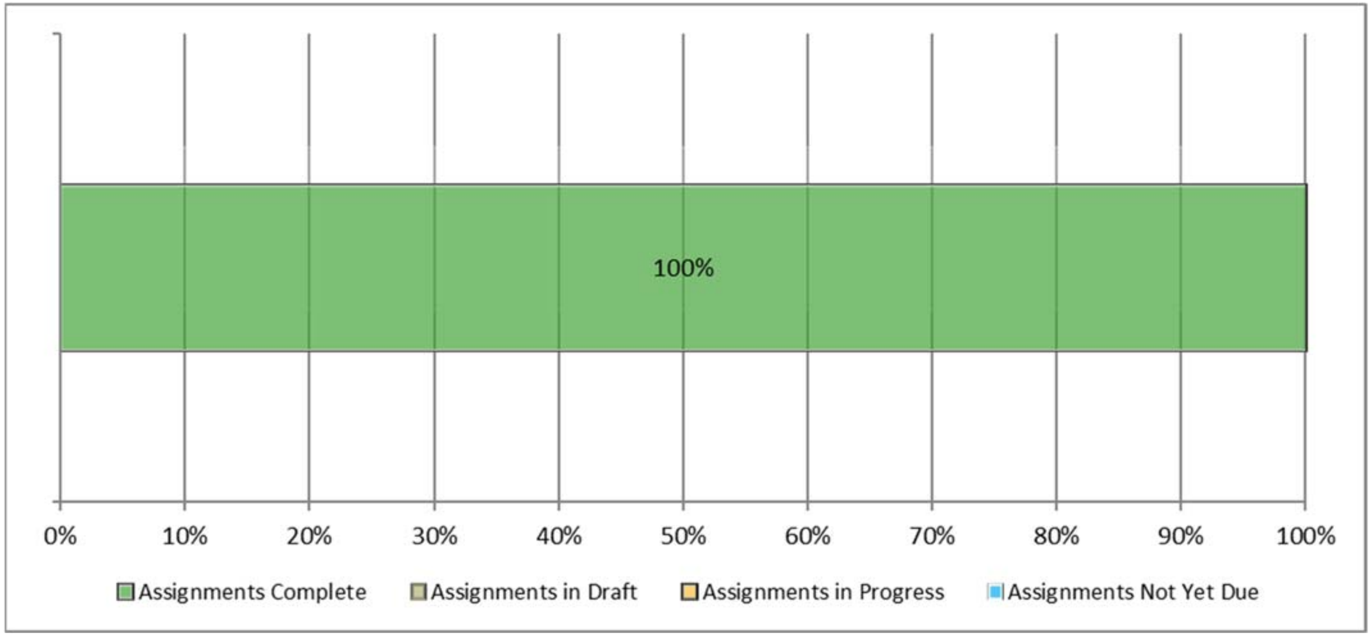
RSM

Contents

1 Introduction

The internal audit plan for 2021/22 was discussed and approved by the Audit and Governance Committee on 25 May 2021.

The graphic below provides a summary update on progress against the 2021/22 plan.



2 Reports

2.1 Summary of final reports being presented to this committee

We have finalised the following reports since the previous meeting and these are detailed below:

Assignment	Opinion issued	Actions agreed		
		L	M	H
HR: Payroll	**Reasonable Assurance**	4	2	0

Objective:

The Group has an appropriate framework in place to ensure that staff are paid all monies due to them each month in a timely manner.

Conclusion:

Taking account of the issues identified, the Board can take **reasonable** assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).

As a result of our review we raised **two medium priority** and **four low priority** management actions. The two medium priority actions are as follows:

- We confirmed that there is no specific payroll policy or supporting procedure document in place to outline the responsibilities of HR and finance within the payroll process. If there is no documentation to support and outline the procedures that should be undertaken for the payroll processes, this could negatively impact the payroll process as staff may be unaware of the processes involved.
- During discussions with the Group HR Manager and the Group Finance Manager, we were informed that the Group does not receive any exception reports from Xentral in the course of payroll processing. Whilst an errors and exception report is produced by Xentral, this is retained by them and is primarily used to identify any problems with the software used by the payroll system. If exception reports are not provided to the Group and reviewed before payment, incorrect or fraudulent payments could go undetected.

Assignment	Opinion issued	Actions agreed		
		L	M	H

Context:

Tees Valley Combined Authority (TVCA) do not have an internal payroll team and instead use an external provider, Xentral, to complete the monthly payroll runs and update payment information. Xentral conduct the payroll process for both TVCA and its subsidiary South Tees Development Corporation (STDC).

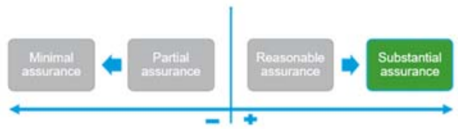
Whilst Xentral are responsible for completing the payroll runs, both the HR department and finance department within TVCA have some responsibilities within the payroll process. HR are responsible for providing documentation for new starters and leavers to ensure they have been correctly input or removed from the payroll as well as confirming each month that payment reports are correct and can be processed. The finance team are only involved after payroll payments are made to ensure that the recorded amount paid by Xentral (on behalf of the Authority) matches the amount recorded in the Authority's bank system. Individual employees are also involved within the process and are responsible for inputting their bank account details onto the MyHR system which directly links with the payroll system used by Xentral to ensure staff salaries are paid into the correct bank accounts.

Data analysis has been completed using the IDEA package during this audit with the results contained within Appendix A. The results of this analysis has been discussed with management and provided to management for further review.Our review was undertaken to determine whether the control framework in place surrounding the Group structure has a clearly mapped governance framework that maps directly to the Group structure ensuring clear lines of reporting throughout the Group with specific lines of delegation and decision-making authority.

Assignment	Opinion issued	L	M	H
TIAL Reporting	**Substantial Assurance**	0	0	0

Objective:

Reporting made to Tees Valley Combined Authority (TVCA, the "Authority") by its subsidiary entity, Teesside International Airport Limited (TIAL) provides a complete, accurate and timely representation of TIAL's performance.



Conclusion:

Taking account of the issues identified, the Cabinet can take **substantial** assurance that the controls upon which the Authority relies to manage this area are suitably designed, consistently applied and effective.

Assignment	Opinion issued	Actions agreed		
		L	M	H

As a result of our review we raised **no** management actions.

Context:

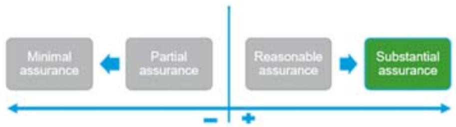
This audit was undertaken to assess whether complete, accurate and timely reporting of TIAL's performance is being provided to the Authority. The Authority receive all of TIAL's reporting information via its intermediary subsidiary, Goosepool. Goosepool's Executive Board meet on a monthly basis and two representatives from the Authority attend each month.

Our review assessed whether the Authority's reporting requirements have been clearly determined and communicated to TIA and that these reporting requirements are in line with the strategic priorities of the Authority and TIAL. Advanced work is currently being undertaken to improve the financial and operational position of TIAL. Our review assessed whether the reporting arrangements between TIAL and the Authority are sufficient to ensure that reporting is made on a timely basis and with sufficient frequency to ensure that the Authority can make informed decisions in relation to TIAL.

Assignment	Opinion issued	L	M	H
Effectiveness of Partnership Arrangements	**Substantial Assurance**	4	0	0

Objective:

There are adequate and effective systems and processes in place within TVCA to govern the Group's arrangements with its business partners.



Conclusion:

Taking account of the issues identified, the Cabinet can take **substantial** assurance that the controls upon which the Authority relies to manage this risk are suitably designed, consistently applied and effective.

As a result of our review we raised **four low priority** management actions. Detail of these actions are as follows:

- Through discussions with the Group Director of Finance and Resources and the Local Enterprise Partnership (LEP) Lead Officer we confirmed that the LEP is integrated with the Cabinet and, therefore, does not have a separate Terms of Reference. Additionally, we did not receive evidence to confirm that the Terms of Reference for statutory Education, Employment and Skills Advisory Group (EESAG) and the Transport Advisory Group had been approved although, the Head of Transport confirmed the Transport Committee Terms of Reference was approved by the Management Group in January 2020.

Assignment	Opinion issued	Actions agreed		
		L	M	H

- Interviews with the EESAG Lead and the Transport Lead Officer confirmed that members receive an induction provided by the relevant committee / group Chair. The induction includes an overview of the governance structure in place in relation to partnerships and ensuring that the members understand their role within this. However, this induction of members is not documented, for instance within an induction checklist.
- Transport and EES risks are not formally reported at EESAG, the Transport Committee or the Transport Advisory Group. Review of the Constitution and relevant Terms of Reference highlighted that the responsibilities of the thematic groups, the LEP and the Transport Committee in relation to risk (such as obtaining assurance on the management of key risks) have not been formally documented.
- Our review highlighted that TVCA has not established a Schedule of Business for the LEP, the Transport Committee, the Transport Advisory Group or EESAG. Thus, there is a risk that items to be reported are not predetermined to optimise reporting lines.

Context:

The principal decision-making body is the Combined Authority Cabinet (the "Cabinet"). In addition, Tees Valley Combined Authority (TVCA) is held to be the accountable body for the Tees Valley Local Enterprise Partnership (the "LEP") which acts as the principal forum between the public and private sectors, for improving the economy of the Tees Valley. Thus, TVCA is required to work with a number of partners in order to further its purpose to drive economic growth and job creation across Teesside. The private sector LEP members are responsible for ensuring that Tees Valley strategy and policy development and investment decisions are informed by the views of the business community. Therefore, the LEP leads on engaging with local businesses and understanding the needs of different sectors and markets.

The purpose of our review was to determine whether TVCA has in place an adequate and effective governance framework to manage the Group's arrangements with its business partners in order to ensure effective joint working between the public and private sector. At management's direction, this review has focused on the LEP, statutory Transport Committee, non-statutory Transport Advisory Group and non-statutory Education, Employment and Skills Advisory Group (EESAG) only. The Transport Advisory Group and EESAG are Thematic Advisory Groups made up of appropriate stakeholders from across Tees Valley and where appropriate including representation from the broader Northeast, north or national geographies. Cabinet local authority leaders and the private sector members have thematic portfolio leads and are involved in the Advisory Groups. Accordingly, our review has involved interviews with the Lead Officer for Transport, EESAG and the LEP.

Assignment	Opinion issued	L	M	H
Portfolio Structure	**Substantial Assurance**	1	0	0

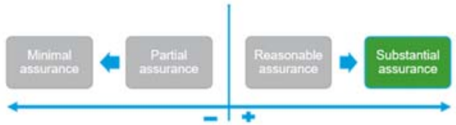
Objective:

The new "Portfolio" structure introduced to manage the activities of the Group is appropriately aligned to the Group's strategic objectives and enables a clear line of sight between the delivery of those objectives and lines of accountability and reporting.

Assignment	Opinion issued	Actions agreed		
		L	M	H

Conclusion:

Taking account of the issues identified, the Cabinet can take **substantial** assurance that the controls upon which the Authority relies to manage this area are suitably designed, consistently applied and effective.



As a result of our review we raised **one low priority** management action. Detail of this action is as follows:

- Through discussion with the Group Risk Manager, it was confirmed that upon becoming a Director or member of any committee at TVCA, an induction is delivered to the new appointee. The induction includes providing an overview of the governance structure in place in relation to the overall structure of TVCA and ensuring the members understand their role within this. However, no evidence was provided to confirm that any inductions had been undertaken.

Context:

The Tees Valley Combined Authority (TVCA) was created in April 2016 with the purpose to drive economic growth and job creation in the area. This requires the Authority to deliver a range of projects in developing improvements in a range of areas including infrastructure, transport, and housing. Through its network of related entities, the Authority is charged with committing public funds to the achievement of these objectives.

This review was undertaken to ensure that the new portfolio structure introduced to manage the activities of the Group is appropriately aligned to the Group's strategic objectives and enables a clear line of sight between the delivery of those objectives and lines of accountability and reporting.

The Authority's strategic priorities are clearly outlined within the Tees Valley Economic Strategic Plan, with the internal structure clearly being outlined within the Group Governance Structure and Assurance Framework.

The focus of this review was on the Group Support Services (GSS) Directorate (Finance and Resources), Business Skills Directorate and Commercial Delivery Directorate, which are defined Directorates within the Authority and were agreed as areas of focus within this review, to ensure that the reporting arrangements within each Directorate appropriate to its relative complexity and which enable timely and effective communication of issues and decision making.

Appendix A: Key performance indicators (KPIs)

Delivery	Target	Actual	Quality	Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	*4 days (average)*	Conformance with PSIAS and IIA Standards	Yes	*Yes*
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	*As and when required*
Final report issued within 3 days of management response	3 days	*2 day (average)*	Response time for all general enquiries for assistance	2 working days	*2 working days (average)*
			Response for emergencies and potential fraud	1 working day	-

Appendix B: Other matters

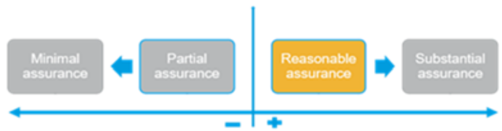
Changes to the audit plan

Changes discussed at previous Audit and Governance Committee meetings:

Note	Auditable area	Reason for change
1	TIAL Reporting	As part of the internal audit plan this review was scheduled to take place in week commencing 27 September 2021 but, at the request of management, this review has been swapped with the Follow-Up audit and will now take place in week commencing 13 December 2021. This is to allow for more time for KPI reporting to become established. At the request of management, this review was subsequently rescheduled for week commencing 21 February 2022.
2	Follow-Up	As part of the internal audit plan this review was scheduled to take place in week commencing 13 December 2021 but, as noted above, this review will now take place in week commencing 27 September 2021.
3	Directorate Structure	As part of the internal audit plan this review was scheduled to take place in week commencing 1 November 2021 but this review will now take place in week commencing 21 February 2022.

Appendix C: Internal audit assignments completed to date

Reports previously seen by the Audit and Governance Committee and included for information purposes only:

Assignment	Opinion issued	Actions agreed		
		L	M	H
HR: Recruitment and Selection		5	1	0
Covid-19 Response		4	1	0
Business Growth Hub		2	0	0
Follow Up of Previous Internal Audit Management Actions	Reasonable Progress	1	1	0

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TEES VALLEY COMBINED AUTHORITY

HR: Payroll

Final Internal audit report 5.21/22

6 April 2022

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1. EXECUTIVE SUMMARY

Why we completed this audit

As part of the approved internal audit plan for 2021 / 2022, we have conducted a review to provide assurance that an appropriate framework is in place to ensure staff are paid all money owed to them each month and in a timely manner. This has involved reviewing and assessing the key controls in place for the payroll process, particularly the administration and processing of payroll information.

Tees Valley Combined Authority (TVCA) do not have an internal payroll team and instead use an external provider, Xentral, to complete the monthly payroll runs and update payment information. Xentral conduct the payroll process for both TVCA and its subsidiary South Tees Development Corporation (STDC).

Whilst Xentral are responsible for completing the payroll runs, both the HR department and finance department within TVCA have some responsibilities within the payroll process. HR are responsible for providing documentation for new starters and leavers to ensure they have been correctly input or removed from the payroll as well as confirming each month that payment reports are correct and can be processed. The finance team are only involved after payroll payments are made to ensure that the recorded amount paid by Xentral (on behalf of the Authority) matches the amount recorded in the Authority's bank system. Individual employees are also involved within the process and are responsible for inputting their bank account details onto the MyHR system which directly links with the payroll system used by Xentral to ensure staff salaries are paid into the correct bank accounts.

Data analysis has been completed using the IDEA package during this audit with the results contained within Appendix A. The results of this analysis has been discussed with management and provided to management for further review.

Conclusion

Whilst we noted that processes in respect of the processing of monthly payrolls appeared to be operating satisfactorily in practice during testing, we identified a number of issues, including a lack of available documented policies and procedures and some areas where current control processes could be enhanced. As a result of the audit, we have agreed **six** management actions, which comprise of **two medium** priority actions **and four low** priority actions.

We noted that a set of policies and procedures were not in place to inform staff of the role of HR and finance within the payroll process. Additionally, a service level agreement (SLA) between Xentral and TVCA is believed to exist however a copy could not be provided during the audit.

Exception reports detailing large salary variations from previous months, instances of staff salaries exceeding a set value and duplicate employee names are not provided to TVCA by Xentral in the course of payroll processing. Exception and error reports are produced and used by Xentral however they are retained and used to identify problems with the payroll software.

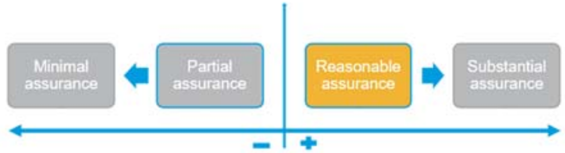
A gross pay report is provided to HR each month detailing gross pay for all employees. We noted that a net pay report is not provided to HR and therefore it is not possible to review the amount paid to employees after tax.

Details of these actions can be found under section two of this report.

Internal audit opinion:

Taking account of the issues identified, the Board can take **reasonable** assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



Key findings

We identified the following findings that have resulted in two medium priority management actions being raised:

We confirmed that there is no specific payroll policy or supporting procedure document in place to outline the responsibilities of HR and finance within the payroll process. If there is no documentation to support and outline the procedures that should be undertaken for the payroll processes, this could negatively impact the payroll process as staff may be unaware of the processes involved. **(Medium)**

During discussions with the Group HR Manager and the Group Finance Manager, we were informed that the Group does not receive any exception reports from Xentral in the course of payroll processing. Whilst an errors and exception report is produced by Xentral, this is retained by them and is primarily used to identify any problems with the software used by the payroll system. If exception reports are not provided to the Group and reviewed before payment, incorrect or fraudulent payments could go undetected. **(Medium)**

Four further low management actions have been raised and are detailed in section two of this report.

