TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Audit & Governance Committee
Agenda

Date: Thursday 28th January 2021 at 10am

Venue: Under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 this meeting will take place via video link.

Membership:
Councillor Matthew Storey (Chair, Middlesbrough Borough Council)
Councillor Brenda Harrison (Vice Chair, Hartlepool Borough Council)
Councillor Paul Crudass (Darlington Borough Council)
Councillor Barry Woodhouse (Stockton-On-Tees Borough Council)
Councillor Peter Berry (Redcar and Cleveland Borough Council)
Jonny Munby (Independent Member)
Angus Kidd (Independent Member)
James Stewart (Independent Member)

AGENDA

1. **Apologies for Absence**

2. **Declarations of Interest**
   Attached

3. **Minutes of meeting held on 19th November 2020**
   Attached

4. **Action Tracker**
   Attached

5. **CEO Update including COVID 19 Update**
   Attached

6. **Corporate Risk Register**
   Attached

7. **Audit Completion Report – Update Letter**
   To Follow

8. **Annual Financial Statements 2019/2020**
   Attached

9. **Internal Audit - Progress Report**
   Attached

10. Internal Audit – Goosepool Financial Governance
Attached

11. Internal Audit – Project and Programme Activity
Attached

12. Forward Plan
Attached

13. Date and Time of Next Meeting:
TBC

Members of the Public - Rights to Attend Meeting
With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers. Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Laura Metcalfe, 07388 371543 or laura.metcalfe@teesvalley-ca.gov.uk

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.

<u>Procedures for Declaring Interests</u>

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.

<u>Sensitive Information</u>

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

Tees Valley Combined Authority (TVCA) Audit and Governance Committee

Thursday 19th November 2020 at 10.00am

Under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 this meeting took place via video link.

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

.

Attendees

Members
Councillor Matthew Storey (Middlesbrough Council)
Councillor Paul Crudass (Darlington Borough Council)
Councillor Lesley Hamilton (Substitute Member, Hartlepool Borough Council)
Councillor Barry Woodhouse (Stockton-on-Tees Borough Council)
Councillor Peter Berry (Substitute Member, Redcar & Cleveland Borough Council)
Paul Bury (Independent Member)
Jonny Munby (Independent Member)

Apologies for Absence
Councillor Sandra Smith (Redcar & Cleveland Borough Council)
Councillor Brenda Harrison (Hartlepool Borough Council)
Julie Gilhespie (Group Chief Executive, TVCA)
Peter Judge (Group Chief Legal Officer (Monitoring Officer), TVCA)

Officers
Gary Macdonald (Group Director of Finance & Resources, TVCA)
Laura Metcalfe (Governance Manager, TVCA)
Natalie Robinson (Group Risk Manager, TVCA)
Nicola Dean (Governance Support Officer, TVCA)
Neil Cuthbertson (Finance Manager, TVCA)

Also in Attendance
Gareth Roberts (Mazars – External Auditors)
Philip Church (RSM – Internal Auditors)
James Stewart (Observer ahead of appointment)
Angus Kidd (Observer ahead of appointment)

AGC 13/20	**APOLOGIES FOR ABSENCE** The Chair welcomed the Committee and noted the attendance of James Stewart and Agnus Kidd who have been recently been recruited as Independent Members of the Committee but were in attendance as observers at this meeting as their appointment had not yet been approved by TVCA Cabinet.

	Apologies for absence were submitted as detailed above.
AGC 14/20	**DECLARATIONS OF INTEREST** No declarations of interest were received.
AGC 15/20	**MINUTES OF MEETING HELD ON 21st JULY 2020** The minutes were agreed as a true record subject to correction of the misspelling of Jonny Munby's surname.
AGC 16/20	**ACTION TRACKER** Gary Macdonald provided updates on all outstanding actions, all of which are in hand. The Chair noted he was pleased to see the induction coming forward. Members requested: • Confirmation of the timescales for the induction and were advised that the proposed agenda would be shared be the Committee in December, with the induction taking place in the New Year. • That substitute members be invited to the induction. The Committee were advised that this would be the case.
AGC 17/20	**APPOINTMENT OF CHAIR & VICE CHAIR** Laura Metcalfe, TVCA Governance Manager invited nominations for the position of Committee Chair for the forthcoming civic year: • Councillor Matthew Storey was nominated by Councillor Paul Crudass, seconded by Councillor Barry Woodhouse. Laura Metcalfe, TVCA Governance Manager then invited nominations for the position of Committee Vice Chair for the forthcoming civic year. • Councillor Brenda Harrison was nominated by Councillor Paul Crudass, seconded by Councillor Barry Woodhouse. As Councillor Harrison was not present at the meeting, Laura Metcalfe informed the Committee she would seek confirmation of Councillor Harrison's willingness to accept this position prior to seeking Cabinet approval for her nomination.
AGC 18/20	**APPOINTMENT TO SOUTH TEES DEVELOPMENT CORPORATION, AUDIT & RISK COMMITTEE** The Committee took the view that this position should be fulfilled by the member representing Redcar & Cleveland Borough Council. The nomination is therefore Councillor Peter Berry.
AGC 19/20	**CEO UPDATE including COVID 19 UPDATE**

	In the absence of Julie Gilhespie, Group Chief Executive, Gary Macdonald, Group Director of Finance and Resources provided the committee with an overview of the various sections of the report covering and invited questions: • Teesworks • Culture & Tourism • Education, Employment & Skills • COVID 19 Response Update • TVCA Cabinet 27th November Members asked: • If the Teesworks remediation project is looking at underground obstructions as part of the demolition/remedial works. Members were advised that this is the case. • If there are things that TVCA could help with in relation to COVID funding gaps and if the 10 year investment plan priorities should be reviewed in light of COVID. Members were advised that the role of TVCA is around strategic, sustainable economic growth and the team are working to ensure a solid evidence base from engagement with business and sectors. TVCA has also put in place short term funding streams e.g. apprenticeships and sector specific support. A review of the TVCA Investment Plan forms part of the annual budget setting process. The Draft TVCA 2021/22 Budget is on the agenda at TVCA Cabinet on 27th November and this will open the budget for consultation. • What shape the team are in. The Committee were advised that it had undoubtedly been a tough period, as it has within local authorities however the team know they are supporting local people and know what they are here to do as public servants. There is more of a focus on forward planning activity to anticipate resource requirements as much as possible but note this is not always perfect as the Group activities are dynamic. Work has also been undertaken to improve business continuity before and during COVID. • If TVCA is aware of people or companies that are in this position. The Committee were informed that the focus of TVCA's recent survey was to understand how TVCA could assist with recovery in various sectors rather than if the support is reaching individual residents of businesses. Local authority colleagues have been working extremely hard to support businesses and individuals throughout the pandemic. **RESOLVED that: Members noted the report.**
AGC 21/20	**EXTERNAL AUDIT COMPLETION REPORT and VALUE FOR MONEY STATEMENT** Gareth Roberts, Mazars, provided an overview of the contents of the report. Members asked:

	• Whether having 2 sets of Auditors is a detriment to preparing and delivering accounts on time and if this could be a global arrangement in future. The Committee were informed that Auditors, Mazars, regularly work alongside others firm and generally find this beneficial as there is a spread of resource and that TVCA will reflect on the last year as a period of fast paced change. **RESOLVED that: Members noted the report.**
AGC 22/20	**ANNUAL FINANCIAL STATEMENTS 2019/20** Gary Macdonald gave the Committee an overview of the Annual Financial Statements. Members asked: • That a note be added to Note 10, Employee Remuneration, to explain the reason for duplication of posts listed in order to reduce possible confusion. The Committee were informed that the statements are produced in a prescribed format, however some context is appropriate where there appears to be duplication and the footnotes under each table provide this information. Gary Macdonald thanked Neil Cuthbertson, Finance Manager, for his work to get TVCA to this point in what have been very challenging and complex circumstances. **RESOLVED that: Members noted the Annual Financial Statement 2019/20.**
AGC 23/20	**CORPORATE RISK REGISTER** Gary Macdonald introduced Natalie Robinson, Group Risk Manager, who update at future meetings. Gary then provided an overview of the Corporate Risk Register. Members asked: • If the risks be listed in order of risk score i.e. red at the top? • What more could be done to mitigates the risks specifically relating to staff? The Committee were informed that the TVCA executive team are in daily contact with each other and with their own management teams, as well as regularly with all staff. This arrangement is in place across all directorates. There is also strong partnership working with local authority colleagues so TVCA are aware of any issues as they occur. Staff wellbeing and mental health have been a priority so an increased service for confidential employee support has been secured and communicated to staff. • Whether competence and probity should be listed as a risk in relation to executive officers and the elected Mayor? The Committee were informed that as well as the mitigations listed in relation to staff and fraud risks, TVCA ensures robust effectiveness of its policies/procedures. Additionally, a decision was made to