Our audit review identified that the following controls are suitably designed, consistently applied and are operating effectively:

We confirmed that appropriate segregation of duties are in place when conducting the payroll process. A form of dual authorisation has been implemented whereby approval from HR must be provided to Xentral before the payroll run can be made. HR are responsible for reviewing the checking reports provided by Xentral to ensure that new starters and leavers have been added and removed respectively and that any salary variations have been made correctly. The finance department are responsible for reviewing the BACS report supplied by Xentral and performing reconciliations to confirm that the amount posted on the report matches the amount paid on the Group's salary bank account. Inputting bank account details is the responsibility of individual employees rather than HR or Xentral.

We confirmed that a variation report is printed by HR each month detailing all new starters, leavers and salary variations. Before the payroll run is conducted by Xentral, HR receives a checking report and reconciles any changes on the variation report to the checking report to confirm they have been appropriately actioned. We received six months' (July 2021 – December 2021) worth of variation reports and checking reports and confirmed that HR have completed this check before payments are made to employees. We noted that from September 2021 onwards, a signature and date has been added to the variation report to provide an additional audit trail of who has completed this check.

P45 forms or new starter declarations should be provided to HR by the employee who then informs Xentral of the appropriate tax code. We selected a sample of 10 new starters since April 2021 and confirmed in all instances a P45 had been provided to HR and retained on file. We compared the current tax codes of the 10 individuals and noted that whilst eight of them had a normal code, two individuals had a 0T emergency tax code and one individual had a BR tax code. We confirmed with the Group HR Manager that this was due to Xentral not receiving the P45 in time as the individual had not supplied this in a timely manner.

A new starter form (called a Xen-2 form) is completed for all new starters and documents key information such as salary, contracted hours and grade and “spinal” point. Using the same sample of 10 new starters as above, we requested copies of the Xen-2 form and the employee’s signed contract and reconciled key information (salary, contracted hours, grade/band and spinal point) to determine whether this matched the data on the Xentral system and payroll reports. For seven of the new starters, all details on the Xen-2 form and contract matched the details on the payroll report. Of the remaining three instances:

- Two individuals had been paid a different amount to the value recorded on the Xen-2 form and their contract. We noted that this was because the individuals were part-time and the amount recorded on the Xen-2 form and contract was per annum whereas the amount paid to the employee was their pro rata amount. As such, we confirmed that the employee is paid their correct rate and no discrepancy was identified.

- For the remaining individual, we noted the grades and bands were different on each of the contract, Xen-2 form and payroll report. The Group HR Manager confirmed this was due to a change in the grades and band at the time of the employee joining and that some backpay has been paid due to this change. The employee is currently paid the correct amount.

The Xen-2 form should be sent to Xentral before the end of the first month that the new starter joins to ensure they are paid the month they join (and not the month previously). We selected a sample of 11 new starters and reviewed the payroll for the month before the individual started and the month they started. We confirmed for 10 of the 11 new starters that they had not been paid the month prior. The remaining individual had been paid the previous month however this was because they had already been employed by TVCA and had moved job roles.

We reviewed the payroll for the month each of the 11 new starters joined the Group to confirm they had been paid that month. In 10 of the 11 cases, we verified that they had been paid the month they joined. For the remaining individual we noted that this was because they joined on the 31 August which was after payroll had been processed for that month. We confirmed that they had been included in the September payroll and had been paid the correct amount.

Payroll deductions can be made if the employee joins a benefit scheme (such as the car leasing scheme or the cycle scheme) or makes payments to their pension. Once the employee joins, documentation is sent to HR and passed to Xentral to process. Pensions however are completed by the Pension Administrator at Xentral after discussing with the employee and subsequently HR are not involved in this process.

We selected a sample of 10 employees that have deductions taken from their monthly payslip and requested evidence that the employee instructed that the deductions be made. For all 10 employees we were provided with sufficient evidence to confirm that the employee had entered into the scheme and requested deductions be made from their salary. For the seven deductions relating to the car lease, we were provided with the contract signed by the employee highlighting the value of deductions to be made. For the three employees that were part of the cycle scheme, we were provided with evidence from the scheme portal confirming the total amount to be deducted over a year. In all 10 instances, the amount the employee requested to be deducted from their payslip matched the amount on the documentation held by HR.

A leavers form (Xen-1) is requested to be completed by HR upon being informed of the employee's leave date and sent to Xentral. This is then input onto the payroll system to ensure the employee is not paid after the leave date. We selected a sample of 10 leavers and requested the Xen-1 form HR to confirm the form has been completed by HR before the employee left the business. A Xen-1 form was on file for all 10 leavers and signed by a member of the HR team (either the Group HR Manager or the HR Advisor). We noted that this was dated before the employee's leave date in nine of the 10 instances. For the remaining leaver, HR informed us that this was due to the late notice provided by the employee and highlighted that the leave date was the Friday and the form was completed on the following Monday. Overall this did not impact the amount paid to the employee.

We compared the leave dates recorded on the Xen-1 form to the leave dates recorded on the payroll report (and therefore the payroll system) to determine whether these matched. For all 10 leavers, the leave dates on both the Xen-1 form and the payroll reports matched.

The HR team are responsible for informing Xentral of any remaining annual leave to be paid to the employee on their final payslip. This is recorded on the Xen-1 leaving form completed by HR. We reviewed all 10 Xen-1 forms from the sample of leavers selected previously and determined whether any annual leave was required to be paid. Only three of the 10 leavers had annual leave remaining and in all three instances, we noted that this had been paid to the employee on their final payslip. We also reviewed the variation reports that are completed by HR each month for all leavers and confirmed for the three instances that annual salary payments had been recorded and checked by HR before payroll processing.

Amendments or variations to salaries are recorded on the variation reports produced by HR each month and are reviewed before payroll processing. We requested six months' worth of variations reports and verified that variations and amendments had been recorded and these had been reviewed and completed by HR before approving the payroll with Xentral.

Amendments to employee salaries are recorded and processed in several ways. Illness is required to be input onto the MyHR system by the employee and approved by the line manager. MyHR feeds directly to Xentral's payroll system and any changes to the employee's salary based on sick absence are recorded and processed.

Salary increases are undertaken once per year if the employee is not at the top of their band. We confirmed that the Xen-2 new starters forms contain a section for the salary band/grade and these were recorded for the 10 samples we selected before being input onto the payroll system by Xentral. Upon review of the payroll report, all employees currently have the correct grade/band (although one individual had temporary problems with their grade, this has now been fixed).

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Payroll				
Control	**Missing Control:** TVCA has no payroll policy or procedure documents in place to outline the payroll process and the responsibilities of TVCA staff.		**Assessment:** **Design** × **Compliance** -	
Findings / Implications	The Group HR Manager has explained that there is no specific payroll policy with HR nor are there any procedure documents relating to the payroll process. The Group Finance Manager has also confirmed that there are no policies or procedures in place for the finance's role within the payroll process. If a policy or procedure is not in place, staff may be unaware of the process for paying employees in the event of staff absences TVCA have a service level agreement with Xentral for them to provide payroll services to the Group. We have requested a copy of the SLA document however we have not been supplied with this. There is a risk that if this is not located, the Group may be unaware of Xentral's contractual responsibilities.			
Management Action 1	The Group will create a set of policies and procedures to outline the role of HR and finance within the payroll process. This will highlight HR's role in checking new starters and leavers.	**Responsible Owner:** Group HR Manager Group Finance Manager	**Date:** 30 April 2022	**Priority:** **Medium**
Management Action 2	The SLA with Xentral will be located and stored in a secure location.	**Responsible Owner:** Group HR Manager	**Date:** 30 April 2022	**Priority:** **Low**

Area: Payroll				
Control	**Missing Control:** TVCA do not receive any exception reports from Xentral.		**Assessment:** **Design** × **Compliance** -	
Findings / Implications	We met with both the Group HR Manager and the Group Finance Manager and asked them if they received any exception reports from Xentral and how these are reviewed and approved. We were informed that neither HR nor finance receive any exception reports. However, it was explained that as the Group do not pay out overtime or bonuses, management considered that there is significantly less likelihood of any discrepancies. An errors and exceptions report is produced however this is retained by Xentral and primarily concerns any problems with the software used to prepare the payroll and execute the payroll payments. There is a risk that if exception reports are nor provided and reviewed by TVCA, incorrect or fraudulent payments could be made to employees and go undetected.			
Management Action 3	Discussions will be held with Xentral to determine if it is possible to provide exception reports to HR and/or finance and these are reviewed and approved before any payroll payments are made. These reports should include: • Any changes or variations to an employee's salary; • Individuals that are paid over a certain amount each month and; • Duplicate names.	**Responsible Owner:** Group HR Manager	**Date:** 30 April 2022	**Priority:** **Medium**

Area: Payroll		
Control	HR review and approve the payroll report before payments are issued to staff.	**Assessment:** **Design** ✓ **Compliance** ×

Findings / Implications	The Group Finance Manager confirmed that the finance team do not receive any reports regarding payroll and payroll amounts until after the payments have been processed. The Group HR Manager explained that HR receives a checking report which details the amount to be paid to each employee and that this report is provided before the payroll is processed. A variation report is printed by HR which outlines all starters, leavers and salary variations and compares this to the checking report to confirm they have been appropriately reflected in the payroll. Once this check has been completed, the Group HR Manager confirms with Xentral that they are happy for the payroll to be processed. If any discrepancies or issues are identified, HR inform Xentral who adjust the payroll and a new report is sent for confirmation from HR. We reviewed six months' (July 2021 – December 2021) worth of variation forms that are completed by HR to confirm that these are completed and are used during the review process of checking reports. For all six forms, we confirmed that the HR team have highlighted all individuals on these forms using a RAG system to confirm that they have been included (or not included for leavers) and the checking report is accurate. We noted for the most recent four reports (September 2021 – December 2021) a signature and date has been included to provide additional confirmation of oversight and an audit trail. We queried why this had not been included on the July and August reports and were informed by the Group HR Manager that this was only started in September to provide an audit trail of confirmation. An action has been raised to ensure that the finance team reviews and approves the payment run against a summary provided by HR. There is a risk that if this is not completed, incorrect payments could be made and the Authority.			
Management Action 4	HR will supply finance with a summary from the checking report each month and finance will review this against the payment run to ensure key details (such as number of payees, net total, total for deductions) have been included before the payment run is made and employees are paid.	**Responsible Owner:** Group HR Manager	**Date:** 31 May 2022	**Priority:** Low

Area: Payroll			
Control	A P45 form or new starter declaration is required for all new starters and is provided to Xentral by TVCA HR to ensure the new starter has the correct tax code.	**Assessment:**	
		Design	✓
		Compliance	×

Findings / Implications	The Group HR Manager confirmed that new employees are asked to supply either a P45 from their previous employer or a new starter from to allocate them to an appropriate tax code. We were provided with copies of the P45 for all 10 new starters selected and in all instances these contained a tax code. Whilst the P45 forms are held by HR, they are immediately forwarded to Xentral who ensure the tax code is applied to the new employee. As such, HR have no involvement other than passing the P45 to Xentral. We compared the tax codes recorded on the P45s to the tax code currently assigned to the employee and noted these matched for only two of the 10 employees. Of the remaining eight current tax codes: • One individual was assigned a BR tax code. • Two individuals had been assigned 0T emergency tax codes indicating that Xentral had not received their P45 in time. We confirmed this was due to the individual not supplying this in a timely manner to HR rather than HR not supplying this to Xentral • The remaining five individuals had slightly different tax codes although satisfactory explanations were obtained for this. The checking reports that are provided to HR contain the gross pay amounts rather than net and it is therefore not possible to view the tax paid for each individual. The Group HR Manager has explained that this has been raised with Xentral as the Group wishes to be able to see both gross and net amounts to provide additional oversight but they have been informed this may not be possible. There is a risk that if exception reports are not reviewed by the Group, overspend. Incorrect or fraudulent payments could go undetected.			
Management Action 5	Discussions will be undertaken with Xentral to determine whether it is possible to be provided with a report that provides both gross and net pay rather than just gross.	**Responsible Owner:** Group HR Manager	**Date:** 30 April 2022	**Priority:** Low

Area: Payroll	
Control	Data analytics has been performed using the IDEA package as part of this audit in order to identify potential: • Duplicate employees. • Duplicate payments have not been made to employees. • Ghost employees are not present in the payroll system, including review of the validity of National Insurance Numbers (NINOs). • Large increases in basic salary payments between months. • Large increases in BACS payments between months (i.e. net pay following all deductions).

Findings / Implications	We have used payroll and employee reports printed from Xentral's payroll system and the Group's own HR system during our IDEA data analytics testing to analyse areas relating to duplicate employees and duplicate payments to employees and increases to salary payments. Once the IDEA testing was completed, we discussed the results up with the Group HR Manager to determine the scale of the discrepancies. We noted appropriate rationale was supplied for all of the initial discrepancies identified and no issues with the organisation's controls were found. Results have been submitted to management for further review with an in-depth discussion included within this report in Appendix B.			
Management Action 6	The results of the IDEA testing will be reviewed and actioned, where appropriate	**Responsible Owner:** Group HR Manager	**Date:** 30 April 2022	**Priority:** **Low**

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
HR Payroll	2	(13)**	3	(13)	4	2	0
Total					**4**	**2**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

** More than one management action has been raised against one control.

APPENDIX B: DATA ANALYTICS

The following is a summary of findings from our analytical work which we have discussed with management.

Analytics Findings:

The following is a summary of findings from our data analytics work which we have discussed with management. This has involved us sharing the data analytics spread sheets which detail the findings for further consideration and checking.

For the purpose of our findings, we have used a '*pause*' and '*tick*' approach to highlight at a glance which areas require further investigation following our findings.

Area: Duplicate employees

Criteria:	Duplicate employee records with the same bank account details.
Source Data/Reports:	TVC GE0030 Bank Details Report 18.01.22 STDC GE0030 Bank Details Report 31.01.22
Period Covered:	2021 / 2022
Testing Undertaken:	Identification of any duplicate employee records using bank account details
Issues identified:	**TVCA** The TVCA employee list with bank account details provided contained 316 separate employee records. We analysed these records for any duplicate employees based on the same bank account details. From this analysis, we identified 134 duplicate records. We summarised these duplicates by employee numbers and noted the duplicates pertained to 65 individual employee numbers. We identified from the summarisation that three employees had more than one employee number attributed, which related to seven records within the summarisation.

Area: Duplicate employees	
	STDC The STDC employee list with bank account details recorded contained 51 separate employee records. We analysed the records for any duplicates based on bank account details, which identified nine records with duplicate bank account details, which relate to four separate employees (one employee has three records).
Overall Conclusion:	With the Group HR Manager, we discussed the three individuals that had more than one employee number for TVCA and the four individuals that had duplicate bank account details from STDC. The Group HR Manager informed us that for the three individuals from TVCA with more than one employee number, this was due to all three individuals leaving the Group and then re-joining at a later date with a separate employee number assigned upon their return. For the four STDC employees with duplicate sets of bank details, we were not sure why the report had shown this information as the four sets of duplicate records had the exact same information. The Group HR Manager thinks this could be due to a role change however the root cause is not known. As each duplicate set has the exact same information, , there is no risk that an employee's salary could be paid to the incorrect bank account as each individual's duplicate record has the same bank details. The Group should investigate whether it is possible to remove the duplicate employees from the system to ensure more clarity over records.
Report Reference	1.1 TVCA – Duplicate employees by bank account details 1.2 TVCA – Summarisation of employee duplicates 1.3 TVCA – Duplicate employees with different employee numbers 1.4 STDC – Duplicate employees by bank account details

Area: Duplicate payments made to employees	
Criteria:	Identify any duplicate salary payments made to the same person number within one payroll month.
Source Data/Reports:	TVCA Payroll Checking Reports (August 2021 to December 2021) STDC Payroll Checking Reports (August 2021 to December 2021)
Period Covered:	August 2021 to December 2021

Area: Duplicate payments made to employees	
Testing Undertaken:	Using employee number, run analysis to identify any duplicate salary payments made to the same employee.
Issues identified:	**TVCA** No duplicate salary payments were identified for August, September, November, and December 2021 using employee numbers. In October 2021, there were two salary payments totalling £9,833. The value of these salary payments equals one monthly salary payment based on the employee's annual salary and appear to be paid for separate job roles. As we identified three employees with different employee numbers, we extracted any records relating to these employees from the monthly payroll reports and noted that one employee receives two salary payments each month (August 2021 to December 2021), for approximately £5,968 each month. From the employee records, it appears the employee is enrolled for two part-time positions. **STDC** No duplicate salary payments were identified for August, October, November, and December 2021. However, in September 2021, two salary payments were made to one employee totalling £1,668.73.
Overall Conclusion:	We confirmed with the Group HR Manager that the TVCA individual that had two salary payments in October 2021 was an individual that was paid for two separate jobs and was not a discrepancy as they had been paid their correct salary for the month (based on their annual salary). We reviewed the TVCA employee that received two salary payments each month (approximately £5,968 per month) and identified that these were two separate individuals with the same surname. The Group HR Manager confirmed that these two individuals are employed by the Group and that a duplicate payment had not been made. For the STDC employee who received two salary payments in September 2021 (totalling £1,668.73), we confirmed with the Group HR Manager that this individual had undergone a role change during the month and the two salary payments reflected this change in role. We also verified that this individual had a different job role on the payroll reports to confirm the role change. Overall, we noted no discrepancies.
Report Reference	2.1 TVCA – October 2021 duplicate salary payments 2.2 TVCA – August 2021 (example) duplicate salary payment to same employee with different code 2.3 STDC – September 2021 duplicate salary payments

Area: Identification of ghost employees and validity of National Insurance (NI) numbers

Criteria:

Identification of any duplicate employee records using NI numbers and validity checker of NI numbers.

Source Data/Reports:

TVC GE0030 Bank Details Report 18.01.22

STDC GE0030 Bank Details Report 31.01.22

Period Covered:

2021 / 2022

Testing Undertaken:

Identify any employee records with duplicate NI numbers.

Using data analysis, check the validity of NI numbers.