	bring the Group Monitoring Officer role (Group Chief Legal Officer) in house this year due to the complexity of organisation and the need for dedicated legal advice. Gary Macdonald, Group Director of Finance and Resources and Julie Gilhespie, Group Chief Executive, are appointed as group Statutory Officers. Alongside the Monitoring Officer all 3 Statutory Officer posts are work across the group and are continually reviewing the process of ensuring the resources reporting to them are charged to do what is needed to enable them to discharge their statutory functions. There is a 3 lines of defence model in place and work is underway on a new aligned group risk register. • Whether there will be a group assurance framework as well as a group risk register? The Committee were informed that officers are currently reviewing the effectiveness of the TVCA Assurance Framework as part of the normal annual cycle activity. This will consider the evolving Group structure and any necessary modifications required to the Assurance framework to accommodate it. Drafts will be available for the TVCA executive team in December will be brought forward to a future Committee meeting. Natalie Robinson, Group Risk Manager, then provided an update on the risk management work taking place across the group with the aim of driving consistency. Gary Macdonald thanked Natalie for the volume of work that has taken place in a relatively short period of time. **RESOLVED that: Members noted the Corporate Risk Register.**
AGC 24/20	**TREASURY MANAGEMENT STRATEGY MID YEAR UPDATE and YEAR END UPDATE** Gary Macdonald introduced the Treasury Management Strategy Mid Year Update and Year End Update. Members asked: • Why there is investment of the maximum permitted £15m in to 5 organisations as detailed in table 3, Treasury Investment Position, of the Mid Year Update? The Committee were informed the number of organisations with the required counterparty credit limits were moving all the time which creates issues in terms of meeting TVCA's strict requirements. These amounts are detailed in the report as at a point in time, but they change regularly. Investments are made based on a balance between security and interest rates and the advice from Treasury Management Advisors. • Whether the £30m borrowing detailed in table 5, Debt Limits, of the Mid Year Update, is high in comparison to previous years? The Committee were informed that there are plans in place for approximately £260m over next 10 years for TVCA and £200m for STDC. The total amount would still be under the maximum permitted of £770m. Borrowing is kept under regular review. **RESOLVED that: Members noted the reports.**

AGC 25/20	**INTERNAL AUDIT PROGRESS REPORTS** Philip Church updated the Committee on internal audit progress and two individual audits that have been completed recently. Members asked: • Where there was an instance that there wasn't a signed Contract Justification Form on record for a contract that was let, if this has been review retrospectively? The Committee were informed that this has been reviewed and the contract was let appropriately. **RESOLVED that: Members noted the reports.**
AGC 26/20	**FORWARD PLAN** The Committee were informed that the Forward Plan is up to date, and the next meeting is to take place in January to ensure the group Annual Financial Statements can be reviewed before they are presented to TVCA Cabinet.
AGC 27/20	**DATE OF NEXT MEETING** • Tuesday 19th January 2021 at 10:30am

ITEM 4

TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER –2020-21

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	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	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	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	Added to Forward Plan for forth coming year when available

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

AGENDA ITEM 5

REPORT TO THE TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE

28th JANUARY 2021

REPORT OF THE GROUP CHIEF EXECUTIVE

GROUP CHIEF EXECUTIVE'S 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 Committee notes the detail of the report.

DETAIL

TEESSIDE INTERNATIONAL AIRPORT

1. Teesside International Airport has secured a new summer service operated by TUI, the UK's biggest holiday company. TUI is set to return to the airport to offer weekly flights to Palma, Majorca, from summer 2022, with tickets on sale from 5th November.

2. The airport also secured a deal with Loganair, which is returning to the airport after it previously left in 2018. It will operate up to seven flights per week to Dublin and Belfast City, six flights per week to Aberdeen, three per week to Cornwall Airport Newquay and twice weekly to Jersey. Tickets are on sale now for all routes, with Aberdeen and Belfast City to commence 1 February 2021 and routes to Jersey, Newquay and Dublin set to begin from summer 2021.

3. The airport has also hit a major milestone in its 10-year turnaround plan by securing Ryanair as a low-cost carrier. Tickets are on sale now for its services to Alicante and Palma, Majorca, which will be flying from June 1 2021.

CULTURE AND TOURISM

4. The independent Cultural Industries and Visitor Economy Recovery Task Force, established by the Tees Valley Mayor in June, has now met three times, providing insights and guidance to shape the detail and delivery of the £1m sector-specific Recovery Programme.

5. As part of the Cultural Industries & Visitor Economy Recovery Programme, on 19th October, the Combined Authority launched a £350,000 grant fund for businesses in the culture sector. The Cultural Development & Innovation Fund will support businesses to build resilience by making step-changes in business activity with a view to diversifying income streams, protecting jobs and growing sustainability.

6. A second phase of Enjoy Tees Valley's 'Welcome Back' campaign activity, designed to drive resident and visitor engagement with hospitality and visitor sector businesses, launched in late August and ran for six weeks. The campaign was targeted within a 1-2hour drive time encompassing the North East and Yorkshire. Activity pushed out across digital and placed in key regional publications in print and online saw impressions of over 437,000. The short Welcome Back film alone received over 70,000 complete views on YouTube as well as featuring across social media and digital adverts, which received an impressive click through rate of over 6% (industry average is 2.5%). During the campaign period engagement on enjoyteesvalley.com converted to Things to do and Eating out content reflecting the campaign call to action. The campaign has been refined and re-targeted in response to changing local guidance and restrictions to ensure engagement with viable markets.

7. The National Lottery Heritage Fund and Arts Council England have approved an extension for the Tees Valley Great Place programme to enable live projects to adapt to the current climate and to ensure learning and best practice can be incorporated into the work of the Task Force. The extension has also enabled the development of a new programme which has been designed to respond to specific challenges faced by cultural venues and freelancers at this time. The Reconnecting Communities programme will enable the delivery of a series of pilot projects, testing new approaches for renewing audience/ visitor confidence and attendance. Artists / freelancers will be commissioned to deliver the projects.

EDUCATION, EMPLOYMENT AND SKILLS

8. The Combined Authority has received applications for Kickstart job placements from 159 businesses to create 501 placements. These are spread across the whole of the Tees Valley and across all sectors. We are awaiting final confirmation of the grant to be provided from the Department of Work & Pensions (DWP).

9. The successful Routes to Work programme has been extended by providing an additional £900,000 that will maintain the current level of provision through to March 2022. The eligibility criteria have also been widened to ensure more Tees Valley residents access the support they need.

10. The Combined Authority has now had confirmation of European Social Funding (ESF) to the tune of £1.9m that will deliver a new programme of Skills support to Tees Valley businesses. The Combined Authority has provided just under £1m in match funding for this project. The project will deliver through to December 2023.

RESEARCH, DEVELOPMENT, INNOVATION & ENERGY

11. Tees Valley has been announced as the UK's Hydrogen Transport Hub, this means large deployment of hydrogen vehicles across trains, port, HGV, and buses. The funding associated with this Hub is subject to the Comprehensive Spending Review, however. Department for Transport (DfT) have commissioned a report which will detail the scale of projects which will be delivered. The Combined Authority is working closely with DfT to scope the scale and ambition of the Hydrogen Transport Hub.

12. The Combined Authority has also submitted the planning application for the two hydrogen refuelling stations being built at MPI and TeesPort, the result of these is expected in November.

13. The North East Yorkshire and Humber Energy Hub, which is managed by the Combined Authority, will be awarded up to a fifth of a £300m fund to deliver energy efficiency upgrades to fuel poor households. The fund, which will be operational in 2021 and will run until March 2022, will provide grants to local authorities to deliver large scale housing retrofit programmes. The Combined Authority has been working with all the local authorities and Local Enterprise Partnerships in the North East Yorkshire and Humber and has submitted its strategy to deliver the funds to the Department for Business, Energy and Industrial Strategy (BEIS). This strategy has been shared with all the Local Authorities, and the final funding allocation to the Combined Authority is expected soon.

14. The Combined Authority has been successful in bidding for £1.18m from the European Regional Development Fund (ERDF) to deliver a £500,000 energy efficiency grant scheme and advice and guidance for Tees Valley SMEs. The programme, will provide grants to SMEs to install energy efficiency equipment, and also an intensive advice and guidance programme to provide independent advice to businesses helping them save energy and money. The support will run until May 2023.

15. Net Zero Teesside, in partnership with the Combined Authority and NEPIC, has submitted its £multi-million bid into the Industrial Strategy Challenge Fund. The outcome of this bid will be determined by the end of the year. Meanwhile the Combined Authority, with NEPIC and bp, have submitted an additional bid into this programme for a Net Zero Cluster Plan, the funding determinations have been made on this project and the outcomes will be made public in the coming weeks.

16. The Combined Authority partnered with Innovate UK to deliver an innovation week from 12th to 16th of October. The week was very successful with 488 businesses attending. Focused sessions were held on digital, bio-life sciences and clean growth, with speakers from Alstom, Cummins, Northern Rail, DfT, BEIS, bp, Animmersion, Double 11, Digital City, MPI, TWI, Fujifilm Diosynth, CPI, Teesside University, Jacobs, Cubic and many others.

BUSINESS GROWTH

17. The Combined Authority Business Investment team has commenced its work with the Department for International Trade (DIT) on a High Potential Opportunity (HPO)

proposition focused on the area's key strengths in Bio Economy manufacturing. The first workshop was held in October with sector specialists from DIT, UK Research and Innovation, alongside local stakeholders including Fujifilm Diosynth, Nepic, CPI, The Wilton Centre and Teesside University. The workshop focussed on the opportunities in Bio Pharmaceuticals, Bio Feedstocks and Fuels, and Bio Food manufacturing. The team will pull together a proposition based on Tees Valley's existing substantial manufacturing base, skills provision, infrastructure and innovation support. This will be marketed through DIT's network of overseas offices to promote the opportunity globally.

18. Demand for the Tees Valley Capital grant scheme remains strong following the approval of funding through the Combined Authority's Investment Plan funds. The £6m funding approvals to date aims to support private sector investment of over £41m of capital investment, creating and safeguarding over 650 jobs. The pipeline of applications includes expressions of interest for a further £5.115m of grant against project expenditure of £28.419m and 569 jobs. The grant panel is scheduled to meet again at the end of November to review the full applications received.

PLACE

19. In July 2020, the Ministry of Housing, Communities & Local Government (MHCLG) confirmed an allocation of £19.3m to support the development and delivery of at least 1,000 homes on Brownfield sites in Tees Valley over the Parliamentary term 2020-2025. With the agreement of our constituent local authorities, the Combined Authority has committed to delivering at least 1,000 and up to 1,800 homes. It is intended that the programme will contribute to the levelling up agenda, targeting funding to help ease the viability issues that brownfield projects face, alongside supporting wider economic development interventions.

20. 20 sites have initially been identified requesting over £30m, which have the potential to attract over £332m investment into Tees Valley, delivering 3,286 new homes. This would bring back into use 48 hectares of brownfield land that has stalled due to funding viability and low land values, making it commercially unattractive to develop.

21. There are currently eight housing schemes in the pipeline for year 1 (2020/21), which will commit £13.1m of our overall allocation (68%) and deliver 762 new homes. Year 1 delivery must start by March 2021 to enable the allocation of £4.7m to be spent and TVCA are currently working with local authorities to assess the value for money and deliverability of the year 1 schemes.

22. Local authorities are continuing to identify appropriate Brownfield sites and schemes demonstrating the highest additionality in terms of economic benefits will be prioritised. There will be an element of 'over programme' to reduce the delivery risk and prepare priority business cases to put us in a strong position to secure additional funding from the national programme should the opportunity arise.

COVID-19 RESPONSE UPDATE:

The Combined Authority continues to work closely with our partners to facilitate and deliver rapid responses to help businesses manage the immediate impact of the pandemic, whilst also planning for longer-term recovery.

We continue to act as regional collator of business and economic intelligence, providing local intelligence and economic analysis to ensure that government is aware of the impacts of the crisis on our economy and to help shape the national response.

We have made the following interventions to support businesses and residents manage the immediate impacts, in addition to those previously reported to the committee.

- Obtaining Cabinet approval to implement a free parking scheme in Tees Valley urban centres to encourage people to support local shops, cafés and businesses, as restrictions allow.
- Securing an additional £2m of funding from MHCLG for the Tees Valley Business Growth Fund. 312 expressions of interest and 139 applications have now been received with offers made to 50 businesses to the grant value of over £700K, with private sector match funding of almost £550K.
- The Combined Authority is continuing to provide support to SMEs who wish to create work placements for 16-24 years olds on Universal Credit under the DWP Kickstart scheme. 501 Job Placements at 159 businesses have been applied for so far in seven applications.
- The establishment of a Cultural Development and Innovation Fund to support creative sector enterprises adapt to new ways of working: 45 full applications have been received and are going through assessment.
- A Tees Valley Young Creatives Class of 2020 programme supporting recent graduates and school leavers looking to begin careers in the creative sector.
- As part of the Covid-19 recovery plan TVCA has been awarded £360k to support 24 cohorts of business owners in the Peer-to-Peer Network
- The Combined Authority has secured £597,308 of funding to ensure sufficient transport capacity to allow for children and young people to access school and college safely up from the November to December half-term. The Combined Authority has also secured a confirmed allocation of £1.72m for tranche 2 of the Emergency Active Travel fund supporting active transport infrastructure.

As the regional lead agency for economic development, we are continuing to develop an Economic Recovery Plan of proposed interventions for a more sustainable, resilient and stronger Tees Valley economy in the medium to long-term and to engage with government to secure the necessary resources to put the plan into action. The Recovery Plan is a 'live' document, which ensures that we are taking appropriate action in response to the economic impacts of Covid-19 to support our businesses and residents.

FINANCIAL IMPLICATIONS

23. There are no financial implications to this report.

LEGAL IMPLICATIONS

24. There are no legal implications to this report.

RISK ASSESSMENT

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

Name of Contact Officer: Julie Gilhespie
Post Title: Group Chief Executive
Telephone Number: 01642 528834
Email Address: Julie.gilhespie@teesvalley-ca.gov.uk

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

AGENDA ITEM 6

REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE

28th JANUARY 2021

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

CORPORATE RISK REGISTER

SUMMARY

This report presents the Tees Valley Combined Authority Corporate Risk Register as of January 2021. The risk register is reviewed on a regular basis by senior management and sets out the key corporate risks that have been identified.

RECOMMENDATIONS

It is recommended that Audit and Governance Committee consider the risk analysis as set out in Risk Register.

DETAIL

1. This report presents the Tees Valley Combined Authority Corporate Risk Register as of January 2021. The risk register is prepared in accordance with the Combined Authority Risk Management Framework and Group Risk Management approach which is reviewed on a regular basis by senior management. The risk register sets out the:

   - key corporate risks that have been identified;
   - type of risk e.g., legal, reputational, financial;
   - consequences if the risk is realised;
   - risk owner;
   - controls or actions in place to manage the risk;
   - risk score determined by probability and impact;
   - additional controls to be put in place and tracking implementation.

FINANCIAL IMPLICATIONS

2 There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

3. There are no direct legal implications arising from this report.

RISK ASSESSMENT

4. This content of this report is categorised as low to medium risk.

CONSULTATION

5. None required.

Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance and Resources
Email: gary.macdonald@teesvalley-ca.gov.uk
Telephone Number: 01642 527707