Issues identified:

TVCA

We analysed the all employees report for TVCA for duplicate NI numbers, which identified 135 duplicate records. As we identified 134 duplicates using bank account details, both reports were then compared, which identified:

- Two separate employees who have the same surname with individual NI numbers but the same bank account details; and
- One employee with two employee records (identified by duplicate NI numbers), but the two records have separate bank account details recorded against each.

No further queries were identified from the NI number duplicate testing and all NI numbers on file were valid numbers.

STDC

The duplicate analysis for NI numbers identified nine duplicate records, all of which matched to the duplicates identified by bank account details. All NI numbers on file were valid numbers.

Overall Conclusion:

We confirmed with the Group HR Manager that the two separate employees that had the same surname with individual NI numbers but the same bank details were married and paid their salary into the same bank account.

For the one employee with two employee records (with separate bank details), we noted that this individual's name was almost identical (in one instance this was a shortened version of their name) and that they had two separate employee records as they had left and re-joined the Group at a later date. As mentioned previously, all employees are assigned a new employee number (as subsequently a new employee record) if they re-join the business. As the employee number is supplied to Xentral and used during the payroll run, there is no risk that this employee's salary is paid to their old bank account.

Area: Identification of ghost employees and validity of National Insurance (NI) numbers	
	Overall, we noted no discrepancies.
Report Reference	3.1 TVCA – Duplicate NI numbers 3.2 TVCA – Employees with same bank account but different NI numbers (query one) 3.3 TVCA - Employee with two records and different bank details (query two) 3.4 STDC – Duplicate NI numbers

Area: Analysis of monthly salary elements	
Criteria:	Comparison of monthly salary elements from August to December 2021 to identify any large increases.
Source Data/Reports:	TVCA Payroll Checking Reports (August 2021 to December 2021) STDC Payroll Checking Reports (August 2021 to December 2021)
Period Covered:	August 2021 to December 2021
Testing Undertaken:	Analysis of total salary elements for each employee between August and December 2021 to identify any large increases (over 10%).
Issues identified:	**TVCA** We noted the following from month-on-month analysis: • August to September 2021: three employees had increases over 10%, with the highest increase totalling 34.81% (from £886.76 to £1170); • September to October 2021: one employee had an increase over 10%, with an increase of 33.36% (from £1,241 to £1,655); • October to November 2021: six employees had a salary increase over 10%, with the largest increase totalling 121.43% (from £1,044 to £2,311.75); and • November to December 2021: one employee had an increase over 10%, with an increase of 30.43% (from £1,627.96 to £2,123.42).

Area: Analysis of monthly salary elements	
	STDC We noted the following from month-on-month analysis: • September to October 2021: three employees had an increase over 10%, with the largest increase totalling 66.67% (from £1,250 to £2,083.33); and • no increases over 10% were identified from August to September 2021, October to November 2021 and November to December 2021.
Overall Conclusion:	We selected a sample of five of these salary increases and queried these with the Group HR Manager. In all instances we noted that these salary increases of more than 10% were due to employees changing job role (promotions) and with it their salary. As such, we noted no discrepancies with these increases.
Report Reference	4.1 TVCA – August to December 2021 salary comparison 4.2 STDC – August to December 2021 salary comparison

Area: Analysis of BACS payments	
Criteria:	Comparison of total monthly salary paid from August to December 2021 to identify any large increases.
Source Data/Reports:	TVCA Payroll Checking Reports (August 2021 to December 2021) STDC Payroll Checking Reports (August 2021 to December 2021)
Period Covered:	August 2021 to December 2021
Testing Undertaken:	Analysis of total salary payment each month between August and December 2021 to identify any large increases (over 10%).
Issues identified:	**TVCA** We analysed the total payroll amount paid each month between August and December and did not identify any large increases. • Between August and September there was a 5% decrease. We did note that there were more employees paid in August than September and identified that this could be the reason.

Area: Analysis of BACS payments	
	• Between September and October there was a 0% increase. • Between October and November there was a 1% increase • Between November and December there was a 1% decrease **STDC** Similar to TVCA, we reviewed the total payroll amount paid between August and December and could not identify any large increases (over 10%). • Between August and September there was a 4% decrease. • Between September and October there was a 0% increase. • Between October and November there was a 1% increase Between November and December there was an 8% increase. We noted that there were three additional employees on the payroll in December compared to previous months which could explain the increase.
Overall Conclusion:	As no large increases (over 10%) were identified during the testing, we have not conducted any sample testing. We did review the instance where an 8% increase was identified between November and December 2021 and concluded that this was due to additional employees and was highlighted by the lower payroll amount compared to TVCA.
Report Reference	5.1 TVCA and STDC – August to December 2021 Payroll comparison

APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

1.1 Objective relevant to the scope of the review

The internal audit assignment has been scoped to provide assurance on how the Group manages the following areas:

Objective of the areas under review
The Group has an appropriate framework in place to ensure that staff are paid all monies due to them each month in a timely manner.

1.2 Scope of the review

Tees Valley Combined Authority (TVCA, "the Authority") uses an external service provider, Xentral, to process its monthly payrolls. Separate payroll runs are performed for TVCA and its subsidiary entity South Tees Development corporation (STDC).

Our review will focus on the following areas in respect of TVCA and STDC:

- Policies and procedures relating to the payroll function (starters, leavers, amendments) are in place which are subject to periodic review to ensure that they remain up to date and reflect current operating practice.
- Appropriate segregation of duties is in place between payroll, HR and finance functions to ensure payroll standing data integrity is maintained, through the use of user access rights and controls.
- Exception reports are prepared and reviewed independently prior to payment.
- An independent review of payroll (finance) is undertaken prior to processing payments.

New starters:

- New starters' tax codes have been correctly obtained and utilised from previous employers or allocated a basic rate tax code to allow for the correct amount of tax to be deducted to HMRC.
- New starters' core information including salary details have been correctly recorded.
- Other deductions (pension, salary sacrifice) are accurately captured and processed upon instructions from the employee.
- New starter information reconciles back to supporting information (contract / new starter form) in relation to salary, start date and bank account.

Leavers:

- Leaver forms are completed and processed in a timely manner.
- Final salary calculations are performed to ensure that all entitlements (holiday pay) are captured and paid correctly.

Amendments:

- Amendments (annual uplifts / change in bank details / maternity / paternity / sick leave) to payroll standing data are subject to appropriate review and authorisation prior to processing.

IDEA:

We will use our data analytics tool, IDEA, to scrutinise the Group's payroll data and in particular focus on the following areas for further explanation / testing:

- Duplicate employees.
- Duplicate payments have not been made to employees.
- Ghost employees are not present in the payroll system, including review of the validity of National Insurance Numbers (NINOs).
- Identify any large increases in basic salary payments between months.
- Identify any large increases in BACS payments between months (i.e. net pay following all deductions).

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Testing will be completed on a sample basis from transactions within the current financial year.
- We will only consider the payrolls in respect of TVCA and STDC during the course of our review.
- We will only consider permanent staff paid through the payroll.
- We will not consider overtime or expense payments made to staff.
- We will not consider the appropriateness of payments made to staff, only that these are the correct amounts due to them.
- The audit will not include an evaluation of PAYE or NI.
- We will not provide assurance over the accuracy of submissions to the payroll team such as sickness documentation only that these have been processed by payroll correctly.
- We will not provide assurance that the payroll payments have been made into the correct employees' bank accounts.
- All tests run using our IDEA software package will be dependent on the quality of reports extracted from the payroll system,
- Our work does not provide any guarantee against material errors, loss or fraud, or provide an absolute assurance that material error; loss or fraud does not exist.

Debrief held	4 March 2022
Last evidence received	17 March 2022
Draft report issued	23 March 2022
Responses received	6 April 2022
Final report issued	6 April 2022

Internal audit Contacts	Rob Barnett, Head of Internal Audit
	Philip Church, Senior Manager
	Mike Gibson, Client Manager
	Oliver Gascoigne, Lead Auditor
Client sponsor	Gary MacDonald, Group Director of Finance and Resources
	Clare Winter, Group HR Manager
Distribution	Gary MacDonald, Group Director of Finance and Resources
	Clare Winter, Group HR Manager

TEES VALLEY COMBINED AUTHORITY

TIAL Reporting

Internal audit report 6.21/22

Final

7 June 2022

1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, or undertake full population testing using data analytics tools, to complete the work in line with the agreed scope

Why we completed this audit

An audit of Teesside International Airport (TIA) reporting was undertaken at Tees Valley Combined Authority (the Authority) as part of the approved internal audit period plan for 2021/22.

This audit was undertaken to assess whether complete, accurate and timely reporting of TIA's performance is being provided to the Authority. The Authority receive all of TIA's reporting information via its intermediary subsidiary, Goosepool. Goosepool's Executive Board meet on a monthly basis and two representatives from the Authority attend each month.

Our review assessed whether the Authority's reporting requirements have been clearly determined and communicated to TIA and that these reporting requirements are in line with the strategic priorities of the Authority and TIA. Advanced work is currently being undertaken to improve the financial and operational position of TIA. Our review assessed whether the reporting arrangements between TIA and the Authority are sufficient to ensure that reporting is made on a timely basis and with sufficient frequency to ensure that the Authority can make informed decisions in relation to TIA.

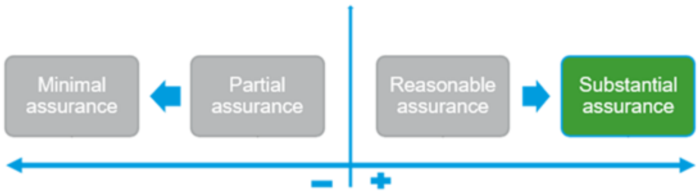
Conclusion

Our review has determined that the Authority have thorough and comprehensive controls in place to ensure that the reporting of management information from TIA is complete, accurate and timely to ensure that informed decisions in relation to TIA can be made.

Our review confirmed compliance with all controls and as a result, no management actions have been raised. Details of the areas covered within this review are found within the key findings section of this report.

Internal audit opinion:

Taking account of the issues identified, the Cabinet can take **substantial assurance** that the controls upon which the Authority relies to manage this risk are suitably designed, consistently applied and effective.



Key findings

Our audit review also identified that the following controls are suitably designed, consistently applied and are operating effectively:

The reporting and governance requirements across the Authority are outlined within the Tees Valley Combined Authority Constitution. The Constitution outlines the decision-making model which is reliant on the fact that thorough and accurate reporting is undertaken across the Authority. Our review of the Constitution confirmed that the expectation for reporting and governance of the Authority is clearly outlined. Through our review It was confirmed that the decision-making model is underpinned by the reporting arrangements in place outlined within the Constitution across the Authority and in respect of TIA.

Our review confirmed that the Constitution is maintained up to date and available to all staff via the Authority's website.

The Goosepool Executive Board meet on a monthly basis and two representatives from TVCA attend. A review of the last three months Executive Board meeting agendas confirmed that for each month, a meeting took place, and it was attended by two TVCA representatives.

Discussions with the Group Controller confirmed that current monthly reporting processes have been established within the last six months. The Group Controller, Director of Finance and Resources and the Financial Controller from TIA meet on a monthly basis to discuss the latest financial results. The Financial Controller from TIA also meets with the Director for Property and Estates and the Managing Director to provide them with on overview of the financial position on a monthly basis. Our review confirmed that all staff are aware of their roles and responsibilities regarding the reporting arrangements.

Our review confirmed that the Authority's strategic priorities are outlined within the Tees Valley Economic Strategic Plan. The TIA Business Plan also contains a series of targets in which reporting is undertaken in line with. TIA's priorities run in line with that of the Authority. Its intended strategic goals are to add connectivity, economic impetus, job opportunities, and travel opportunity to the region. Through a review of the reporting of figures for TIA for the last three months confirmed that they corroborate the customer metric driven approach taken by the Authority. They report on profit from losses compared to previous month, customer satisfaction, revenue, parking/retail spends and departing passengers for the month as their key areas. All of these measures are to test both the profitability and the commercial success of the airport going forward.

The management account packs for October, November, December 2019 were obtained and reviewed. These are provided to the Authority by the Goosepool Executive Board on a monthly basis. Upon review it was confirmed that the following is included within each management pack, profit and loss summary, income analysis, cost analysis, cash flow forecast, airline costs and aged debt. Detailed breakdowns across each of these is provided within the management account packs. It was confirmed with the Group Controller that all data is pulled directly from the general ledger. Alongside each management account pack, the Financial Controller at TIA provides a series of key headline points outline the crucial financial points from the month. Our review confirmed that the management account packs and the reporting mechanisms in place, it was confirmed that current processes provide a representational overview of the financial performance and current financial position of TIA.

TIA have a Key Performance Indicator (KPI) Dashboard via Power Bi that reports on operational and financial performances which is accessible by senior management across TIA and the Authority. At any given time, they provide a live snapshot of how the business is currently performing, compared to previous periods. Our review of the KPI reporting dashboard confirmed that extensive KPI reporting, and monitoring is in place in respect to operational person. TIA provide all weekly figures directly to the Authority. The Business Intelligence Manager at TIA manage all the data at TIA, however, they work in close partnership with the Business Intelligence Analytics Officer at the Authority to ensure data accuracy. Further details around this are found in later controls.

Financial management account packs are provided to the Authority via Goosepool on a monthly basis. All operational data is provided formally on a weekly basis but is accessible by the Business Intelligence Analytics Officer at the Authority at any given time. At monthly Goosepool Executive Board meetings, in which operational and financial performance is discussed, required actions are agreed and tracked to ensure necessary measures are taken where required. The financial performance meetings in place between TIA and the Authority on a monthly basis also allow for data to be discussed and actions agreed as and when required. Our review confirmed that the frequency of reporting allows for informed decisions to be made on a timely basis.

Through discussion with the Group Controller, it was confirmed that all information contained with the monthly management account packs is pulled directly from the TIA general ledger. No manual manipulation of data is undertaken to create the management account packs.

The Authority therefore obtain assurance in the accuracy of the data on the premise that TIA’s general ledger is accurate. In line with the strategic priorities, TIA are required to ensure all financial data is accurate and up to date to reflect an accurate financial position at any given time.

The Business Intelligence Manager at TIA manages and collates all the data which forms the source for the operational dashboards. This is supported by a Business Intelligence Analytics Officer at the Authority who works with the Business Intelligence Manager to develop the dashboard reports from this data. All the outputs in the dashboard draw on the raw data sources for the operational KPIs and calculations are coded in to give intelligence. The Business Intelligence Manager updates all data sources on a weekly basis and reconciles the data throughout the week to ensure its accuracy.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

*No management actions were raised as a result of this audit.

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
TIAL Reporting	0 (8*)	0 (8*)	0	0	0
Total			**0**	**0**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objective of the area under review
Reporting made to Tees Valley Combined Authority (TVCA, the “Authority”) by its subsidiary entity, Teesside International Airport Limited (TIAL) provides a complete, accurate and timely representation of TIAL’s performance.

When planning the audit, the following areas for consideration and limitations were agreed:

Tees Valley Combined Authority (TVCA, the “Authority”) governs its subsidiary Teesside International Airport Limited (TIAL) via an intermediary subsidiary, Goosepool. Through Goosepool, the Authority has oversight of the financial and operational affairs of TIAL. We previously performed a review of how, via Goosepool, the Authority exercises scrutiny over intra-group transactions and loans made to TIAL. Following on from our earlier review, this review is intended to consider what reporting is undertaken by TIAL to Group and consider whether such reporting provides a complete, accurate and timely representation of TIAL’s performance. To this end, our review will cover the following areas:

- Whether the Authority’s reporting requirements have been clearly determined and communicated to, and agreed with, TIAL.
- How those reporting requirements are mapped to the Authority’s strategic objectives in respect of TIAL.
- Whether, in turn, those reporting requirements provide a representative overview of the financial and operational performance of TIAL.
- Whether reporting arrangements between TIAL and the Authority are sufficient to ensure that reporting is made on a timely basis and with sufficient frequency to ensure that the Authority can make informed decisions in relation to TIAL.
- What assurance is obtained by Goosepool that TIAL’s reported information has been extracted from its underlying records.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.

- We will not perform any testing over the extraction of data from the underlying records held by TIAL.
- We will not review any activities or transactions in relation to TIAL.
- We will not comment on the nature of the performance reported by TIAL.
- We will not consider the appropriateness of performance reviewed, only whether appropriate governance arrangements have been followed.
- We will not seek to reperform any calculations or reconciliations performed by TIAL.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	2 March 2022	**Internal audit Contacts**	Rob Barnett, Head of Internal Audit Philip Church, Senior Manager Mike Gibson, Manager
Last date of evidence received			
Draft report issued	29 March 2022		
Responses received	11 May 2022		
Final report issued	7 June 2022	**Client sponsor**	Gary MacDonald, Group Director of Finance and Resources
		Distribution	Gary MacDonald, Group Director of Finance and Resources

TEES VALLEY COMBINED AUTHORITY

Effectiveness of Partnership Arrangements

Internal audit report 7.21/22

FINAL

7 June 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test to complete the work in line with the agreed scope.

Why we completed this audit

The Tees Valley Combined Authority (TVCA) was created in April 2016 and has been built on a strong history of collaboration between the five constituent Local Authorities (Darlington, Hartlepool, Redcar & Cleveland, Stockton on Tees and Middlesbrough), the private sector and other partners.

The principal decision-making body is the Combined Authority Cabinet (the “Cabinet”). In addition, Tees Valley Combined Authority (TVCA) is held to be the accountable body for the Tees Valley Local Enterprise Partnership (the “LEP”) which acts as the principal forum between the public and private sectors, for improving the economy of the Tees Valley. Thus, TVCA is required to work with a number of partners in order to further its purpose to drive economic growth and job creation across Teesside. The private sector LEP members are responsible for ensuring that Tees Valley strategy and policy development and investment decisions are informed by the views of the business community. Therefore, the LEP leads on engaging with local businesses and understanding the needs of different sectors and markets.