Risk								Control	Action plan	Review Date	Comments
Risk ID	Threat/Opportunity	Risk Summary	Risk Consequences	Inherent Risk Score (Oct 19)	Residual Risk Score	Target Score	Level 1 - Risk Director	Control Description	Treatment action plan		
C01	Threat	Failure to secure agreement on new future investment priorities. (INVESTMENT PLANNING)	• Delay in agreeing and approving projects to go into Investment Programme, potentially affecting spend • Impacts TVCA's reporting on progress to Government • Adverse effect on 5 year Government funding conversation and ability to bid successfully for other funding for projects • Failure to achieve SEP targets and outcomes • Reputational damage	10	10	6	Group Commercial Director/ Group Chief Executive	•TVCA Cabinet has overall responsibility for developing & delivery of SEP, Investment decisions and allocation of resources. • Proposals developed at early stage with Leaders & Mayor, LEP members, chief officers, partners and Government departments • Agreement to Investment Plan • Investment report on every Cabinet agenda as standing item • Additional EOIs reviewed as received • Oversight by TV Management Group • Quarterly performance reporting being developed • Ten Year Investment Plan 2019-29 agreed by Cabinet Jan19 • Assurance Framework agreed by Cabinet and submitted to Government - now adopted • New processes and delegations agreed and implemented • Investment Plan Review agreed at Cabinet January 2020	On-going dialogue with Mayor and Leaders on the Investment Plan review. Process under discussion for agreeing Culture programme, with a view to a report coming to Cabinet in November 2020.	Mar-21	•New Assurance Framework approved by Cabinet in March, along with Investment Plan Q3 Update. Transport Programme approved by Cabinet. Annual Investment Plan review pending as part of Business Planning process. Report on proposed Culture programme going to Cabinet November 20 15/12/2020 Approved at Cabinet November 20 - detailed programme now in development
C02	Threat	Impact of EU Exit including financial uncertainty and economic instability that affects national policy in relation to devolution and impact on ability to progress TVCA devolution strategy; in particular uncertainty on UK successor regime to ESIF funding (UKSPF) and the loss of Local Growth Funding. (FINANCIAL)	• Loss of funding for Tees Valley compared to previous ESIF position • Failure to maximise opportunities for funding for Tees Valley under replacement arrangements •Increased funding to address economic shocks • Need to mobilise support to businesses and communities •Reduced Inward Investment activity •Loss of key businesses •Loss of jobs • Increased deprivation	20	12	6	Group Chief Executive/Group Commercial Director	• Ongoing engagement with Leaders & Mayor, Chief Officers and Government departments • Continuation of focus on TVCA delivery of objectives and SEP • Secured ESIF guarantee from Government • Engagement with Government on future funding plans post Brexit, including tracking progress with development of proposed UK Shared Prosperity Fund • Action plan agreed for utilising remainder of ESIF funding • Working with partners on proposals for current open call (closing Aug19) •EU Exit Action Plan being prepared •Funding to support businesses being developed •Potential impacts being monitored •Joint LA and partner EU Exit group established •LEP/Growth Hub business intelligence gathering and business engagement being undertaken	• Liaison with other CAs/LEPs	Dec-20	Regular liaison with Government on progress with UK Shared Prosperity Fund. Internal process for external bid information recently strengthened and now subject to regular review by Directors. Checking central process for reallocation of ESIF funding taken back centrally by Government (July 2020). Still awaiting news of new UKSPF, due to COVID-19 delays
C03	Threat	Failure to secure sufficient additional resources to fund proposed activity. (FINANCIAL)	• Impacts ability to deliver SEP targets and outcomes • Reputational damage	12	12	6	Group Commercial Director/ Group Finance & Resources Director/Chief Executive	• Robust Budget, Investment Plan and Medium Term Financial Plan, Treasury Management Strategy 2020/21 to TVCA Cabinet March 2020 • Submission of high calibre bids for external funding • Identifying opportunities for efficiency and greater impact • Ongoing review of EZ income potential • Ongoing review of commercial potential of individual projects and TVCA borrowing potential/limits • Ten Year Investment Plan 2019-29 agreed (including funding plan) • Regular meetings between Mayor and Government Ministers • Progress with external funding bids reported quarterly to TVMG	• Investments identified in Local Industrial Strategy need to feed into Investment Plan and other external sources • Tightening up bidding process - approval to bid and actual bid sign off •Business Case development and submissions to Government • Funding bids to Government as part of economic recovery and levelling gup agenda •SQW gateway review for Devolution funding - comprehensive programme of activity and evidence available.	Mar-21	•TVCA bids submitted to ERDF Open Calls •Ongoing discussions with Government on specific projects and funding requirements •TVCA Directors met with Chief Secretary to the Treasury- Rishi Sunak, now Chancellor of the Exchequer, and Senior Govt Officials to discuss funding on 17th Jan 2020. •Internal process for external bid information recently strengthened and now subject to regular review by Directors. Agreed Culture Programme (Cabinet Nov 20) should facilitate future funding discussions e.g. Arts Council, HLF •Business Case and associated requested material submitted to Government for Offshore Wind. Continuing to press for for major transport projects - Transport Prospectus prepared to facilitate funding engagement with DfT. Additional funding of £183m secured from various Government sources since the last MTFP update. The November Cabinet have received full updates on the breakdown of these sums. Full details of UK Shared Prosperity Funding is still awaited from Central Government. The TVCA Investment Plan incorporates assumptions for post Brexit funding in this regard and TVCA are seeking to access the UKSPF pilot funding process which ha snow been released. This funding is in advance of the cessation of European funding which is scheduled to end March 2023. Future Transport funding ask of Government incorporated within transport prospectus agreed at Cabinet

C04	Threat	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 ongoing annual basis. (FINANCIAL)	• Not all planned transport projects can be delivered • Unable to deliver future pipeline of projects currently in development • Harder to leverage other funding • Reputational damage	12	12	6	Group Commercial Director/ Head of Transport	• Transport programme approved by Cabinet January 2020 • Programme shared with DfT • Reporting to DfT on progress with TCF spending/delivery • Ongoing liaison with DfT re specific projects e.g. New Tees Crossing, Darlington Northern Link Road, Darlington Station, Middlesbrough Station • Ongoing discussions with key partners e.g. Northern Rail, Train Operators, TfN & Highways England • Annual conversation with government - able to demonstrate good progress on delivery (Oct 2020) • Briefing The Mayor to lobby Government - discussions ongoing on specific project funding requirements • Transport Investment Prospectus approved by Cabinet 29/05/20 and shared with Government • High quality business cases in development across the programme		Mar-21	•Discussions ongoing on specific project funding requirements. DfT funding for further development of Darlington (£8.7m) and Middlesbrough (£2.45m) station projects secured June 2020. Seeking a decision to deliver by DfT on Darlington Station between July - Sept 2021. This would release the funding required to deliver the whole project. • Outline Business Case for new Tees Crossing re-submitted to Govt in Oct 2020 and working with Highways England on a transition plan. • Outline Business Case for Darlington Northern Link Road being developed for Jan 2021. • Additional funding secured through other funding pots, for example £9.65m for Middlesbrough Station from Getting Building Fund and £2.1m bid into Emergency Active Travel Fund Tranche 2 for cycling improvements (outcome of bid still awaited).
C06	Threat	Obligations undertaken by STDC have potential financial impact on TVCA	• Strain on TVCA funding availability • Potential effect on other TVCA funding programmes • Reputational damage	8	8	4	Group Director of Finance & Resources	• STDC Constitution requires significant financial matters to be referred to TVCA Cabinet • TVCA FD is also FD of STDC •Development of a STDC programme management structures • Aligning STDC reporting updates with TVCA •New STDC structure proposals to enhance operational capacity/capability	Securing successful CPO to consolidate land ownership and support comprehensive regeneration Manage any Judicial review submissions effectively with specialist legal advice (Both CPO confirmation stage and General vesting declaration stage)	Mar-21	Secured £71m Government funding from Treasury, supported by MHCLG/BEIS. Successful negotiations with SSI regarding CPO Objections CPO confirmed as successful in April 2020. Planning Inspector ruled final decision in STDC favour at CPO without any modifications. CPO confirmation notices made and first general vesting declaration for SSI land/assets issued. SSI / Thai Banks failed to meet deadline set for ratification of agreement. CPO continues as originally planned. Full Due Diligence activity of STSC conducted by TVCA Group legal and financial advisers ensuring that all potential issues are identified and mitigated. The financial model has an element predicated on the removal of the Upper Tier COMAH status from the site and subsequent cost reductions. Detailed activity is in progress to develop implementation plans n respect of this. The funding model is also predicated on the initial Government funded regeneration of the site leading to securing of leaseholders, with strong covenant strength, to enable funding of onward development of the site. All of the key funding and financial considerations associated with STDC have been reported to STDC Board and Cabinet. Any future funding requirements over and above those listed above would follow the normal Governance and Assurance processes set out in the STDC constitution as approved by Cabinet.
C07	Threat	Failure to provide sufficient capacity to deliver TVCA functions. (DELIVERY)	• Delays in terms of TVCA business being transacted, decisions being made and funding being defrayed • Potential loss of investment into Tees Valley • Delays in achieving SEP and Investment Plan outputs and outcomes • Potential effect on ability to bid credibly for additional funding • Key staff may decide to leave organisation • Reputational damage	12	12	3	Group Chief Executive	• Oversight by Senior Management Team •Reviews being implemented •Recruitment under way in key areas (e.g. AEB devolution) •Further reviews as part of annual medium term financial plan to go to January Cabinet •Implementation of reviews under way		Mar-21	New Chief Legal Officer recruited Sept 20 16/12/2020 Recruitment process for 3 x Creative Place Development Officers scheduled for December / January to ensure appropriate team capacity to deliver the new Creative & Visitor Economies programme.
C09	Threat	Failure to build and maintain relationships with key partners. (REPUTATIONAL)	• Potential impact on LEP and its operation • More difficult to maximise opportunities to access significant external funding which requires a partnering approach • Delays to agreement and delivery of Investment Programme • Risk to achievement of SEP targets and outcomes • Reputational damage	8	8	4	Group Chief Executive/ Senior Leadership Team	• Regular Cabinet meetings (including LEP Board members) •Regular portfolio holders meetings and briefings • Directors/Heads meeting LA officers regularly • MOU agreed with Teesside University • Regular liaison with other key partners e.g. CPI, MPI, TWI, Digital City • Regular liaison with other key government agencies (and others) e.g. Homes England, Highways England, HLF, Arts Council, BLF, TfN etc • Perception study undertaken •Work closely with M9, NP11 and other groupings		Mar-21	Draft SQW report received and under reviews, which focuses on this aspect of TVCA operation. Generally positive on this aspect. 15/12/2020 Tees Valley Management Group under review, with refresh planned of thematic groups which will now report up to it
C10	Threat	Uncertainty within the economy and/or the political environment (DELIVERY)	• Potential delay to agreement of TVCA priorities and approval of any additional funding • Potential delay in delivering SEP targets and outcomes • Reputational damage	12	12	3	Group Chief Executive	• Engagement with local MPs • Engagement with local authorities	• Engagement with national parties •Develop relationships with new MPs and Ministers	Mar-21	Ongoing discussions between Mayor and Government Departments