The purpose of our review was to determine whether TVCA has in place an adequate and effective governance framework to manage the Group’s arrangements with its business partners in order to ensure effective joint working between the public and private sector. At management’s direction, this review has focused on the LEP, statutory Transport Committee, non-statutory Transport Advisory Group and non-statutory Education, Employment and Skills Advisory Group (EESAG) only. The Transport Advisory Group and EESAG are Thematic Advisory Groups made up of appropriate stakeholders from across Tees Valley and where appropriate including representation from the broader Northeast, north or national geographies. Cabinet local authority leaders and the private sector members have thematic portfolio leads and are involved in the Advisory Groups. Accordingly, our review has involved interviews with the Lead Officer for Transport, EESAG and the LEP.

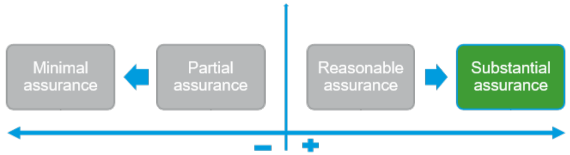
Conclusion

We found that the Group has in place a clear set of arrangements, which are well understood by all relevant parties, in order to govern its arrangements with its business partners via the committees and thematic groups included within the scope of this audit.

However, our review did highlight some exceptions and as a result we have raised **four low priority** management actions. The actions raised are primarily focused on formally documenting or clarifying the governance structures and reporting lines between the various bodies covered during this review, such as the absence of a separate Terms of Reference for the LEP and the documented approval of the Terms of Reference for the Transport Advisory Group and EESAG.

Internal audit opinion:

Taking account of the issues identified, the Cabinet can take **substantial assurance** that the controls upon which the Authority relies to manage this risk are suitably designed, consistently applied and effective.



Key findings

We identified the following findings that have resulted in management actions being raised:

Through discussions with the Group Director of Finance and Resources and the LEP Lead Officer we confirmed that the LEP is integrated with the Cabinet and, therefore, does not have a separate Terms of Reference. Thus, there is a risk that reporting relationships between the thematic groups and the LEP are not formally established and consistently embedded. Additionally, we did not receive evidence to confirm that the Terms of Reference for EESAG and the Transport Advisory Group had been approved although, the Head of Transport confirmed the Transport Committee Terms of Reference was approved by the Management Group in January 2020. In the absence of documentation, there is a risk of reduced traceability of when or whether the Terms of Reference have been appropriately authorised. (**Low**)

Interviews with the EESAG Lead and the Transport Lead Officer confirmed that members receive an induction provided by the relevant committee / group Chair. The induction includes an overview of the governance structure in place in relation to partnerships and ensuring that the members understand their role within this. However, this induction of members is not documented, for instance within an induction checklist. Consequently, there is a risk that members do not receive a consistent induction which includes an overview of TVCA's governance structure and related governance mechanism. (**Low**)

Transport and EES risks are not formally reported at EESAG, the Transport Committee or the Transport Advisory Group. Review of the Constitution and relevant Terms of Reference highlighted that the responsibilities of the thematic groups, the LEP and the Transport Committee in relation to risk (such as obtaining assurance on the management of key risks) have not been formally documented. As a result, there is a risk the governance mechanism is not effectively used to ensure assurance is sought on the management of partnership related risks, although we recognise that there is substantial discussion of risks in other fora. (**Low**)

Our review highlighted that TVCA has not established a Schedule of Business for the LEP, the Transport Committee, the Transport Advisory Group or EESAG. Thus, there is a risk that items to be reported are not predetermined to optimise reporting lines. (**Low**)

Our audit review also identified that the following controls are suitably designed, consistently applied, and are operating effectively:

- Our review confirmed that the structure of TVCA's partnerships related governance mechanisms is clearly set out within the TVCA Group Governance Structure and Assurance Framework.
- Review of Cabinet meeting minutes confirmed that the TVCA Group Governance Structure and Assurance Framework has been authorised and is reviewed on a periodic basis.
- Through review of the Constitution (including the Scheme of Delegation and Financial Regulations) we confirmed that it details the roles of the statutory committees. Thus, the Constitution supports the TVCA Governance Structure and Assurance Framework.
- Review of the Schedule of Meetings for the Group 2021-2023 confirmed that the frequency of the LEP, non-statutory groups, and the Transport Committee have been planned. We also obtained the last three EESAG, Transport Advisory Group and Transport Committee meeting minutes to confirm these had been held in line with the Schedule of Meetings for the Group 2021-2023.
- Review of the Cabinet Decision Records for the last 12 months confirmed there have been seven recommendations made relating to Adult Education Budget and one recommendation related to transport. Our review of EESAG and Transport Advisory Group meeting minutes confirmed that, where appropriate, the decision had been discussed before the decision was recommended to the Cabinet.
- Our testing of the seven recommendations made to Cabinet also demonstrated that decisions made by the Cabinet are cascaded to the relevant committee and groups where appropriate, via several communication channels. This includes through the Lead Officer who receives the papers for each Cabinet meeting and the Executive Director.
- Review of the TVCA website confirmed that decisions made by Cabinet are documented within the Cabinet Decision Record published following each meeting. Review of the last three meeting minutes of the Transport Committee, the Transport Advisory Group, the LEP and ESSAG meetings within the last 12 months confirmed that actions arising from meetings are documented within meeting minutes.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Risk: C09, Failure to build and maintain relationships with key partners				
Control	The Local Enterprise Partnership, and the Transport and Education, Employment and Skills Committees each has a Terms of Reference in place. This details the purpose, authority and reporting lines of the committee/group. The Terms of Reference of statutory committees are authorised by the Cabinet. The Terms of Reference of thematic groups are authorised by the Management Group.		**Assessment:** **Design** **Compliance**	 ✓ ×
Findings / Implications	Through discussions with the Group Director of Finance and Resources and the LEP Lead Officer we confirmed that the membership of the LEP mirrors the Cabinet. and therefore, does not have a separate Terms of Reference. Through review of the Constitution, we confirmed that the LEP's membership and authority has been documented within this. The LEP reviewed the Constitution at the Cabinet meeting on 2 July 2021. However, without a separate formal Terms of Reference the following areas are missing or limited in detail: • Purpose; and • Reporting Lines. This was further exemplified through discussions with the LEP Lead Officer which highlighted that a LEP Lead attends each thematic group such as the EESAG meetings. This allows the LEP to ensure that there is wide representation from the business community. This channel also ensures that developments from the thematic groups are escalated to the LEP and feedback is cascaded to aid recommendations made to the Cabinet. In the absence of a Terms of Reference this mechanism has not been documented. Thus, there is a risk that reporting relationships between the thematic groups and the LEP are not formally established and consistently embedded. Review of the Terms of Reference in place for the Transport Advisory Group, EESAG and Transport Committee confirmed that the purpose, authority and reporting lines for each had been documented. The Terms of Reference for the Transport Committee was last reviewed as part of the Constitution on 2 July 2021, as confirmed by meeting minutes. We did not receive evidence to confirm that the Terms of Reference for EESAG and Transport Advisory Group had been approved. It was noted that the Head of Transport confirmed the Transport Committee Terms of Reference was approved by the Management Group in January 2020. Thus, there is a risk of reduced traceability of when or whether the Terms of Reference have been appropriately authorised.			
Management Action 1	A Terms of Reference will be established by TVCA for the LEP which details its purpose, authority and reporting lines. This will	**Responsible Owner:** Governance and Admin Manager	**Date:** 31 July 2022	**Priority:** Low

Risk: C09, Failure to build and maintain relationships with key partners			
	be authorised by the Cabinet and communicated to the LEP members.		
	Terms of Reference for the Transport Advisory Group and EESAG will be approved and communicated to members. This will be captured within meeting minutes.	Transport – Assistant Director of Transport EESAG – Head of Education Employment and Skills	31 July 2022 7 June 2022
	TVCA will ensure that the Terms of References are updated to include a change log to capture when the Terms of Reference was last reviewed and approved.	Governance and Admin Manager	31 July 2022

Risk: C09, Failure to build and maintain relationships with key partners			
Control	The TVCA's governance structure and related governance mechanism are communicated to each committee / group at induction of all members.	**Assessment:** **Design** **Compliance**	 ✓ ×
Findings / Implications	Through discussions with the Group Director of Finance and Resources, the Transport Lead Officer, EESAG Lead Officer, and the LEP Lead Officer we confirmed that all members receive an induction provided by the relevant committee / group Chair. The induction includes providing an overview of the governance structure in place in relation to partnerships and ensuring that the members understand their role within this. The Group Risk Manager confirmed that new and existing statutory members are invited to a Member Induction on an annual basis. Review of the Member Induction confirmed that the agenda included providing an overview of the Group's structure and its committees, as well as providing members with the Constitution. The Group Risk Manager also highlighted that a second Member Induction is held for members who cannot attend the initial session. Additionally, LEP members attend Cabinet meetings and are, therefore, aware of the update of the Assurance Framework and Constitution in July 2021. However, we found that the induction of EESAG and Transport Advisory Group members is not documented, for instance within an induction checklist. In the absence of an induction checklist there is a risk that members do not receive a consistent induction which includes an overview of TVCA's governance structure and related governance mechanism.		

Risk: C09, Failure to build and maintain relationships with key partners				
	Discussions with the Transport and EESAG Lead Officer confirmed that they are aware of the updated Constitution and Assurance Framework, however, updates are only cascaded to the committee / group if updates are considered relevant. For this reason, the update of the Constitution and Assurance Framework was not cascaded following the update in July 2021.			
Management Action 2	TVCA will ensure an induction checklist is established and used to document the induction of new members of the Transport Advisory Group and EESAG. The induction checklist will include making the member aware of the Constitution, Assurance Framework and governance structure.	**Responsible Owner:** Governance Team	**Date:** 30 September 2022	**Priority:** **Low**

Risk: C09, Failure to build and maintain relationships with key partners		
Control	The Corporate Risk Register is reviewed by the Audit and Risk Committee on a quarterly basis. The Transport and Education, Employment and Skills risk registers are maintained by the relevant directorates and updated on an ongoing basis in line with the Risk Management Policy. Assurance over the management of key risks is considered by each committee, thematic group and the LEP.	**Assessment:** **Design** ✓ **Compliance** ×
Findings / Implications	The Corporate Risk Register documents key corporate risks that have been identified for the Combined Authority. The Corporate Risk Register is reviewed on a regular basis by Senior Management and presented to the Audit and Governance Committee on a quarterly basis. Review of Audit and Governance Committee meeting minutes dated 21 September 2021, 1 December 2021 and 20 January 2022 confirmed this. Additionally, oversight is also provided by the Audit and Governance Committee through deep dive reviews which were introduced in November 2021. The Transport deep dive undertaken by the Audit and Governance Committee on 1 December 2021 included reviewing key risks and transport related challenges as evidenced through review of meeting minutes. As the LEP is integrated with the Cabinet the Corporate Risk Register is reviewed by the Combined Authority's Audit and Governance Committee, in line with the Risk Management Policy. TVCA has established an interactive risk register using Microsoft Power Apps. Through a walkthrough of the system with the Group Risk Manager we noted corporate and directorate risks have been centrally recorded by theme. As a result, risks can be drilled down to produce a Corporate Risk Register and directorate risk registers which can also then be further drilled down into themes. Thus, the directorate risk registers can be drilled down to list all transport and education, employment and skills (EES) risks. Review of an extract from Power Apps detailing transport and EES risks confirmed the following had been documented for all risks: • Level 1 risk director (accountable risk owner); • Level 2 risk owner (responsible risk owner);	

Risk: C09, Failure to build and maintain relationships with key partners				
	• Risk summary; • Risk consequence; • Risk response; • Residual and inherent risk score; and • Target score. Through discussions with the Group Director of Finance and Resource we confirmed that the Executive team are responsible for managing directorate risks which incorporate transport and EES risks. Discussions with the Head of Transport confirmed that they are assigned either the level 1 risk director and level 2 risk owner thus, attending the Transport Committee and the Transport Advisory Group provides an opportunity to raise and discuss risks. However, through discussions with the Head of Transport and the Head of EES it was noted that risks are managed within the Directorate, for instance, through weekly directorate management meetings where risks can be discussed and updates to the risk register are made, where required. Additionally, the Risk Analyst at TVCA meets with Theme Leads on a monthly basis to review the relevant directorate level risks and ensure that the risk register is up to date. The Group Risk Manager also confirmed that they meet with the Directors on a monthly basis to review corporate risks. As the risks are related to programmes and projects within directorates, the Transport and EES risks are not formally reported at EESAG, Transport Committee or the Transport Advisory Group. Through review of the Transport Committee meeting minutes and papers dated 13 October 2021 we confirmed that the update report from the Head of Transport includes a section titled Risk Assessment which is designed to assure members that the LEP Transport Lead is regularly updated on transport matters and the LEP can input into the development of all transport related Cabinet reports. Review of the EESAG meeting minutes and papers dated 7 June 2021, 6 September 2021 and 6 December 2021 confirmed the update report from the Head of Education, Employment and Skills includes the risk implication of the report. On that basis, whilst we are satisfied that relevant risks do receive a great deal of scrutiny, review of the Constitution and relevant Terms of Reference highlighted that the responsibilities of the thematic groups, LEP and Transport Committee in relation to risk such as obtaining assurance on the management of key risk have not been formally documented. Thus, there is a risk the governance mechanism is not effectively used to ensure assurance is sought on the management of partnership related risks.			
Management Action 3	TVCA will consider whether the Terms of Reference for LEP, Transport Committee, EESAG and Transport Advisory Group need to be amended to include responsibilities in relation to obtaining assurance on the management of relevant partnership risks.	**Responsible Owner:** Governance Team	**Date:** 30 September 2022	**Priority:** **Low**

Risk: C09, Failure to build and maintain relationships with key partners				
Control	<u>**Partially Missing Control**</u> Each Committee receives sufficient information at each meeting in order to fulfil its purpose as outlined in the relevant Terms of Reference. TVCA has not established a Schedule of Business for the LEP, Transport Committee, Transport Advisory Group and EESAG to support committees / groups in fulfilling its purpose.		**Assessment:** **Design** **Compliance**	 × -
Findings / Implications	We reviewed the following meeting agendas and papers: <u>Transport Committee</u> • 13 October 2021 <u>Transport Advisory Group</u> • 12 November 2021 • 10 December 2021 • 14 January 2022 <u>Education, Employment and Skills Group</u> • 7 June 2021 • 6 September 2021 • 6 December 2021 Our review confirmed that the groups and the committee receive detailed reports to fulfil their respective purposes as outlined in their associated Terms of Reference. However, as highlighted above, the LEP does not have a Terms of Reference in place which clearly sets out the LEP's purpose. For this reason, we were unable to confirm that the LEP receives sufficient information to fulfil its purpose. It was noted that the Constitution states that the LEP is the principal forum for collaboration between the public and private sectors for improving the economy of the Tees Valley. Review of meeting papers and agendas dated 18 October 2021, 22 November 2021 and 17 January 2022 demonstrated that the LEP receives updates on both public and private sector collaborations. Our review highlighted that TVCA has not established a Schedule of Business for the LEP, Transport Committee, Transport Advisory Group and EESAG. Thus, there is a risk that items to be reported are not predetermined to optimise reporting lines.			
Management Action 4	See management action 1. TVCA will ensure a Schedule of Business is established for the TAG, Transport Committee, EESAG and LEP meeting which covers what needs to be reported at each meeting.	**Responsible Owner:** Transport – Assistant Director of Transport	**Date:** 30 September 2022	**Priority:** Low

Risk: C09, Failure to build and maintain relationships with key partners	
	EESAG – Head of Education Employment and Skills Governance Team

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
C09: Failure to build and maintain relationships with key partners.	1	(11)	3	(11)	4	0	0
Total					**4**	**0**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
There are adequate and effective systems and processes in place within TVCA to govern the Group's arrangements with its business partners.	C09: Failure to build and maintain relationships with key partners.	Risk Register

When planning the audit, the following areas for consideration and limitations were agreed:

Within this context our review will focus on:

- The structure of TVCA's partnerships, responsibilities and related governance mechanisms are clearly set out in a governance framework document.
- The structure and related governance mechanism have been appropriately authorised in accordance with the Group's Constitution.
- The structure and governance processes are supported by a clear set of financial regulations and scheme of delegation.
- The structure and related governance mechanism have been effectively communicated to all relevant parties.
- Each group within the framework has a clear Terms of Reference which articulates its purpose, authority and reporting lines.
- The governance framework includes all key entities and covers all key activities with no unnecessary duplication.
- Key risks are considered at the appropriate level / forum and risk registers updated on a timely basis.
- The frequency and timing of each key meeting, and supporting reporting lines, are optimised to ensure that there are no unnecessary gaps or delays in reporting or escalation within the governance framework.
- Each body receives sufficient information on a timely basis in order to fulfil its duties and make effective decisions when required.
- When decisions are made, whether these are communicated effectively and on a timely basis to all who need to be made aware.
- What evidence is recorded and retained of decisions made and actions arising.

At the request of management, during the course of our review we will also consider the relationship between TVCA and Teesside Airport Business Park Limited.

Limitations to the scope of the audit assignment:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the risk and objectives set out for this review.
- Any testing undertaken as part of this review will be compliance based and sample testing only.
- We will not comment on the nature of decisions made, only on the evidence considered and timeliness of those decisions.
- Our review will not confirm whether all key risks have been considered, just whether the process appears sufficient to ensure that they are captured.
- We will not interview any external stakeholders during the course of our review.
- Our review will not include any direct testing of the delivery of any decisions made.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Please note that the full scope of the review can only be completed within the review budget if all the requested information is made available at the start of the review, and the necessary key staff are available to assist the review process during the review. If the requested information and staff are not available, we may have to reduce the scope of our work and/or increase the review budget. If this is necessary, we will agree this with the client sponsor during the review.