C11	Threat	Failure to pass the first Gateway Review. (FINANCIAL) See sub risks A & B below	• Inability to deliver Ten Year Investment Plan and strategic investments and achieve SEP outcomes • Increased workload/resources required to address issues • Risk to future funding of organisation • Significant reputational damage	10	10	4	Group Finance & Resources Director	• Bi-monthly meeting with Government officials and on-going dialogue • Assurance framework (monthly conversation with BEIS) • Internal Audit arrangements • Annual conversations with Government • Mayor meets with Government Ministers • Funding cannot progress to final approval unless it meets the Assurance Framework process. • Staff trained on the Assurance Framework to ensure it is being adhered to • Tees Valley baseline prepared by SQW • Evaluation plan agreed between SQW, Tees Valley & government •Internal Audit reviewing processes over last 12 months	• Quarterly reporting to Cabinet on Investment outputs and outcomes to be introduced • Annual Review to be undertaken •End to End process presentations to more teams in diary	Mar-21	Awaiting SQW "One Year Out" report. 15/12/2020 SQW Draft report received and currently under review in line with the agreed timetable. A report was taken to November 2020 Cabinet following the review activity. The full formal Gateway review report (including the submission of the SQW Gateway Review Report and the Tees Valley Complementary Report) has now been received and reported to Cabinet in November 2020. The report set out the positive progress made at this early stage of devolution. The report had four evidence reports supplementing the overview report. TVCA Group Executive are engaged with Government on the next stages of the process. The next steps will include a Cross-Whitehall Review and a Challenge Session. The challenge session has now been scheduled for 27 January 2021 with the TVCA senior management team. It is anticipated that there will be a final Ministerial decision on the next tranche of Investment Funds prior to the start of the financial year 2021-22.
C11-A	Threat	• Failure to deliver the existing pipeline of funding commitments and achieve targeted spend. (DELIVERY)	• Impacts TVCA's reporting on progress to Government • Adverse effect on 5 year Government conversation & ability to bid successfully for other funding • Failure to achieve SEP targets and outcomes • Reputational damage	10	10	4	Group Commercial Director/Group Finance & Resources Director	• Creation and utilisation of Advanced Funding to provide upfront investment in feasibility work • Programme monitoring and review • Assurance Process in place • Investment Plan Risk Register operational • Regular Investment Panel meetings • Regular liaison with BEIS • Monthly spend reviews in place • Ten Year Investment Plan 2019-29 agreed by Cabinet Jan19 • Revised Assurance Framework in place • Quarterly review of progress against internal business plan targets • Investment Plan delivery progress reported to Cabinet quarterly •Investment Plan Review was agreed at Cabinet January 2020. •Investment Plan Performance Report going to March 2020 Cabinet	Deliver TVCA Group structure implementation activity Deliver TVCA Group Business Intelligence procurement and implementation Deliver STDC Delivery Group Governance in line with Full Business Case Deliver TVCA Group monthly Performance Management reviews with Executive Team	Mar-21	Business planning process being strengthened, including regular in depth reviews by Directors of each team's performance against plan. Group Structure proposals for Senior Executive team approved by TVCA Cabinet Business Intelligence procurement in progress and scheduled to complete August 2020 with implementation Q3-Q4. The procurement of this activity has been extended to ensure all requirements are captured across the new Group. This has now completed in line with the updated timetable in December 2020 with phase 1 delivery scheduled for Q4. STDC Delivery Group established and operational. Full Terms of Reference and associated delegations approved by STDC Board. All operational groups have now been established and convened their first meetings to support the strategic STDC Delivery Group. Performance dashboards in development on legacy systems for Q1 reporting to Executive Team. Migration to Business Intelligence solution Q3-Q4. The migration is anticipated to be Q4. Performance dashboard information is containing to be uploaded and migrated onto the relevant software tools. TVCA Group Performance meetings now established and operational led by the CEO and Directors and incorporating all known updates across the Group from senior management.
C11-B	Threat	Failure to manage funding in order to deliver maximum value for money. (FINANCIAL)		8	8	4	Group Director of Finance & Resources	• Revised Assurance Framework approved by Cabinet on 13th March prior to submission to Government	• Review to ensure appropriate development, appraisal and assurance processes are operating effectively and efficiently • Staff briefing sessions on the whole process •Develop Governance toolkit for TVCA Group - single source of truth for staff	Mar-21	Business Intelligence procurement in progress and scheduled to complete August 2020 with implementation Q3-Q4* Governance Toolkit development commenced with implementation for Q3. Business case process kept under review, including VFM perspective. Draft SQW report received and under review TVCA Assurance Framework regularly reviewed and new Group Chief Legal Officer appointed to work alongside other statutory officers. *15/12/2020 Economic consultancy framework procurement planned. Demolition Framework in STDC part of the Group progressing to timetable Enabling procurement pipeline established and being updated/developed by the Procurement teams including the production of the procurement arm of the performance dashboard.
C12	Threat	Failure to detect fraud. (FINANCIAL)	• Loss of funds that cannot be recovered and applied to required spend objectives • Staff resources required to manage any instances • Reputational damage	10	10	4	Group Director of Finance & Resources	• Internal audit arrangements • External audit arrangements • Internal expenditure approvals process • Assurance Framework for Investment • Review of internal expenditure process undertaken • Staff induction process	Deliver TVCA Group Business Intelligence procurement and implementation	Mar-21	Regular monitoring of claims via Finance and Resources team each month currently. Risk based monitoring activity to be introduced to maximise effort on those areas of risk. TVCA Group Performance meetings will incorporate a regular assessment and review of activity across the Group each month. 15/12/2020 "Fit and proper person" form agreed for use in grant application process. Group Declaration of interest updated proforma completed and circulated Internal Audit plan reviewed by senior management and refined to reflect Group structure changes and any risk profile changes

C13	Threat	Failure to properly manage AEB Budget	• Reduction in availability of skills training in the region. •Financial impact on FE priorities •COVID impact on delivery and potential to deliver in the future New government initiatives in response to COVID undermine or directly compete with AEB programme New national skills programmes undermine the devolved AEB and could see future budget reductions. We await DfE announcements Budget secured until July21 Providers are struggling to keep to delivery plans due to COVID, regularly reviewing progress and in discussion with suppliers to keep plans realistic and achievable. Reduction of annual funding award is reduced thus constraining the continuation of current levels of learning	8	8	4	Director of Business & Skills	• TVCA Cabinet approves annual allocation • Monthly submissions by providers are monitored • Regular meetings with providers • Regular update to directors, Management Group & Cabinet •AEB now in second year - full monitoring and management in place •Rapid response to COIVD, suppliers paid on profile (not delivery - to ensure their survival) •Ensuring future delivery is against robust agreed plans monitor new government programmes and continue dialog with DWP and DfE on impacts Continue to work for full devolution Regular reviews with suppliers are being held and a full review looking at actual delivery verses planned delivery due at RO4 (Dec 2020) at which point any re-profiling of costs will be made	**CB 08/12/2020** **SLT consider performance at RO4 and consider payment implications for underperformance**	Jan-21	08/12/2020 Funding for A/Y 20/21 secure with an additional Uplift of £1.2m. Award for 21/22 due to be confirmed by DfE by end of Jan 21. Performance Report to SLT for consideration Dec 21.
C14	Threat	Failure to adequately communicate and explain the TVCA and Mayor functions and role may mean expectations are not managed. (REPUTATIONAL)	• Confusion is possible in terms of relations with partners, businesses and residents • Reputational damage	9	9	6	Group Marketing and Communications Manager	• Communications plan in place • Regular liaison with Mayor's office on Comms issues & opportunities • Communications Strategy agreed •Working with SBC and other Local Authorities to promote the Mayoral election to drive up voter registration and awareness •A marketing agency to augment and support this work could be appointed for the 2021 election		Mar-21	• Communications plan in place• Regular liaison with Mayor's office on Comms issues & opportunities• Communications Strategy agreed •Working with SBC and other Local Authorities to look at opportunities to raise awareness of the mayoral election to drive up voter registration and awareness •A marketing agency to augment and support this work could be appointed for the 2021 election
C15	Threat	Senior Officers leave the organisation. (DELIVERY)	• Insufficient senior resource to lead and manage the workload over a critical period • Delays to delivery of Investment Programme • Risk of not delivering against SEP targets and outcomes • Loss of confidence by Government funding departments • Resource not available to lead on funding bids • Reputational damage • Reduction in TVCA team morale	8	8	8	Chief Executive	• Regular SLT meetings • Regular management one to ones •Director of Finance & Resources appointed • Director Business & Skills appointed		Mar-21	The Cabinet have received a full update on the proposals for TVCA Group arrangements including senior management intention to review the capacity and capability required to service the Group going forward. This is schedule dot be delivered by the end of the financial year 2020/21. The senior management team has been strengthened further by the appointment of a Group Chief legal officer – Peter Judge who is also the statutory Monitoring Officer for TVCA Group.
C16	Threat	Failure to agree a Local Industrial Strategy with Government. (REPUTATIONAL)	• Failure or delay causes reputational damage • Potential impact on ability to bid for national funding • Potential impact on regeneration of STDC site • Potential impact on SEP delivery as a consequence	12	12	6	Group Chief Executive	• Detailed timetable in place for the Local Industrial Strategy is being undertaken • Partners to support development of Local Industrial Strategy identified • Engagement events held with key sectors in Jan19 • Thematic engagement events Feb19 • Workshops with LEP and Leaders May19 •Ongoing dialogue with Government on final draft with a view to publish before the national Budget	Deliver TVCA Group monthly Performance Management reviews with Executive Team. LIS progress being tracked by Executive Team.	Mar-21	The Tees Valley LIS hasn't yet been signed off by Government. Discussions with Government are to be revisited in the light of Covid 19, ensuring the LIS supports recovery and longer-term resilience. The Devolution & Recovery White Paper which was expected September 2020, but is currently delayed, may clarify the future position/actions required.
C19	Threat	Failure to operate TIAL successfully and turn around operation. (DELIVERY)	• Reputational damage • Increased financial liabilities (see C17) • Impact on economic growth potential	8	6	4	Chief Executive/Group Commercial Director	• Strategic partnership joint venture with Stobart Aviation • 5 year Business Plan agreed annually • Agreed governance arrangements • Monitoring & reporting to DTVAL & Goosepool Ltd Boards • TVCA oversight and Scrutiny via Cabinet and Overview & Scrutiny •Goosepool Executive Director overseeing TVCA investment		Mar-21	Covid 19 has significantly impacted TIAL operations. Amended business plan being prepared. 15/12/2020 Airport station redevelopment project on-going to enhance public transport connectivity. Airport project management/delivery capacity under review.
C20	Threat	More TVCA investment required for TIAL than is foreseen in Business Plan. (FINANCIAL)	• Increased financial liabilities • Impact on other projects/programmes	8	8	4	Chief Executive/Group Finance & Resources Director	• Strategic partnership joint venture with Stobart Aviation • 5 year Business Plan agreed annually • Agreed governance arrangements including Executive Meetings • Monitoring & reporting to DTVAL & Goosepool ltd Boards • TVCA oversight and Scrutiny via Cabinet and Overview & Scrutiny • Goosepool Executive Director overseeing TVCA investment	• Review of TIAL Business Plan 2020-21 in light of the impact of Covid-19 • Business Plan shared and developed with Directors •Business Plan parameters remain as existing Business Case values approved by Cabinet •Development of Southside proposals to support overall Airport Business Plans	Mar-21	•Business Plan under review •Development of Southside proposals to complement overall Airport infrastructure and to provide additional returns to support the Business Plan - deal completing July 2020 (duly completed). Covid 19 plan for reopening airport agreed and operational late June 2020. Amended Business Plan being prepared The Airport Business Plan has been presented to November 2020 Cabinet. The impact of Covid-19 on the Airline industry and specifically Teesside International Airport is being considered and will be reported back once full activities have been reviewed. The very latest information in respect of the new National lockdown measures will also need to be taken into consideration at the time of writing.

C21	Threat	Pandemic Illness Outbreak - Impact on organisation	Potential consequences of widespread national disruption include: Prolonged closure of offices. High levels of staff absenteeism - including senior staff.	25	15	5	Chief Executive/Senior Leadership Team	Existing Business Continuity Plans -including use of Microsoft Teams and secure tablets for all staff - were designed to address prolonged inaccessibility of Cavendish House, facilitate prolonged periods of home-working and to manage absence of senior staff members and high levels of staff absenteeism. Weekly SLT meetings to manage organisational impact of outbreak and to deploy/redeploy resources where required.	Regular liaison with government. Adaptations to ways of working and office space to deliver a safe socially-distanced working environment once a return to Cavendish House becomes viable. Daily communication from senior leaders.	Feb-21	TVCA has operated entirely remotely since late March 2020. Business Continuity Plans have proved robust and effective and the impact of the disruption on the operation of the organisation has been minimised, with staff rapidly adapting to new ways of working. Covid 19 plan for reopening airport agreed and operational late June 2020. The likelihood of the risk materialising has been mitigated by our approach to remote working, activity has continued to be delivered.
C22	Threat	Pandemic Illness Outbreak: Impact on delivery	Widespread national disruption and economic impact inhibits organisational ability to deliver on key projects and outcomes	25	15	5	Chief Executive/Senior Leadership Team	Response to current situation includes: Establishment of 24/7 Business Support Helpline. Launch of Buy Local Tees Valley website to connect local people with businesses and tradespeople that have remained open, or are operating differently, during the outbreak. Survey of 900 businesses to increase understanding of effects the pandemic and short, medium and long-term support required. Established project management process ensures progress of strategic projects.	Regular liaison with government. As we move towards the recovery phase, the Combined Authority is now developing approaches to support recovery and longer-term resilience of the Tees Valley economy and working with our partners to develop a package of targeted measures to help businesses impacted by the pandemic to recover quickly, to be resilient to future shocks and to help them grow.	Feb-21	Covid 19 plan for reopening airport agreed and operational late June 2020. Commissioned economic modelling work through VIVID to developed a economic model to understand effect specifically in the Tees Valley economy and to model the impact of any potential interventions Developing economic stimulus packages through VIVID work. Launch support for apprenticeships, SME's, Culture and have new funds coming on line for SME support in July. Planning for growth, secured funds to increase SME intervention rate for SME growth from 33% to 50%, Work up inward investment proposals to continue regeneration - especially around offshore wind energy, SSI, life science etc. Ensure the TV bid into all relevant government growth incentives The teesworks site has measures in place to keep the site safe whilst maintaining operational delivery on projects. Strict COVID controls have been implemented to ensure government guidance is implemented across site, to reduce the spread of the virus.

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

AGENDA ITEM 8

REPORT TO THE TEES VALLEY AUDIT AND GOVERNANCE COMMITTEE

28th JANUARY 2021

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

ANNUAL FINANCIAL STATEMENTS 19/20

SUMMARY

To present to Members of Audit and Governance Committee the unaudited Group Financial Statements for 2019/20.

RECOMMENDATIONS

It is recommended that the Audit and Governance Committee note the Annual Financial Statements.

DETAIL

1. The Authority is required to produce an Annual Statement of Accounts that sets out the financial position for that period. The accounts are prepared in accordance with all relevant prescribed guidance, Codes of Practice and Reporting Standards.

2. The Accounts and Audit Regulations (England) 2015 came into effect on 1st April 2015. The regulations change the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement.

3. In line with this revised guidance issued by Government the inspection notice and draft accounts were published on the Combined Authority website, during this time the public have the right to examine the accounts, question the auditor and to make objections

4. The attached Group Statement of Accounts represent the latest position of the financial statements. The audits for each of the individual entities that form the group are in final stages of completion and the figures from these individual accounts have been consolidated into the attached group accounts.

5. The Group Auditors, Mazars LLP, will commence the audit of the consolidated group accounts imminently. Once this has been completed an update will be provided to the Committee outlining any amendments that have been actioned, and in addition to this the audit completion report will be presented to the Committee upon completion.

FINANCIAL IMPLICATIONS

6. None

LEGAL IMPLICATIONS

7. None

CONSULTATION & COMMUNICATION

8. The draft accounts were published on the Combined Authorities website on 27th July 2020. During this period the public can examine the accounts, question the auditor and to make objections.

Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance & Resources
Telephone Number: 01642 527707
Email Address: gary.macdonald@teesvalley-ca.gov.uk

CONTENTS

Narrative Report

Introduction
Welcome to the Tees Valley Combined Authority Group's Annual Statement of Accounts for 2019/20. 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 2019/20. 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.

Narrative Report

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 website www.southteesdc.com

Achievements in Year

2019/20 was only the fourth 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. 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 £84million on programmes, projects, grant schemes and development funding for future projects.
- In August 2019 the Combined Authority took control of the devolved Adult Education Budget to the value of £29.4million per year.
- October 2019 saw an ambitious programme of business support and funding measures approved by the Combined Authority Cabinet which allocated £30million of funds set aside in the Investment Plan for Business Growth. The programme, which commenced in January, will leverage other external funds alongside TVCA investment to provide local businesses with a single point of entry to the range of business support, funding and finance options available to them regardless of business size, sector or nature of need.
- In January 2020 the Combined Authority approved the Strategic Transport Plan which provides the framework for future investment in transport across Tees Valley through the Integrated Transport Programme. This committed £39million to deliver a wide range of transport projects and programmes to build on the previous approvals of £127million from the Transport theme in the Investment Plan.
- Within the Investment Plan £20million was allocated to Research, Innovation & Energy and in January 2020 the Innovation Programme was approved by Cabinet which allocated £19million to a range of programmes to be delivered by 2024.
- During the year South Tees Development Corporation began compulsory purchase order proceedings for land within the Corporations land boundaries and on 29th April 2020 the judgement was found in the Corporations favour without any modifications. This will allow the Corporation to acquire the land from the other main landowner plus any other remaining smaller landowners.
- At Teesside International Airport a number of new routes have been secured during the year as the airport delivers the 10 year turnaround plan. In December 2019 the Combined Authority Cabinet approved investment into the land on the Southside of the runway which will deliver the infrastructure required to unlock a business park development to be delivered in conjunction with a private sector partner.