Debrief held	1 March 2022
Last response to queries received	30 March 2022
Draft report issued	6 April 2022
Responses received	7 June 2022
Final report issued	7 June 2022

Internal audit Contacts	Rob Barnett, Head of Internal Audit Philip Church, Client Manager Mike Gibson, Assistant Manager Rajan Suman, Internal Auditor
Client sponsor	Gary MacDonald, Group Director of Finance and Resources Natalie Robinson, Group Risk Manager
Distribution	Gary MacDonald, Group Director of Finance and Resources Natalie Robinson, Group Risk Manager

TEES VALLEY COMBINED AUTHORITY

Portfolio Structure

Internal audit report 8.21/22

FINAL

7 June 2022

RSM

1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, or undertake full population testing using data analytics tools, to complete the work in line with the agreed scope

Why we completed this audit

An audit of portfolio structure was undertaken at Tees Valley Combined Authority (the Authority) as part of the approved internal audit periodic plan for 2021/22.

The Tees Valley Combined Authority (TVCA) was created in April 2016 with the purpose to drive economic growth and job creation in the area. This requires the Authority to deliver a range of projects in developing improvements in a range of areas including infrastructure, transport, and housing. Through its network of related entities, the Authority is charged with committing public funds to the achievement of these objectives.

This review was undertaken to ensure that the new portfolio structure introduced to manage the activities of the Group is appropriately aligned to the Group's strategic objectives and enables a clear line of sight between the delivery of those objectives and lines of accountability and reporting.

The Authority's strategic priorities are clearly outlined within the Tees Valley Economic Strategic Plan, with the internal structure clearly being outlined within the Group Governance Structure and Assurance Framework.

The focus of this review was on the Group Support Services (GSS) Directorate (Finance and Resources), Business Skills Directorate and Commercial Delivery Directorate, which are defined Directorates within the Authority and were agreed as areas of focus within this review, to ensure that the reporting arrangements within each Directorate appropriate to its relative complexity and which enable timely and effective communication of issues and decision making.

Conclusion

Our review has determined that the Authority have thorough and comprehensive controls in place to manage the activities of the Group appropriately, whilst ensuring that they are aligned to the Group's strategic objectives, allowing for a clear line of sight over the delivery of those objectives through its lines of accountability and reporting.

However, our review identified non-compliance with one control, and as a result **one low priority** action has been agreed with management.

Internal audit opinion:

Taking account of the issues identified, the Cabinet can take **substantial assurance** that the controls upon which the organisation relies to manage its portfolio structure are suitably designed, consistently applied and effective.

Key findings

We identified the following findings that have resulted in one low priority action being raised:

Through discussion with the Group Risk Manager, it was confirmed that upon becoming a Director or member of any committee at TVCA, an induction is delivered to the new appointee. The induction includes providing an overview of the governance structure in place in relation to the overall structure of TVCA and ensuring the members understand their role within this. However, no evidence was provided to confirm that any inductions had been undertaken. If a record of all inductions is not kept, there is a risk that staff are not made aware, in full, of their responsibilities upon becoming a Director. **(Low)**

Further details of the low priority action can be found in Section two of this report.

Our audit review also identified that the following controls are suitably designed, consistently applied and are operating effectively:

Through review of the Authority's Strategic Economic Plan and the Group Governance Structure and Assurance Framework, it was confirmed that the six core strategic priorities are outlined within these documents. They outline the critical focuses for development and growth in the next five years. The Authority's Group Governance Structure is an organogram which illustrates the governance mechanisms in place which include the Mayor's Office, the Directorates, local leaders, and partnership members. The organogram also demonstrates the reporting lines in place for each Directorate/team/partnership members.

Our review of the Economic Strategic Plan, Group Governance Structure and Assurance Framework document confirmed that the Authority's internal structure is clearly aligned with its strategic objectives. The Economic Strategic Plan is available to all staff via the Authority's website. The Group Governance Structure and Assurance Framework document are available via a shared staff drive.

The Authority's Group Governance structure is subject to regular, ongoing reviews of the Cabinet, as per the requirements laid out within the Group Governance Structure. The minutes from 17 December 2021 were obtained and reviewed and outline the Cabinet's approval of appointments within the core structure of the Authority.

Through review of the Cabinet meeting minutes from 2 July 2021, it was confirmed that the Assurance Framework was reviewed and approved by the Cabinet as required. The Framework outlines the approach adopted for decision making of the Tees Valley Investment Plan, including all funding under the Authority's control.

Through review of the Constitution and the Scheme of Delegation and Financial Regulations it was confirmed that the Governance Structure is supported by the requirements set out in the Constitution. The Scheme of Delegation outlines the entitlement of the Authority to delegate discharge of its functions to Senior Officers and how the Mayor may arrange for an officer of the Combined Authority to exercise any of their functions. Our review of the Constitution and Scheme of Delegation confirmed that its requirements clearly support the Authority's Governance Structure.

Through discussions with the Group Risk Manager, it was confirmed that Directorates do not have terms of reference in place. Within the specific job roles for Directors heading up each Directorate, there is a clear set of objectives which outline the Directorates purpose and authority. The Group Risk Manager confirmed that these cover aspects that would be included within terms of reference, therefore superseding the need to formally implement. Through review of the job roles and descriptions for Directors, it was confirmed that clear objectives within job roles are documented for each of the directorates.

The Corporate Risk Register documents key corporate risks that have been identified for the Combined Authority. The Corporate Risk Register is reviewed on a regular basis by Senior Management and presented to the Audit and Governance Committee on a quarterly basis. The Directorate risk registers feed into the Corporate Risk Register with the Authority utilising an interactive risk register platform supplier via Microsoft Power Apps. Upon review of the Directorate and Corporate Risk Registers, it was confirmed that all risks are clearly aligned to the Authority's strategic priorities and are reviewed by directorates prior to submitting for full review at Audit and Governance Committee meetings.

The Authority's Group Governance Structure clearly outlines the escalation process for the dissemination of issues, decisions and information between each Directorate and the Board. Additionally, there is a staff organogram in place outlining the escalation routes for each Directorate.

A Schedule of Meetings for the Group is established by the Governance team at the Authority. A schedule of meetings for each committee and group is available via the Authority's website. Our review confirmed that the schedule of meetings in place ensures that reporting lines are optimised to ensure that there are no unnecessary gaps or delays in reporting or escalation within the governance framework.

Through review of the TVCA website, it was confirmed that decisions made by the Cabinet are documented within the Cabinet Decision Record published following each meeting. All Directorates reporting feed into wider Cabinet reporting. The Cabinet Decision Record is tracked at each Cabinet meeting to ensure that actions are being implemented as agreed. All actions have an assigned owner and implementation date.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Portfolio Structure				
Control	The TVCA governance structure and related governance mechanism are communicated to the committee/group at induction of all members. Directors attend all Cabinet meetings where they will be informed of any governance related updates.		**Assessment:** **Design** **Compliance**	 ✓ ×
Findings / Implications	Through discussion with the Group Risk Manager, it was confirmed that upon becoming a Director or member of any committee at TVCA, an induction is delivered to the new appointee. The induction includes providing an overview of the governance structure in place in relation to the overall structure of TVCA and ensuring the members understand their role within this. However, no evidence was provided to confirm that any inductions had been undertaken. Additionally, all Directors attend Cabinet meetings where they will be informed of any governance related updates. This includes the update of the Assurance Framework and Constitution which was undertaken in July 2019. Through review of the latest Cabinet meeting minutes, it was confirmed that Directors across TVCA were in attendance and subsequently informed of any governance updates. If a record of all inductions is not kept, there is a risk that staff are not made aware, in full, of their responsibilities upon becoming a Director.			
Management Action 1	A record of all inductions undertaken will be maintained by HR.	**Responsible Owner:** HR Department	**Date:** 30 June 2022	**Priority:** **Low**

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
Portfolio Structure	0 (11*)	1 (11*)	1	0	0
Total			**1**	**0**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objective of the area under review
The new “Portfolio” structure introduced to manage the activities of the Group is appropriately aligned to the Group’s strategic objectives and enables a clear line of sight between the delivery of those objectives and lines of accountability and reporting.

When planning the audit, the following areas for consideration and limitations were agreed:

The Tees Valley Combined Authority (TVCA) is organised into a “portfolio” structure, with each portfolio area (or “Directorate”) being headed up by a Director who sits on the TVCA Senior Leadership Team (SLT) as follows:

- Business and Skills.
- Commercial and Delivery.
- Finance and Resources.
- Marketing and Communications.
- Strategy and Investment Planning.

Our review will focus on:

- TVCA’s internal structure is clearly aligned with its overall strategic objectives and is clearly set out in a governance framework document.
- The structure and related governance mechanism have been appropriately authorised in accordance with the Group’s Constitution.
- The structure and governance processes are supported by a clear set of financial regulations and scheme of delegation.
- The structure and related governance mechanism have been effectively communicated to all relevant parties.
- Each Directorate has a clear Terms of Reference which articulates its purpose, authority and reporting lines.
- The structure includes all key activities with no unnecessary duplication.

- There are management and reporting arrangements within each Directorate appropriate to its relative complexity and which enable timely and effective communication of issues and decision making.
- The management of risks is aligned to the Directorate structure and the Group's strategic objectives to ensure that risks are discussed at the appropriate level / forum and risk registers updated on a timely basis.
- There is a clear and well understood mechanism for the escalation / dissemination of issues, decisions and information between each Directorate and the SLT / Board as appropriate, and between Directorates.
- The frequency and timing of each key meeting, and supporting reporting lines, are optimised to ensure that there are no unnecessary gaps or delays in reporting or escalation within the governance framework.
- Each body receives sufficient information on a timely basis in order to fulfil its duties and make effective decisions when required.
- What evidence is recorded and retained of decisions made and actions arising.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this review will be compliance based and sample testing only.
- Our review is not intended to constitute a detailed review of the matters discussed or the management of risks.
- We will not comment on the nature of decisions made, only on the evidence considered and timeliness of those decisions.
- Our review will not confirm whether all key risks have been considered, just whether the process appears sufficient to ensure that they are captured.
- Our review will not include any direct testing of the delivery of any decisions made or the activities of any Directorate.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	14 April 2022
Last date of evidence received	14 April 2022
Draft report issued	21 April 2022
Date further evidence received	9 May 2022
Revised draft report issued	18 May 2022
Responses received	7 June 2022
Final report issued	7 June 2022

Internal audit Contacts	Rob Barnett, Head of Internal Audit Philip Church, Client Manager Mike Gibson, Assistant Manager Cara Green, Senior Auditor
Client sponsor	Gary MacDonald, Group Director of Finance and Resources Natalie Robinson, Group Risk Manager
Distribution	Gary MacDonald, Group Director of Finance and Resources Natalie Robinson, Group Risk Manager

TEES VALLEY COMBINED AUTHORITY

Annual internal audit report 2021/22

DRAFT

Presented at the Audit and Governance Meeting of 28 June 2022

THE POWER OF BEING UNDERSTOOD
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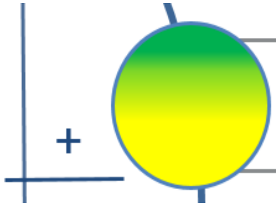
RSM

THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 March 2022, the Head of Internal Audit opinion for Tees Valley Combined Authority is as follows:



The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Governance Committee, our opinion is subject to inherent limitations, as detailed below:

- Internal audit has not reviewed all risks and assurances relating to the organisation.

- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement (AGS).

- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual(s).

- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance.

- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention.

- our internal audit work for 2021/22 has been undertaken through the substantial operational disruptions caused by the Covid-19 pandemic. In undertaking our audit work, we recognise that there has been a significant impact on both the operations of the organisation and its risk profile, and our annual opinion should be read in this context.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Based on the work we have undertaken on the systems of governance, risk management and internal control across the organisation, our opinion on governance, risk management and control have been informed by the following:

Governance

We have not performed a specific review of the organisation's governance arrangements during 2021/22 (a specific review of this area was carried out in 2019/20). However, we have performed the following reviews which have looked at differing aspects of the organisation's governance arrangements:

- TIAL Reporting.
- Effectiveness of Partnership Arrangements.
- Portfolio Structure.

We concluded that, in respect of each of these reviews, the Cabinet can take **substantial assurance** on these areas. We agreed a total of **five low priority** management action across these three reviews. We found that control and processes in respect of each of these three reviews were robust, with the actions agreed being primarily focused on documenting or clarifying those controls. Only one minor issue of non-compliance was found which related to documenting inductions received by members of the various management groups in place across the organisation.

Risk

We have not performed a specific review of the organisation's risk management arrangements during 2021/22 (a specific review of this area was carried out in 2019/20). However, our risk management opinion was informed by the assessment of the risk mitigation procedures in place covered by our risk-based reviews in the following areas:

- HR: Recruitment and Selection (*C07: Failure to provide sufficient capacity to deliver TVCA functions)* – **reasonable assurance.**
- Covid-19 Response *(C22: Pandemic Illness Outbreak: Impact on delivery)* – **reasonable assurance.**
- Effectiveness of Partnership Arrangements *(C09: Failure to build and maintain relationships with key partners)* – **substantial assurance.**

A total of **two medium priority** and **13 low priority** management actions were agreed across these three reviews. The issues identified largely concerned the documentation of control activities or the adequacy of information retained in support of decision-making, although it should be noted that we detected no instances where these issues had resulted in a direct cost implication or other manifestation of risk during the course of the audit work for these three reviews.

We have also attended all Audit and Governance Committee meetings throughout the year and confirmed the Group's risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members; with regular updates provided and the risk register shared and reviewed, with appropriate oversight.

Control

We undertook seven audits (including the three risk driven reviews mentioned above) of the control environment that resulted in formal assurance opinions. These seven reviews concluded that **three reasonable** (positive) opinions and **four substantial** (positive) assurance opinions could be taken by the Cabinet. We identified the organisation had established control frameworks in place for a number of the audits undertaken, however improvements in their application were required in a number of areas.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control. We have performed a Follow Up review during the year which concluded that **reasonable progress** had been made towards the implementation of those actions agreed.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during the year.

Implementation of internal audit management actions

We have performed a follow up review to determine the organisation's implementation of internal audit findings and we have reported that **reasonable progress** has been made in implementing the agreed actions.

Follow Up of Previous Internal Audit Management Actions

We followed up a total of seven management actions (all medium priority) agreed as part of the following reviews:

- Goosepool Financial Governance (2020/21);
- Directorate - Risk Management (2020/21); and
- Follow Up of Previous Internal Audit Management Actions (2020/21).

We confirmed that five actions had been fully implemented, one action had been partially implemented and the other being regarded as not implemented. The first action related to clearly assigning owners and implementation dates for action plans as part of the new risk management framework and the action that was re-iterated as a result of this review as a **low priority** action. The second action was re-iterated as the Goosepool Board have not yet agreed which KPIs are to be reported to the Board, and which are to be disseminated throughout the Airport's Governance Structure and was considered a **medium priority** action. There were at the time of our fieldwork a total of eight medium and 16 low actions which had passed their agreed implementation date but not been marked as completed per the 2021 audit tracker. The status of these actions will require further investigation on the part of management to ensure that they are expedited or marked as complete if that is already the case. Progress will need to be monitored at future Audit and Governance Committee meetings.

Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Conflicts of interest

RSM has not undertaken any work or activity during 2021/2022 that would lead us to declare any conflict of interest. Where other work is undertaken, each element is assessed via RSM's Client Engagement Assessment Programme (CEAP) to ensure that any potential conflicts of interest are identified and only work which is appropriately authorised is allowed to progress. None of the other work conducted on behalf of TVCA represents a conflict of interests with the internal audit programme.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under the Standards, internal audit services are required to have an external quality assessment (EQA) every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM 'generally conforms* to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Performance indicators

Delivery

	Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	*4 days (average)*
Final report issued within 3 days of management response	3 days	*2 day (average)*

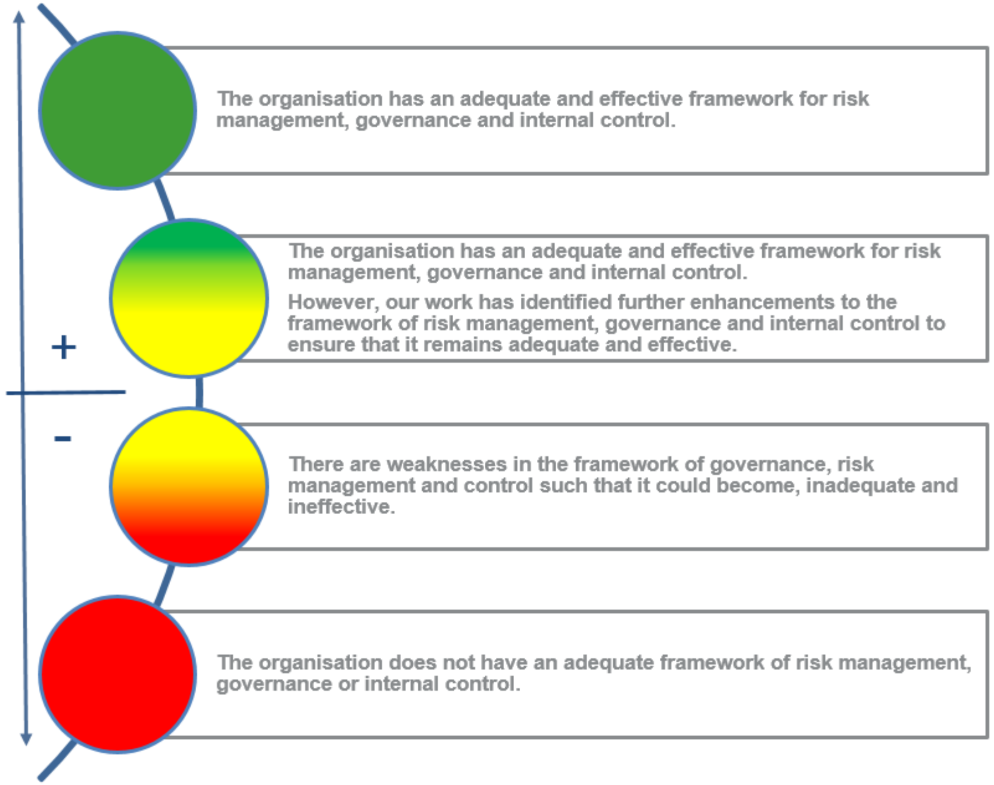
Quality

	Target	Actual
Conformance with IIA Standards	Yes	*Yes*
Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	*As and when required*
Response time for all general enquiries for assistance	2 working days	*2 working days (average)*
Response for emergencies and potential fraud	1 working day	-