Narrative Report

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. Any financial impact of COVID-19 on the group will be reflected within 2020/21 financial statements.

The Combined Authority responded to the COVID-19 outbreak by establishing a call centre to support local businesses affected by the disruption and has continued to support partners who are delivering projects and programmes within the investment plan.

The impact of the outbreak on the Development Corporation was also minimised and work has continued on the site and behind the scenes to progress the redevelopment throughout.

As we progress to the recovery stage the Combined Authority and Development Corporation will have a significant role to play in driving the region's economic revitalisation, which may involve the re-evaluation of long-term plans in light of altered circumstances. This re-evaluation will be conducted in conjunction with our established governance framework.

Due to COVID-19, Teesside International Airport (TIA) ceased commercial flights on 25th March, 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. With the national lockdown reintroduced on 5th January 2021, TIA has reduced its commercial flying program to cater for essential workers only.

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. Flights for essential workers have continued where practicable, and TIA's contract with Cobham Aviation Services for military flights has continued throughout the pandemic.

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.

Narrative Report

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.
• the transition of the South Tees Site Company (STSC) to STDC.

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.

Narrative Report

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.

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.

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 £61.5million. During the year the Authority has generated £470k 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 £4.52million on the Local Government Pension Scheme as at 31st March 2020. 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.

Group Movement in Reserves Statement for the year ended 31 March 2020

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.

(Restated)	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 2018/19									
Balance at 1 April 2018 brought forward	48,419	46,507	**94,926**	(2,270)	**92,656**	3,849	**96,505**	-	**96,505**
Balance at acquisition DTVA - 15 February 2019	-	-	**-**	-	**-**	-	**-**	1,786	**1,786**
Balance at share issue of Goosepool Group 15 March 2019	-	-	**-**	-	**-**	1,344	**1,344**	(1,344)	**-**
Total Comprehensive Income and Expenditure	(6,887)	-	**(6,887)**	282	**(6,605)**	(6,220)	**(12,825)**	(502)	**(13,327)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	14,086	(13,591)	**495**	(495)	**-**	-	**-**	-	**-**
Increase/Decrease in Year	7,199	(13,591)	**(6,392)**	(213)	**(6,605)**	(4,876)	**(11,481)**	(60)	**(11,541)**
Balance at 31 March 2019 carried forward	55,618	32,916	**88,534**	(2,483)	**86,051**	(1,027)	**85,024**	(60)	**84,964**
Re-Allocation of Subsidiary Reserves	(3,068)	2,509	**(559)**	(468)	**(1,027)**	1,027	**-**	-	**-**
Group Reserves	**52,550**	35,425	**87,975**	(2,951)	**85,024**	-	**85,024**	(60)	**84,964**
General Fund analysed over:									
Amounts earmarked (Note 8)	51,266								
Amounts uncommitted	1,284								
Total General Fund Balance 31 March 2019	52,550								
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	14,401	-	**14,401**	(827)	**13,574**	(2,963)	**10,611**	(1,256)	**9,355**
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	(2,963)	10,611	(1,256)	9,355
Balance at 31 March 2020 carried forward	58,316	43,614	**101,930**	(3,332)	**98,598**	(2,963)	**95,635**	**(1,316)**	**94,319**
Re-Allocation of Subsidiary Reserves	(4,858)	2,716	**(2,142)**	(821)	**(2,963)**	2,963	**-**	-	**-**
Group Reserves	**53,458**	46,330	**99,788**	(4,153)	**95,635**	-	**95,635**	(1,316)	**94,319**
General Fund analysed over:									
Amounts earmarked (Note 8)	52,078								
Amounts uncommitted	1,380								
Total General Fund Balance 31 March 2020	**53,458**								

TVCA Movement in Reserves Statement for the year ended 31 March 2020

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Movement in reserves during 2018/19						
Balance at 1 April 2018 brought forward	48,419	-	46,507	**94,926**	(2,270)	**92,656**
Total Comprehensive Income and Expenditure	(6,887)	-	-	**(6,887)**	282	**(6,605)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	14,086	-	(13,591)	**495**	(495)	**-**
Increase/Decrease in Year	**7,199**		**(13,591)**	**(6,392)**	**(213)**	**(6,605)**
Balance at 31 March 2019 carried forward	**55,618**		**32,916**	**88,534**	**(2,483)**	**86,051**
Amounts earmarked (Note 8)	54,656					
Amounts uncommitted	962					
Total General Fund Balance at 31 March 2019	**55,618**					
Movement in reserves during 2019/20						
Balance at 1 April 2019 brought forward	55,618	-	32,916	**88,534**	(2,483)	**86,051**
Total Comprehensive Income and Expenditure	5,933	-	-	**5,933**	(827)	**5,106**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(8,635)	-	8,189	**(446)**	446	**-**
Increase/Decrease in Year	**(2,702)**	**-**	**8,189**	**5,487**	**(381)**	**5,106**
Balance at 31 March 2020 carried forward	**52,916**	**-**	**41,105**	**94,021**	**(2,864)**	**91,157**
General Fund analysed over:						
Amounts earmarked (Note 8)	51,858					
Amounts uncommitted	1,058					
Total General Fund Balance at 31 March 2020	**52,916**					

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

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

2018/19		(Restated)		2019/20		
£000s	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
9,425	(4,461)	**4,964**	Business Growth	12,663	(11,335)	**1,328**
14,709	(14,166)	**543**	Research Development Innovation & Energy	2,897	(2,600)	**297**
5,347	(2,075)	**3,272**	Education Employment & Skills	22,139	(22,066)	**73**
4,626	(1,375)	**3,251**	Culture	2,260	(1,977)	**283**
29,596	(19,095)	**10,501**	Transport	48,419	(47,935)	**484**
4,823	(483)	**4,340**	Enabling Infrastructure	2,294	(2,057)	**237**
4,020	(1,468)	**2,552**	Project Development	691	(244)	**447**
7,852	(6,266)	**1,586**	Core Running Costs	14,812	(10,478)	**4,334**
16,756	(16,756)	**-**	Concessionary Fares	16,569	(16,636)	**(67)**
1,567	-	**1,567**	SSI Related Schemes Not in the Investment Plan	130	-	**130**
1,250	-	**1,250**	Place	-	-	**-**
-	(12,460)	**(12,460)**	Not Directly Attributable to Themes	273	(427)	**(154)**
99,971	**(78,605)**	**21,366**	**Cost Of Services**	**123,147**	**(115,755)**	**7,392**
			Financing and Investment Income and Expenditure:			
-	-	-	Interest payable and similar charges	153	-	153
205	(160)	**45**	Net interest on the net defined benefit liability/asset	248	(198)	50
-	(760)	**(760)**	Interest receivable and similar income	-	(783)	(783)
-	-	-	Income & costs and changes in fair value relating to investment properties	-	(1,621)	(1,621)
			Taxation and Non-Specific Grant Income:			
-	(119)	**(119)**	Taxation	5	-	5
-	-	**-**	Non-ringfenced government grants	-	-	-
-	(6,922)	**(6,922)**	Capital grants and contributions	-	(15,693)	(15,693)
100,176	**(86,566)**	**13,610**	**(Surplus) or Deficit on Provision of Services**	**123,553**	**(134,050)**	**(10,497)**
			(Surplus) or deficit on revaluation of non current assets			-
		(283)	Re-measurements of the defined benefit liability			1,143
		-	Other (gains) and losses			-
		(283)	**Other Comprehensive Income and Expenditure**			**1,143**
		13,327	**Total Comprehensive Income and Expenditure**			**(9,354)**
		258	*(Surplus) or Deficit on Provision of Services - minority interest share*			*1,277*

TVCA Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

2018/19				2019/20		
£000s	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
9,425	(4,461)	**4,964**	Business Growth	14,657	(11,429)	**3,228**
14,709	(14,166)	**543**	Research Development Innovation & Energy	2,897	(2,600)	**297**
5,347	(2,075)	**3,272**	Education Employment & Skills	22,139	(22,066)	**73**
4,626	(1,375)	**3,251**	Culture	2,260	(1,977)	**283**
21,562	(18,116)	**3,446**	Transport	35,624	(31,195)	**4,429**
3,858	(10)	**3,848**	Enabling Infrastructure	-	-	**-**
3,893	(1,341)	**2,552**	Project Development	268	(244)	**24**
4,995	(4,396)	**599**	Core Running Costs	5,338	(4,200)	**1,138**
16,756	(16,756)	**-**	Concessionary Fares	16,569	(16,636)	**(67)**
1,567	-	**1,567**	SSI Related Schemes Not in the Investment Plan	130	-	**130**
1,250	-	**1,250**	Place	-	-	**-**
-	(12,460)	**(12,460)**	Not Directly Attributable to Themes	273	(427)	**(154)**
87,988	**(75,156)**	**12,832**	**Cost Of Services**	**100,155**	**(90,774)**	**9,381**
			Financing and Investment Income and Expenditure:			
-	-	-	Interest payable and similar charges	154	-	154
204	(158)	**46**	Net interest on the net defined benefit liability/asset	240	(190)	50
-	(1,015)	**(1,015)**	Interest receivable and similar income	-	(3,018)	(3,018)
			Taxation and Non-Specific Grant Income:			
-	-	**-**	Non-ringfenced government grants	-	-	-
-	(4,976)	**(4,976)**	Capital grants and contributions	-	(12,500)	(12,500)
88,192	**(81,305)**	**6,887**	**(Surplus) or Deficit on Provision of Services**	**100,549**	**(106,482)**	**(5,933)**
		(282)	Re-measurements of the defined benefit liability			827
		-	Other (gains) and losses			-
		(282)	**Other Comprehensive Income and Expenditure**			**827**
		6,605	**Total Comprehensive Income and Expenditure**			**(5,106)**