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions



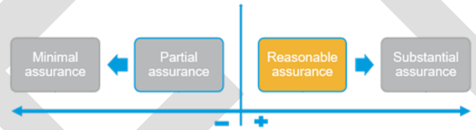
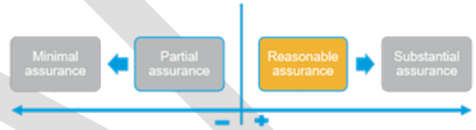
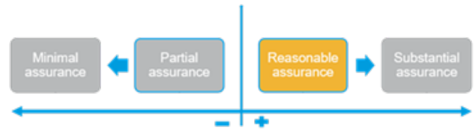
Factors influencing our opinion

The factors which are considered when influencing our opinion are:

- inherent risk in the area being audited;
- limitations in the individual audit assignments;
- the adequacy and effectiveness of the risk management and / or governance control framework;
- the impact of weakness identified;
- the level of risk exposure; and
- the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED

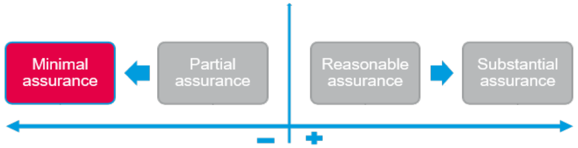
All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Assurance level	Actions agreed L	M	H
HR: Recruitment and Selection		5	1	0
Covid-19 Response		4	1	0
Business Growth Hub		2	0	0
Follow Up of Previous Internal Audit Management Actions	Reasonable progress	1	1	0
HR: Payroll		4	2	0

Assignment	Assurance level	Actions agreed L	Actions agreed M	Actions agreed H
TIAL Reporting		0	0	0
Effectiveness of Partnership Arrangements		4	0	0
Portfolio Arrangements		1	0	0

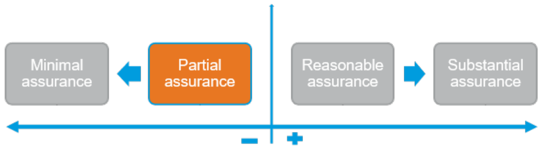
APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Cabinet can take:



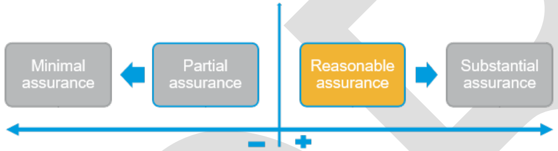
Taking account of the issues identified, the Board can take **minimal assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk.



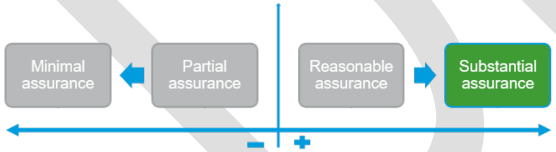
Taking account of the issues identified, the Board can take **partial assurance** that the controls upon which the Group n relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk.



Taking account of the issues identified, the Board can take **reasonable assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk.



Taking account of the issues identified, the Board can take **substantial assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied and effective.

YOUR INTERNAL AUDIT TEAM

Rob Barnett, Head of Internal Audit

M: 07809 560103
Robert.Barnett@rsmuk.com

Michael Gibson, Client Manager

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TEES VALLEY COMBINED AUTHORITY

Internal Audit Strategy 2022/2023 - 2024/2025 (including the 2022/2023 Internal Audit Plan)

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

EXECUTIVE SUMMARY

In preparing our Internal Audit Plan for 2022/2023 we have worked closely with management to produce an audit programme which remains mindful of the continuing developments and challenges around Covid-19. Whilst this plan is presented for consideration by the Audit and Governance Committee, we will continue to hold regular meetings with management, during the year, to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in these ever changing circumstances.

The key points to note from our plan are:

2022/23 internal audit priorities: internal audit activity for 2022/23 is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting you in the year ahead such as changes in Group activities and work with new business partners. Our detailed plan for 2022/23 is included at section two. In developing this plan we have held discussions with the Group Director of Finance and Resources who has co-ordinated views from the Tees Valley Combined Authority (TVCA) Executive team to inform 2022/23 internal audit plan.

TVCA and STDC: A number of reviews, as noted below, have been planned within the internal audit activity for 2022/23 to be performed over both TVCA and STDC. Where this is the case, separate reports will be produced for TVCA and STDC. The respective entity reports will be presented to management and the Audit and Governance Committeeof TVCA / Audit and Risk Committee of STDC as appropriate.

Core assurance: the key priorities and changes within the organisation have been reflected within the proposed audit coverage for 2022/23 and beyond. During the development of the internal audit plan the following key areas/documents were discussed/reviewed:

- Corporate Risk Register.
- Group structure chart and interdependencies.
- Investment Plan.
- Assurance Framework.

Level of resource: the level of resource required to deliver the plan is in section two of this report. Our daily rate has been increased in line with our tender submission by 4%.

Group reviews: during the delivery of the 2022/23 internal audit plan we will conduct internal audits at TVCA which cover systems and processes across the whole Group, specifically South Tees Development Corporation. Where this is the case, we will report, in our Progress Paper to the Audit and Risk Committee of the South Tees Development Corporation, an extract of our findings insofar as they are relevant to that entity. In the 2022/2023 Annual Audit Plan for TVCA the following audits are anticipated to have relevance to the South Tees Development Corporation:

- Key Financial Controls: Payroll. This will be a single review as the Payroll team sits within TVCA, but including activities in respect of STDC employees, so separate reports will not be produced.
- Procurement To Pay.
- Logic Models.

'Agile' approach: our approach to working with you has always been one where we will respond to your changing assurance needs. By employing 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery; keeping you informed of these changes in our progress papers to the Audit and Governance Committee during the year.

Delivery methods: we will also consider our approach to the delivery of internal audit assignments during the on-going Covid-19 restrictions, employing remote audit technologies through the use of secure Huddle folders and virtual meeting facilities as necessary. The success of using remote audit technologies is limited to the extent to which information can be shared electronically, however, we will consider whether there are any reviews which can be undertaken using this method and flex audit timings as necessary.

CONTENTS

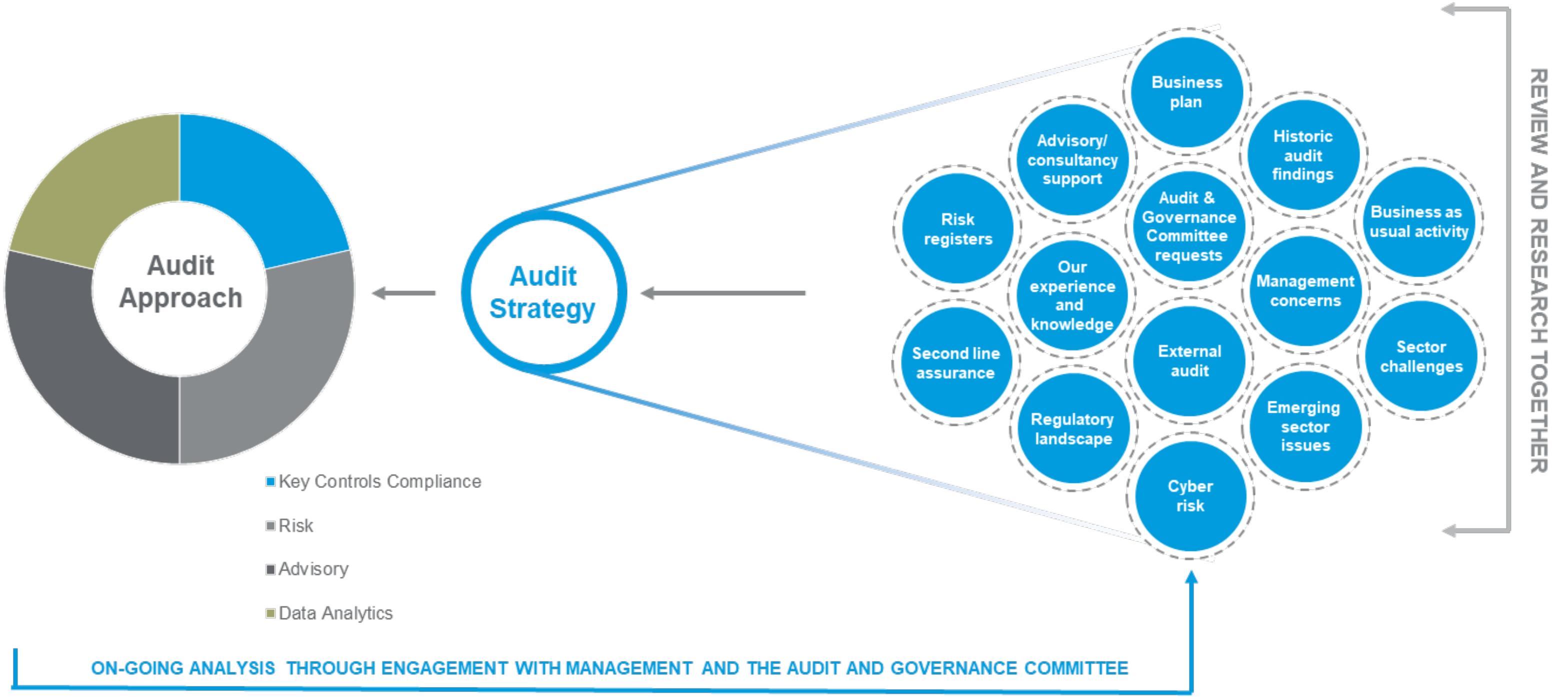
1. YOUR INTERNAL AUDIT PLAN

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework, as well as other factors affecting the Tees Valley Combined Authority in the year ahead.

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your Strategic Risk Register / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with senior management and the Audit and Governance Committee. We reviewed the Group's risk management arrangements as part of our 2019/20 plan (report 1.19.20 issued 23 September 2019, reasonable assurance) and again as part of our 2020/21 plan (report 1.20.21 issued 23 October 2020, reasonable assurance).

Figure A: Audit considerations – sources considered when developing the internal audit strategy.



Based on our understanding of the Group, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2022 / 2023

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2022/2023. The table details the strategic risks which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the Group's assurance needs for the forthcoming and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: time for tracking the implementation of actions and an audit management allocation.

Objective of the review (Strategic risk)	Days / Fee	Proposed timing	Proposed Audit and Governance Committee
Strategic Risk			
Risk 00001401: Failure to deliver Freeports programme. **Freeports Programme** In March 2021 the Chancellor announced that Teesside had been successful in its bid to set up the UK's biggest freeport. Our review will look at how the project is being developed and whether plans are in place to mitigate anticipated project risks.	6 days / £3,108	Week commencing 1 August 2022	September 2022
Risk 00001381: Failure to deliver the existing pipeline of funding commitments and achieve targeted spend. **Major Projects** Failure to deliver on existing funding commitments could undermine the Authority's credibility and impact upon its ability to secure further funding for future projects. We will look at the performance reported in the last Gateway Review report and consider whether: • How is the organisation geared up to track delivery against Gateway criteria? • Have any identified actions been delivered?	6 days / £3,108	Week commencing 31 October 2022	December 2022
Risk 00001375: Transport specific funding secured from government is not sufficient to meet TVCA programme aspirations. **Transport Programme** The Tees Valley Strategic Transport Plan (STP) 2020 – 2030 sets out how Tees Valley Combined Authority (TVCA) will deliver a world-class transport system and provides the framework for transport investment. This £310m funding stream is a key element of the Authority's Strategic Economic Plan. Our review will consider how decisions are made regarding funding achieved and how project elements are developed and monitored.	6 days / £3,108	Week commencing 16 May 2022	July 2022

Objective of the review (Strategic risk)	Days / Fee	Proposed timing	Proposed Audit and Governance Committee
Risk 00001387: Failure to manage funding in order to deliver maximum value for money. **Grants Management** Our review will consider the full end to end process of how grant claims are processed, awarded and monitored. This review will include site visits to an agreed sample of claimant organisations to verify information supplied in respect of the grant claim and any ongoing funding. We will also consider how the Covid-19 pandemic has affected grants management and monitoring and what has been done in response.	12 days / £6,216	Week commencing 12 September 2022	December 2022
Risk 00001383: Pandemic Illness Outbreak: Impact on delivery. **Business Continuity** The Covid-19 pandemic has caused widespread national disruption and its economic impact could inhibit organisational ability to deliver on key projects and outcomes. Our review will consider how the pandemic has impacted on service delivery (particularly through any loss of resource) and how resilient the organisation is to ensure that any impact on its ability to manage key projects is minimised.	6 days / £3,108	Week commencing 18 July 2022	September 2022
Risk 00001376: Failure to provide sufficient capacity to deliver TVCA functions. **Resourcing** Our review will consider how the organisation identifies what resources are required in order to deliver agreed activities and how any potential shortfalls are managed.	6 days / £3,108	Week commencing 4 July 2022	September 2022
Core Assurance			
Management Information Having accurate and timely management information is critical for any organisation to manage its operations and make appropriate decisions to mitigate identified risks. Our review will consider what systems and processes the Authority has in place to gather and report key management information, using the Performance Report to Cabinet to be produced in July 2022 as the basis point.	10 days / £5,180	Week commencing 15 August 2022	September 2022

Key Financial Controls: Payroll The Group employs a mix of in-house and external service provider (Xentral) processing to administer payrolls. Our review will consider whether appropriate and consistent systems and controls are in place over the administration of payments to employees irrespective of which Group entity they work for. Data analytics will be used to assist in the review.	8 days / £4,144	Week commencing 16 January 2023	May 2023
Procurement To Pay Process As a public body, the Authority has an obligation to comply with the UK Government's Prompt Pay and Value for Money requirements as well as ensuring that it has adequate governance over expenditure. Our review will look at the full end to end procurement to payment process over both TVCA and STDC. Data analytics will be used to assist in the review.	10 days / £5,180	Week commencing 23 May 2022	July 2022
Logic Models Each project must have a "Logic Model" which defines required inputs and expected outcomes. Our review will consider how: • Projects are appraised prior to approval. • Monitored throughout its lifecycle. • Reported. This review will cover both TVCA and STDC.	6 days / £3,108	Week commencing 5 December 2022	May 2023
Net Zero Teesside A key element of the Authority's Local Industrial Strategy is that the Tees Valley will be a global leader in clean energy, low carbon and hydrogen and achieve a net zero carbon industrial cluster by 2040. Our review will consider how: • Does the Authority have a plan for delivery? • Is there a framework to assess / track delivery? • How is progress reported?	6 days / £3,108	Week commencing 20 March 2023	May 2023
Other Internal Audit Activity			
Follow Up of Previous Internal Audit Management Actions	6 days / £3,108	Week commencing 9 January 2023	May 2023

To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.		
Management This will include: • Annual planning; • Preparation for, and attendance at, Audit and Governance Committee; • Regular liaison and progress updates; • Liaison with external audit and other assurance providers; and • Preparation of the annual opinion.	8 / days £4,144	Throughout the year
Total	96 days £49,728	

A detailed planning process will be completed for each review, and the final scope will be documented in an assignment planning sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Audit and Governance Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the Group.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM UK Risk Assurance Services LLP. The team will be led by Rob Barnett as your Head of Internal Audit, supported by Philip Church as your Senior Manager and Mike Gibson as your Client Manager.

Core team

The delivery of the 2022/2023 audit plan will be based around a core team.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

Our most recent external review has been conducted during 2021 and we will inform the Audit and Governance Committee of its findings.

Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

APPENDIX B: INTERNAL AUDIT STRATEGY 2022 / 2025

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. The risks detailed below are taken from the organisation's Corporate Risk Register as presented to the Audit and Governance Committee meeting.

Assurance Provided	
(red)	Red - Minimal Assurance / Poor Progress
(orange)	Amber/red - Partial Assurance / Little Progress
(amber)	Amber/green - Reasonable Assurance / Reasonable Progress
(green)	Green - Substantial Assurance / Good Progress
(grey)	Advisory / AUP
(teal)	IDEA

	Internal Audit – Third Line of Assurance (Independent review / assurance)				
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Strategic risks					
Risk 00001374: Failure to secure appropriate funding from Government for the operation of South Tees Development Corporation (STDC).				✓	
Risk 00001375: Transport specific funding secured from Government is not sufficient to meet TVCA programme aspirations e.g. significant local contributions sought that are not affordable and / or TCF not awarded on an on-going basis.			✓ (Transport Programme)		
Risk 00001376: Failure to provide sufficient capacity to deliver TVCA functions.		✓ (HR: Recruitment and Selection)	✓ (Resourcing)		
Risk 00001378: Failure to agree a Local Industrial Strategy with Government.				✓	
Risk 00001379: Failure to secure agreement on new future investment priorities.					✓
Risk 00001381: Failure to deliver the existing pipeline of funding commitments and achieve targeted spend.	✓ (Programme / Project Activity)		✓ (Major Projects)	✓	

Assurance Provided
Red - Minimal Assurance / Poor Progress
Amber/red - Partial Assurance / Little Progress
Amber/green - Reasonable Assurance / Reasonable Progress
Green - Substantial Assurance / Good Progress
Advisory / AUP
IDEA

	Internal Audit – Third Line of Assurance (Independent review / assurance)				
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Risk 00001383: Pandemic Illness Outbreak: Impact on delivery.		✓ (Covid-19 Response)	✓ (Business Continuity)		
Risk 00001385: Obligations undertaken by STDC have potential financial impact on TVCA.	✓ (STDC Regeneration Business Case)			✓	
Risk 00001386: Failure to build and maintain relationships with key partners.		✓ (Effectiveness of Partnership Arrangements)			
Risk 00001387: Failure to manage funding in order to deliver maximum value for money.	✓ (NAO VFM Requirements)		✓ (Grants Management)		✓
Risk 00001401: Failure to deliver Freeports programme.			✓ (Freeport Programme)		
Core Assurance					

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

	Internal Audit – Third Line of Assurance (Independent review / assurance)				
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Risk Management	✓ (Directorate: Risk Management)			✓	✓
Governance	✓ (Governance)	✓ (Directorate Structure)	✓ (Logic Models)	✓	✓
		✓ (Business Growth Hub)			
ICT				✓	
Management Information			✓ (Management Information)		
Key Financial Controls	✓ (Group Strategic Procurement)	✓ (HR: Payroll)	✓ (KFCs: Payroll)	✓	✓
GDPR				✓	

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

	Internal Audit – Third Line of Assurance (Independent review / assurance)				
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Procurement			✓ (Procurement To Pay)		
Projects			✓ (Net Zero Teesside)		✓
Subsidiary reviews	✓ (Goosepool – Financial Controls)	✓ (TIAL Reporting)		✓	✓
Other Internal Audit Activity					
Follow Up of Previous Internal Audit Management Actions	✓	✓	✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for the Tees Valley Combined Authority. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit and Governance Committee.

The internal audit service is provided by RSM UK Risk Assurance Services LLP ("RSM").

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the Group has in place, focusing in particular on how these arrangements help you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to Rob Barnett (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to the Group Director of Finance and Resources.

The Head of Internal Audit has unrestricted access to the Chair of the Audit and Governance committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to the Tees Valley Combined Authority. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit and Governance Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the audit committee. Equally we do not want the Group to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit and Governance Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit and Governance Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit’s assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit and Governance Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of ‘internal audit’, ‘senior management’ and ‘board’.

- **Internal audit:** a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation’s operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- **Senior management**: who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

- **Cabinet:** the highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an audit committee).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee six weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 15 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Huddle.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit and Governance Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the Group where audits will be performed, including other specialised services from within or outside the Group.

The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the Group.
- Initiate or approve accounting transactions on behalf of the Group.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit and Governance Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit and Governance Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the Group during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the Group's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the Group by RSM UK Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the Group's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the audit committee.

Fraud

The Audit and Governance Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit and Governance Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit and Governance Committee is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

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Head of Internal Audit

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TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

AGENDA ITEM 13

REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE

2nd AUGUST 2022

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

INTERNAL AUDIT REPORT

SUMMARY

This report presents the position of current Internal Audit action plan progress as of June 2022.

RECOMMENDATIONS

It is recommended that the Audit and Governance Committee

i. Consider the analysis and audit progress set out in this paper.
ii. Acknowledge the annual audit schedule.

DETAIL

iii. This report presents TVCA audit actions and their progress as of June 2022.

Process

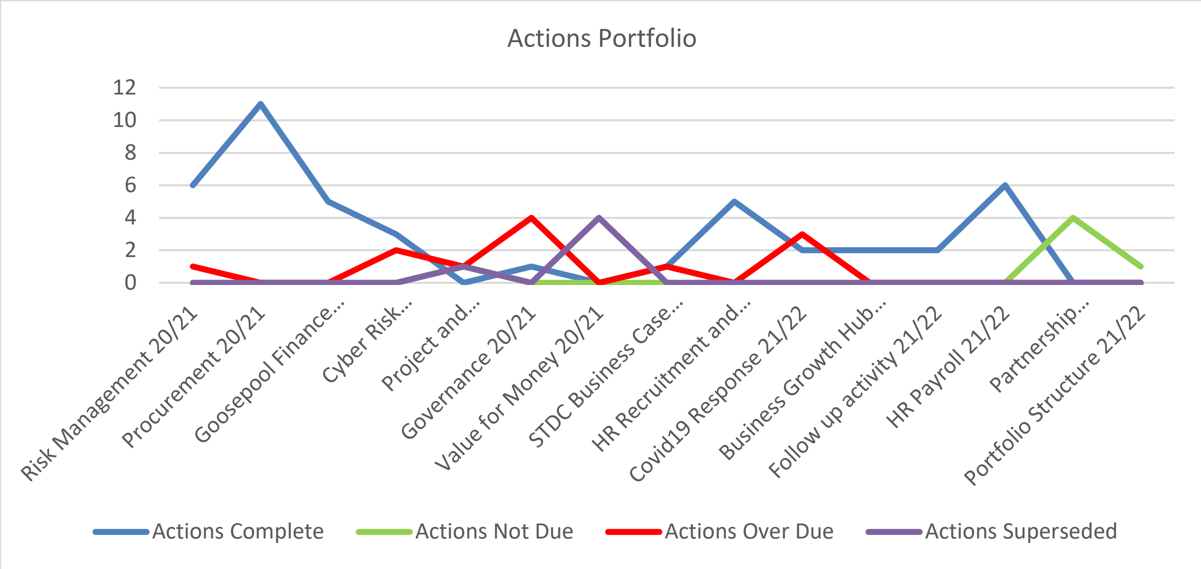
Using a risk based approach, the internal audit schedule is agreed with the Senior Leadership Team and the Audit and Governance Committee, this ensures the TVCA Group are assessing the effectiveness and efficiency of controls mitigating key risks.

The process of internal audit (Appendix A) is monitored by the Risk Management team, to ensure effective tracking of actions is in place. All actions are tracked via a spreadsheet which is shared with action owners for updates.

The Risk Management team facilitate reporting of internal audit actions and provide support to Risk Owners to drive delivery performance.

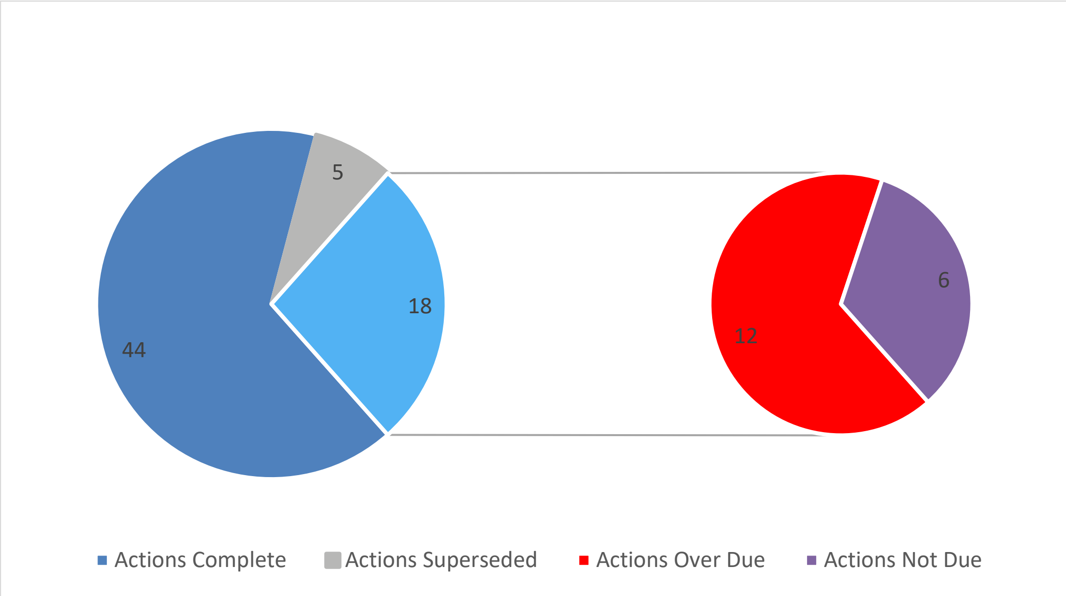
Overview of action portfolio

The current portfolio of actions includes those actions which are:
Those audits where actions were allocated have been tracked and are as follows (as of next report, all those audits with completed action plans will be archived).

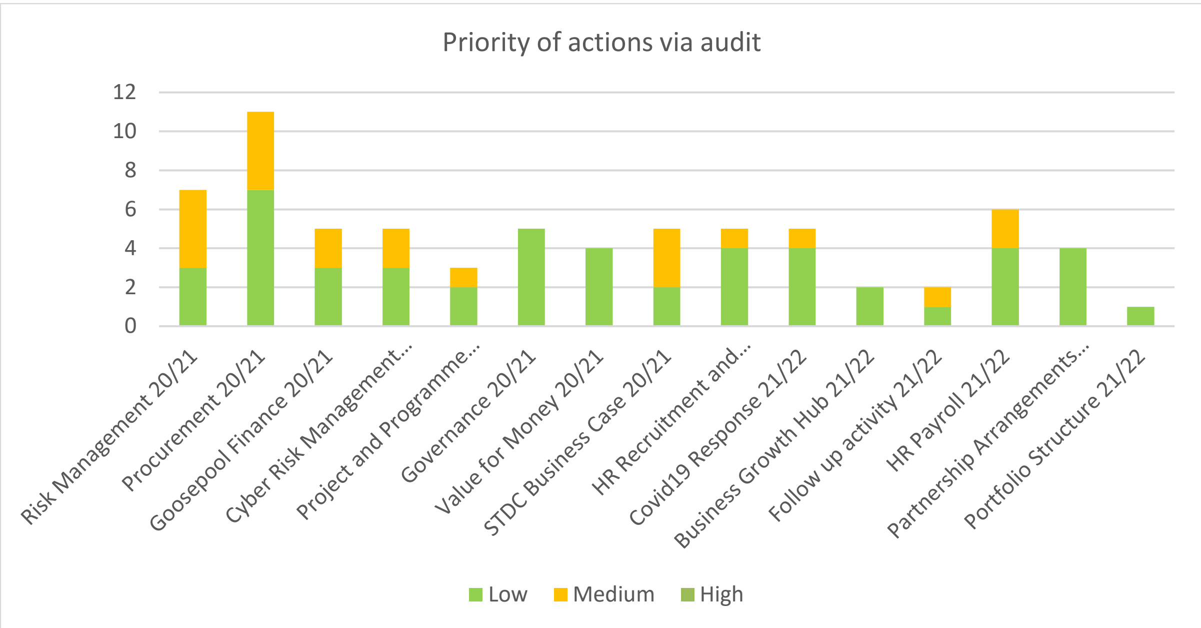


Audit Title	Action Plan Delivery
Risk Management 20/21	In Progress
Procurement 20/21	Complete
Goosepool Finance 20/21	Complete
Cyber Risk Management 20/21	In Progress
Project and Programme Delivery 20/21	In Progress
Governance 20/21	In Progress
Value for Money 20/21	In Progress
STDC Business Case 20/21	In Progress
HR Recruitment and Selection 21/22	Complete
Covid19 Response 21/22	In Progress
Business Growth Hub 21/22	Complete
Follow up activity 21/22	Complete
HR Payroll 21/22	Complete
Partnership Arrangements 21/22	In Progress
Portfolio Structure 21/22	In Progress

Action progress
There are currently 9 action plans in progress and 6 which have had all actions implemented and plan completed.



As of June 2022, 73% of actions have been implemented/superseded, with 18% of actions now overdue and 6 actions not due.



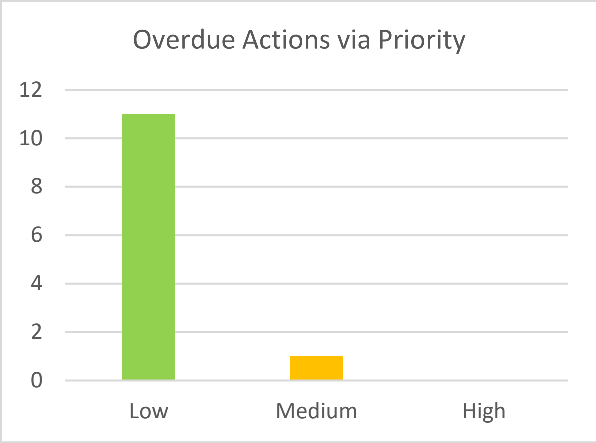
The above graph is an overview of all actions to date which have had action plans agreed.

As of next quarter, all those actions plans with completed action plans will be archived and only those audits with open action plans will be reported. This is to reduce the risk that current audit portfolio is inflated.

Overdue actions

There are currently 0 high level actions which are open.

The process of reviewing audit actions and the systems used to do this, is currently being reviewed and improved, allowing for a much leaner approach and encouraging accountability of action owners to drive delivery.



Medium Priority overdue actions

Audit	Original Delivery Date	Revised Delivery Date	Status	Action	Update
Cyber Risk	30/05/2020	30/11/2021 TBC	In progress	A formal process has been established for reporting of operational management information (MI) on a periodic basis.	We have engaged with Xentrall SS ICT to ensure regular reporting on information about cyber risks and issue to inform proactive management of cyber risk issues.

Low Priority overdue actions

Audit	Original Delivery Date	Revised Delivery Date	Status	Action	Update
Risk Management 5	31/12/2020	30/09/2022	In progress	The Authority will ensure a term of reference is established for the Group Performance Management Team	Group Support Services - Business Plan in draft
Cyber Risk 5	18/05/2020	30/11/2021 TBC	In progress	The Authority's IT team will work together with Xentrall to consider the costs and benefits of implementing a SIEM solution to collate all security log information, which can be reviewed regularly to identify security threats to the network	We have engaged with Xentrall SS ICT to ensure regular reporting on information about cyber risks and issue to inform proactive management of cyber risk issues.
Project and Programme 1	31/05/2020	31/03/2021 TBC	In progress	The Management Group will formally document the review and approval of the Monitoring and Evaluation Framework.	An online course on management of Cyber Security risk will be sourced
Governance 2	30/09/2021	TBC	TBC	The discrepancies identified in the review will be considered by the Authority. The Authority will recommend to Cabinet that the Assurance Framework and other standalone documents are referred to rather than forming part of Constitutions where this is appropriate. Governance documentation will include navigation	Update pending by new Governance and Administration Manager (expected July)

				and signposting to other relevant standalone documents as appropriate.	
Governance 3	31/07/2021	TBC	TBC	In addition to management action two, a document control table and the use of updated footer information will be introduced to demonstrate tight version control for STDC documentation. Discrepancies identified in the control will be reviewed and addressed, where applicable.	Update pending by new Governance and Administration Manager (expected July)
Governance 4	31/07/2021	TBC	TBC	The Authority will issue an email reminder to all employees to state that it is an employee's responsibility to familiarise themselves with Cabinet decision records. Lead authors of decision papers will be reminded that it is their responsibility to communicate all decisions to relevant teams.	Update pending by new Governance and Administration Manager (expected July)
Governance 5	30/09/2021	TBC	TBC	The Authority are developing a governance toolkit with clear information on the current governance arrangements in place. The toolkit will be made available to all staff on the Authority's intranet platform. Going forward, the toolkit will be adopted into the staff induction process.	Update pending by new Governance and Administration Manager (expected July)
STDC Business Case 1	30/09/2021	TBC	TBC	Please refer to management action five raised in the governance audit regarding the governance toolkit.	Update pending by new Governance and Administration Manager (expected July)
Covid 19 1	15/09/2021	TBC	TBC	The Authority will ensure that all options presented for Cabinet approval have the same amount of data, to allow Cabinet to make an informed decision.	Update to be confirmed
Covid 19 2	01/09/2021	TBC	TBC	All relevant stakeholder consultation will be included in Cabinet papers, to provide assurance to the Cabinet that reasonable consultation has taken place.	Update pending by new Governance and Administration Manager (expected July)
Covid 19 3	15/09/2021	TBC		The requirement to ensure that delegated decision forms are accurately completed to record Tees Valley Management Group consultation and decisions will be reiterated to all relevant parties.	Update pending by new Governance and Administration Manager (expected July)

Audit Schedule

A number of audits have been rescheduled to accommodate staff at both TVCA and RSM.

The audit schedule for 22/23:

Process/Procedure	Fieldwork start date
Business Continuity	11/07/2022
Transport Programme	18/07/2022
Procurement to pay	08/08/2022
Management information	22/08/2022
Freeport	12/09/2022
Resourcing	24/10/2022
Major projects	31/10/2022
Grants management	21/11/2022
Logic Models	05/12/2022
Follow up activity	09/01/2023
KFC - Payroll	16/01/2023
Net Zero Teesside	20/03/2023

Automation

To support self service and accountability, the risk team are working with the TVCA business intelligence team to develop an automated platform to track audit actions and store evidence.

This will provide action owners and the Senior Leadership Team with real time reporting and the facility to review actions and progress at any point.

We are using lessons learned and best practice following the implementation of the TVCA Risk Management platform to ensure a smooth, successful roll out of the system and training.

FINANCIAL IMPLICATIONS

iv. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

v. There are no direct legal implications arising from this report.

RISK ASSESSMENT

vi. The content of this report is categorised as low to medium risk.

CONSULTATION & COMMUNICATION

vii. None required.

EQUALITY & DIVERSITY

viii. No impacts.

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Audit Progress Report

Tees Valley Combined Authority

July 2022

mazars

1. Audit progress
2. National publications

01

Section 01:

Audit progress

Audit progress

Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as the Authority’s external auditors and also includes, at Section 2, a summary of recent national reports and publications for your information.

2020/21 Audit

We have substantially completed our work on the single entity accounts and have reviewed the work of the subsidiary auditor for the airport and Goosepool Limited. We are still waiting for the completion of the audit for the development corporation.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	**Updated statement on the deferral of IFRS 16 leases**	Following its emergency consultation on proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement.
2.	**CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets**	The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets.
National Audit Office (NAO)		
3.	**Audit and Assurance Committee effectiveness tool**	NAO's effectiveness tool provides a way for ARACs to assess their effectiveness
Department for Levelling Up, Housing and Communities		
4.	**Creation of the Audit Reporting and Governance Authority**	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
Public Sector Audit Appointments Ltd		
5.	**Annual Quality Monitoring Report 2019/20**	This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA's quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance. The report details how the Financial Reporting Authority reviewed four Mazars financial statements audits and all were assessed as meeting the required standard.

NATIONAL PUBLICATIONS
CIPFA

1. Updated statement on the deferral of IFRS 16 leases – April 2022

Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement. This preliminary decision was subsequently considered by the government's Financial Reporting Advisory Board (FRAB). FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024. FRAB also advised CIPFA LASAAC that the Code had to allow and should encourage local authorities to adopt the standard before this date should they wish to.

CIPFA LASAAC has therefore followed its preliminary decision with its formal decision: to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023. CIPFA LASAAC would note that the 2022/23 Code has not yet completed its due process so local authorities should follow the CIPFA LASAAC pages of the website for further updates. Formal due process for the Code by LASAAC and by CIPFA's Public Financial Management Board is anticipated to be complete by the third week in April.

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/updated-statement-on-the-deferral-of-ifrs-16-leases

2. CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets – May 2022

The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. An urgent consultation on these proposals is now under way and comments are invited until the consultation closes on 14 June 2022 at 23.00.

The temporary proposals address an issue raised by auditors about the derecognition (removal of the carrying amount) of parts of local authority infrastructure assets as they are replaced. CIPFA LASAAC and CIPFA established a Task and Finish Group to find a solution to this issue and consider the outcome of any proposed changes to the code. Following advice from the Task and Finish Group, CIPFA LASAAC has now issued temporary proposals for changes to the code relating to how these issues are reported. They include:

- confirming the accounting consequences of derecognition, e.g. that the effect on the carrying amount is nil (on a presumption that the replaced parts are fully depreciated);
- temporarily adapting the code to remove the reporting requirements for gross historical cost and accumulated depreciation
- providing extra guidance on how depreciation may be applied for infrastructure assets
- CIPFA LASAAC will consult on a longer-term solution later in the year.

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-lasaac-issues-urgent-consultation-on-code-of-practice

National Audit Office

3. Audit and Risk Assurance Committee effectiveness tool – May 2022

Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm's-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, NAO's effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The effectiveness tool is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

https://www.nao.org.uk/report/audit-and-risk-assurance-committee-effectiveness-tool/

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

4. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure Authoritys and local bodies are delivering value for money for taxpayers, strengthening Authority finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Authority (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make audit committees compulsory for all Authoritys, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-Authority-finance-system

NATIONAL PUBLICATIONS
Public Sector Audit Appointments Ltd

5. Annual Quality Monitoring Report 2019/20 – April 2022

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond's Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond's review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities' audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in Summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

https://www.psaa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/

Contact

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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AGENDA ITEM 15

REPORT TO THE TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE

2nd AUGUST 2022

REPORT OF GROUP CHIEF LEGAL OFFICER

PROPOSAL FOR AUDIT & GOVERNANCE COMMITTEE EFFECTIVENESS QUESTIONAIRE & SKILLS ASSESSMENT

SUMMARY

This report provides a proposal in response to the Committee's comments about its role in ensuring good governance and the benefit of an annual review of its own performance. The report provides a framework on which Members can assess their own and the Committee's performance and effectiveness, as well as ensuring it has access to the necessary skills to discharge its function. The proposed document/s are presented at Appendix 1 and 2 for the committee's consideration.

It is proposed that the completion of the Skills Audit and Committee Effectiveness Questionnaire be trialled with the Audit & Governance Committee and if successful, consideration will be given to extending the model across the Group, where appropriate.

RECOMMENDATIONS

Members are requested to consider and make comment on the suitability of the proposal presented in meeting the Committee's needs.

It is recommended that the Audit & Governance Committee:

i. Endorse the proposed model of self-assessment and proposed trial with the Audit & Governance Committee as discussed below
ii. Endorse and/or comment the draft Committee Effectiveness Questionnaire (**Appendix 1**) and Skills Audit (**Appendix 2**)
iii. Agree that the self-assessment and skills audit exercise be commenced for the Audit committee in accordance with the timetable at **Appendix 3** and for the anonymised results to be reviewed at a future meeting.

DETAIL

Proposed model of self-assessment

1. Good governance is not achieved simply by having the correct governance structures and components in place, these must also be seen to be working effectively. The key

value of Committee structures is that they provide a mechanism by which several individuals can bring their own skills, knowledge experience to a single question or decision with the aim or improving or assuring the quality of that decision. The proposed model of self-assessment is designed to provide feedback and assurance on the quality of the committee's ability discharge this role.

2. The model does this in two ways. First, by using this collective experience of the committee members to assess how the committee operates and is supported to fulfil its functions. Secondly, by assessing the skills mix of the committee members and to identify and gaps which might be addressed by steps such as training, targeted consultancy support or the co-option of additional members with underrepresented skills, knowledge, or experience.

3. The ambition is to achieve a high participation rate (more than 90% of members) in the process, which can ordinarily be completed between the end of one committee and the end of the next (at which the report can be discussed, and recommendations/actions agreed). In pursuit of these objectives, a short questionnaire has been developed which should be capable of completion by each participant within 10 mins.

The draft questionnaire.

4. The questionnaire covers both committee self-assessment and skills audit questions. These are presented separately for committee consideration. The questionnaire is at Appendix 1 and the Skills Assessment at Appendix 2).

5. The areas identified to be of benefit in evaluating the Committee's effectiveness are proposed to be:
    - Committee Objectives, Purpose & Remit
    - Meeting Preparation
    - Effectiveness of Committee Meetings
    - Membership & Engagement on the Committee

6. Members will note that the Questionnaire is presented as a standardised multiple-choice format with the additional opportunity to provide free text comments for each question. These comments will be reported to the committee but will be unattributed and anonymised for these purposes. The report will be presented to the next committee meeting for discussion in a confidential session and committee members will determine whether having officers and auditors present during the discussion would be necessary. It is anticipated that an action plan to address any improvements can be agreed at the end of the report and discussion to be resolved as soon as possible.

7. It is initially anticipated that the exercise could usefully be repeated annually but - depending on feedback during the initial use - it may be that a longer gap between repetition is preferred,

8. The areas for self-assessment are proposed to relate to:
    - Corporate
    - Strategic
    - Equality & Diversity

While also giving the opportunity for Members to detail any areas they feel are not adequately represented on the Committee, as well as detailing any areas of personal development that may be beneficial in supporting the wider aims of the Combined Authority.

FINANCIAL IMPLICATIONS

9. There are no specific financial implications from the proposals set out in this report, although it should be noted that there may be costs associated with any training needs identified by Committee members as being deemed suitable through the completion of the Skills Audit.

LEGAL IMPLICATIONS

10. There are no legal implications from the proposal set out in this report.

RISK ASSESSMENT

11. This report is categorised as low risk.

CONSULTATION & COMMUNICATION

12. The Audit & Governance Committee are being consulted on the suitability of the proposed Committee Effectiveness Questionnaire and Skills Self-Assessment. It is proposed that the completion of the Skills Audit and Committee Effectiveness Questionnaire be trialled with the Audit & Governance Committee and if successful, consideration will be given to extending the model across the Group, where appropriate.

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Appendix 1

Committee Effectiveness Questionnaire

This Committee Effectiveness Questionnaire is to be completed individually by members as a self-assessment. Its purpose is to evaluate the effectiveness of existing arrangements regarding the undertaking of TVCA Committee meetings and identify what level of understanding the membership was perceived to have. It is important to understand the view of Members on the effectiveness of the arrangements of the Committee and so Members will undertake completion of this self-assessment as an annual exercise to seek to track the quality and value of meetings and identify areas for improvement.

The information collected from the questionnaire will be collated, reviewed, and analysed to produce an anonymised report for future Committee review and discussion, to collectively evaluate performance and put measures in place to improve on areas where the Committee has identified it necessary.

Please record a score alongside each of the following statements using the following scale:

0 = Don't Know
1 = Very Poor
2 = Poor
3 = Adequate (Neither Good nor Bad)
4 = Good
5 = Excellent

Please add any comments you feel would be beneficial for consideration for each statement in the corresponding area:

Area	Score	Comments
Objectives, Purpose & Remit		
The Committee has a clear set of objectives and Members understand how it should discharge its responsibilities regarding financial reporting, risk management and control		
Appropriate steps have been taken by the committee to review/approve the committee's terms of reference on a timely basis?		
Committee members have a sufficient understanding of the organisation and the sector in which it operates to discharge their role fully?		

The Committee's work plan covers the committee's main responsibilities and maps across to any regulatory requirements?		
The Committee fully understands its role in providing oversight over internal financial controls; the wider aspects of internal control; and risk management systems?		
Meeting Preparation		
The level of 'secretarial support' in place for the Committee is appropriate?		
The Committee receives adequate and timely Agenda and Papers/Reports to allow full and proper consideration to be given to the important issues.		
The committee papers are of an appropriate quality (e.g., in length, identifying the key issues and priorities and allow the members to make informed and reasoned decisions)?		
The Committee's meeting minutes are clear, accurate and timely?		
Outstanding actions arising from Committee meetings are properly recorded and followed up?		
Effective Committee Meetings		
The Chair leads the meetings well with clear focus on the key issues and allows full and open discussion before major decisions are taken.		
The Committee's workload is dealt with effectively?		
The Committee members work constructively together as a team?		
The Committee is cohesive and combines a good balance of the skills knowledge, experience, and diversity to deliver its role.		
Committee meetings are free from inappropriate management influence?		
The Committee is satisfied with the regularity and quality of financial reporting and spending		
Committee meetings allow sufficient time for the discussion of substantive matters?		
Officers attending the Committee to provide information and reports are appropriately prepared and knowledgeable about the relevant subject matter		
All meeting attendees are appropriately involved in Committee meetings?		
Membership & Engagement on the Committee		
The process by which audit committee members are appointed is appropriate?		
New members are given an appropriate induction?		

The Committee members are sufficiently independent of the organisation's management and exercise their own judgement; voice their own opinions; and act freely from any conflicts of interest or outside influence?		
The Committee is not over reliant on any individual member?		
Committee members have sufficient skills, experience, time, and resources to undertake their duties?		
The Executive members who attend the meeting and present reports behave appropriately and are sufficiently well prepared and informed?		
The Committee is sufficiently represented when considering inclusion and equality?		

Appendix 2

[Audit & Governance] Committee Knowledge & Skills Audit

A Skills Assessment of the Committee is being undertaken. This aims to ensure that Committee members collectively have the requisite knowledge and experience to effectively discharge the Committee's role and duties. This is a self-assessment exercise.

Please complete the following Committee Skills audit indicating in the table below which skills you feel that you have and use in supporting the activities of the [Audit & Governance] Committee by ticking 'No Experience', 'Some Experience' or 'Highly Confident' for each row:

Skills	**Experience Level**		
	No Experience	Some Experience	Highly Confident
Corporate			
Human Resources/Employment Issues			
Corporate Governance – Combined Code etc.			
Public Sector Governance			
Chairing Meetings			
Legal			
Strategic Planning			
Risk Management			
Finance / Accountancy			
Internal Audit			
External Audit			
Evaluation & Monitoring			
Non-Executive / Board leadership			
Senior Executive Leadership / Board Leadership			
Media/Press/Communications			
Strategic			
Economic Development, Regeneration, Infrastructure			
Levelling Up / Rebalancing the Economy			
Economics			
Public Policy			
Government and Politics			
Equality and Diversity			
Gender Inequality Issues			
Ability/ Disability Equality Issues			
Age Related Inequality issues			
BaME Inequality Issues			

Sexual Orientation Inequality Issues			

Please use the space below to indicate any skills or knowledge you feel are not represented through the Committee and should be strengthened:

Please use the space below to indicate any skills or knowledge you feel you would like to develop on a personal level to be able to more fully support TVCA's wider activities:

Thank you for taking the time to completing this questionnaire. The feedback received will be presented back to the Committee in an anonymised format.

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Appendix 3

Outline Timetable for Implementation of Committee Effectiveness Review and Self-Assessment

Date	Action
2nd August - Audit & Governance Committee Meeting	Members to review and Approve/Suggest Amends to the Committee Effectiveness Questionnaire and Self-Assessment Audit
15th August 2022	TVCA to consider Feedback and make any required amends to the Committee Effectiveness Questionnaire and Self-Assessment Audit
22nd August 2022	TVCA to circulate Survey Monkey of Committee Effectiveness Questionnaire and Self-Assessment Audit to Members for completion
30th June 2022	Deadline for return of completed Committee Effectiveness Questionnaire and Self-Assessment Audit to TVCA
Early July 2022	TVCA to compile and analyse results in an anonymised format
Audit & Governance Committee Meeting (Date TBC)	Report Results and Findings of the Self-Assessment back to the Committee in a closed Meeting where debate on the outcomes and proposed next steps can be decided. If the Committee find the exercise valuable it is proposed that a proposal is made to Cabinet that that process be used in Boards and Committees across the Group to drive continuous improvement.

ITEM 16

Audit & Governance Committee Forward Plan 2022

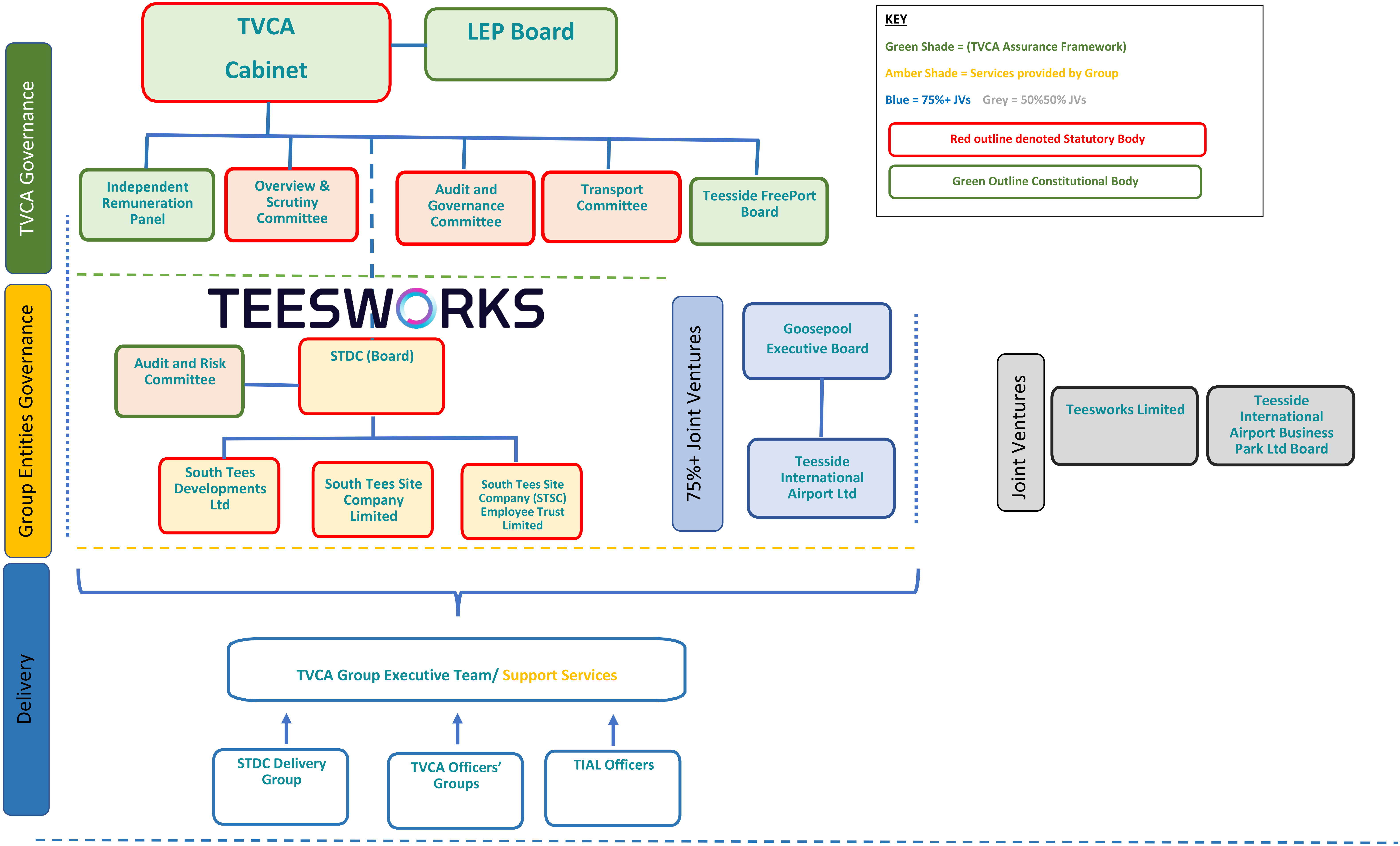
Standing Items

- Declarations of Interest
- Minutes from the Previous Meeting
- Action Tracker
- Group Update
- Open Audit Actions Report
- Internal Audit Progress Report
- External Audit Progress Report
- Forward Plan
- Date and Time of the Next Meeting

Municipal Year 2022/23 TBC

Planned Items to be scheduled in 2022/2023:

Date	**Venue**	**Items to be scheduled in year 2022/23**
[redacted]		
TBC	Teesside International Airport Business Suite	Members' Self Evaluation & Skills Audit Results Review Draft Group Assurance Framework



TVCA Governance
Group Entities Governance
Delivery
TVCA Cabinet
LEP Board
KEY
Green Shade = (TVCA Assurance Framework)
Amber Shade = Services provided by Group
Blue = 75%+ JVs Grey = 50%50% JVs
Red outline denoted Statutory Body
Green Outline Constitutional Body
Independent Remuneration Panel
Overview & Scrutiny Committee
Audit and Governance Committee
Transport Committee
Teesside FreePort Board
TEESWORKS
Audit and Risk Committee
STDC (Board)
South Tees Developments Ltd
South Tees Site Company Limited
South Tees Site Company (STSC) Employee Trust Limited
75%+ Joint Ventures
Goosepool Executive Board
Teesside International Airport Ltd
Joint Ventures
Teesworks Limited
Teesside International Airport Business Park Ltd Board
TVCA Group Executive Team/ Support Services
STDC Delivery Group
TVCA Officers' Groups
TIAL Officers