Group & TVCA Balance Sheet as at 31 March 2020

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by TVCA and by the Group. The net assets of the Authority and Group (assets less liabilities) are matched by the reserves held by the Authority and Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority and 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 Authority and 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	**Group**	**TVCA**	Group (Restated)	Group	TVCA
		31 March 2020 £000s	**31 March 2020 £000s**	31 March 2019 £000s	31 March 2019 £000s	31 March 2019 £000s
Non-current assets						
Property, plant and equipment	6	25,945	-	26,210	27,310	-
Investment property	6	7,102	-	5,388	5,388	-
Intangible assets	6	18,317	-	19,388	19,388	-
Long Term Debtors	12	9,783	69,078	8,582	8,582	60,766
Total non-current assets		61,147	69,078	59,568	60,668	60,766
Current assets						
Short term investments		-	-	27,500	27,500	27,500
Inventories		193	-	196	196	-
Debtors	13	16,195	18,582	15,475	15,475	13,630
Cash and Cash Equivalents	14	75,538	62,652	5,034	5,034	1,657
Total current assets		91,926	81,234	48,205	48,205	42,787
Current liabilities						
Short Term Borrowing		(857)	(857)	-	-	-
Grant Receipts In Advance	21	(8,727)	(8,727)	(5,959)	(5,959)	(5,959)
Short Term Creditors	15	(11,603)	(16,491)	(9,886)	(9,886)	(9,213)
Total current liabilities		(21,187)	(26,075)	(15,845)	(15,845)	(15,172)
Long term liabilities						
Long Term Creditors	16	(1,512)	-	(2,512)	(2,512)	-
Long Term Borrowing	16	(29,143)	(29,143)	-	-	-
Other Long Term Liabilities	16 & 23	(4,515)	(3,937)	(2,512)	(2,512)	(2,330)
Provisions	16	(2,397)	-	(1,940)	(1,940)	-
Total long term liabilities		(37,567)	(33,080)	(6,964)	(6,964)	(2,330)
Net Assets:		**94,319**	**91,157**	84,964	86,064	86,051
Reserves						
Usable reserves:						
General Fund Balance		1,380	1,058	1,284	1,284	962
P&L Reserve	8	(9,094)	-	(5,214)	(4,479)	-
Earmarked General Fund Reserves	8	61,172	51,858	56,480	56,480	54,656
Capital Grants Unapplied		46,330	41,105	35,425	35,425	32,916
		99,788	94,021	87,975	88,710	88,534
Unusable Reserves:						
Pensions Reserve	16 & 23	(4,515)	(3,937)	(2,512)	(2,512)	(2,330)
Minority Interest		(1,316)	-	(60)	305	-
Capital Adjustment Account	9	529	1,224	(273)	(273)	-
Accumulated Absences Account		(167)	(151)	(166)	(166)	(153)
		(5,469)	(2,864)	(3,011)	(2,646)	(2,483)
Total Reserves:		**94,319**	**91,157**	84,964	86,064	86,051

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

Chair Tees Valley Combined Authority Cabinet
Date

Group & TVCA Cash Flow Statement For The Year Ended 31 March 2020

The Cash Flow Statement shows the changes in cash and cash equivalents of TVCA and the Group during the reporting period. The statement shows how the Authority and 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 Authority and 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 Authority and 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 2019/20 £000s**	**TVCA 2019/20 £000s**	Group 2018/19 (Restated) £000s	TVCA 2018/19 £000s
Net (surplus) or deficit on the provision of services		**(10,497)**	**(5,933)**	13,610	6,887
Adjustments to net surplus or deficit on the provision of services for non-cash movements:					
Depreciation, impairment and amortisation of non current assets		(1,998)	-	(6,632)	-
Revaluation Gains / (Losses)		1,091			
Pension Fund adjustments		(908)	(780)	(613)	(561)
Adjustment for balances at date of Acquisition			-	108	
Increase/(Decrease) in Inventories (Stock)		(3)	-	(37)	-
Increase/(Decrease) in Revenue Debtors	13	720	4,952	8,548	8,348
(Increase)/Decrease in Revenue Creditors	15	(1,717)	(7,278)	(8,411)	(9,797)
(Increase)/Decrease in Grants Received in Advance		(2,768)	(2,768)		
(Increase)/Decrease in Long Term Creditors		1,000		-	-
(Increase)/Decrease in Borrowing	22	(30,000)	(30,000)		
(Increase)/Decrease in Provisions		(457)	-	119	-
Increase/(Decrease) in Long Term Debtors	12	1,201	8,312	2,134	54,318
		(33,839)	**(27,562)**	(4,784)	52,308
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		(40,416)	(37,700)	(18,695)	(17,111)
		(40,416)	**(37,700)**	(18,695)	(17,111)
Net cashflow from operating activities		**(84,752)**	**(71,195)**	**(9,869)**	**42,084**
Investing activities					
Purchase of short term and long term investments		161,500	161,500	55,000	55,000
Purchase of property, plant and equipment, investment property and intangibles		1,332	-	11,273	-
Purchase of Teesside Airport		-	-	39,793	
Proceeds from short term and long term investments		(189,000)	(189,000)	(92,500)	(92,500)
Other receipts from investing activities		40,416	37,700	18,695	17,111
Net cashflow from investing activities		**14,248**	**10,200**	32,261	(20,389)
Net (increase) or decrease in cash and cash equivalents		**(70,504)**	**(60,995)**	22,392	21,695
Cash and cash equivalents at the beginning of the reporting period		**(5,034)**	**(1,657)**	**(27,426)**	**(23,352)**
Cash and cash equivalents at the end of the reporting period	14	**(75,538)**	**(62,652)**	(5,034)	(1,657)
The cashflow for operating activities includes the following items:					
Interest received		**(549)**	**(547)**	**(687)**	**(687)**
Interest paid		**-**	**-**	**-**	**-**

Note 1: Group Structure

During 2019/20 there have been no changes to the group structure, the details of group entities are 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).
- On 14th March 2019 the TVCA shareholding in the company reduced to 75% with 25% shareholding taken by Stobart Aviation. Following the change in the structure TVCA has maintained control over the organisation and will recognise the organisation as a subsidiary within the group financial statements.
- 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.
- A 10 year business plan was developed which discussed the options relating to both the core functions of the airport - passenger numbers and logistical support - and the wider co-locational activities, relating to maximising the economic impact of the airports associated property offering.
- 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.

2018/19		(Restated)		2019/20		
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**
4,514	450	**4,964**	Business Growth	6,652	(5,324)	**1,328**
454	89	**543**	Research Development Innovation & Energy	2,310	(2,013)	**297**
1,953	1,319	**3,272**	Education Employment & Skills	20,538	(20,465)	**73**
1,323	1,928	**3,251**	Culture	1,879	(1,596)	**283**
7,185	3,316	**10,501**	Transport	14,286	(13,802)	**484**
599	3,741	**4,340**	Enabling Infrastructure	(132)	369	**237**
5,637	(3,085)	**2,552**	Project Development	666	(219)	**447**
4,291	(2,705)	**1,586**	Core Running Costs	3,199	1,135	**4,334**
-	-	**-**	Concessionary Fares	-	(67)	**(67)**
-	1,567	**1,567**	SSI Related Schemes Not in the Investment Plan	-	130	**130**
-	1,250	**1,250**	Place	-	-	**-**
12,468	(24,928)	**(12,460)**	Not Directly Attributable to Themes	282	(436)	**(154)**
38,424	**(17,058)**	**21,366**	**Net Cost Of Services**	**49,680**	**(42,288)**	**7,392**
(38,675)	30,919	(7,756)	Other Income and Expenditure	(49,709)	31,820	(17,889)
(251)	**13,861**	**13,610**	Surplus or Deficit	**(29)**	**(10,468)**	**(10,497)**
(1,033)			**Opening General Fund Balance**	**(1,284)**		
(251)			Less/Plus Surplus or (Deficit)	**(29)**		
-			Movements (To)/From Other Reserves	**(67)**		
(1,284)			**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 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	(7,603)	**(5,324)**
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	(15,862)	**(13,802)**
Enabling Infrastructure	369	-	-	**369**
Project Development	-	38	(257)	**(219)**
Core Running Costs	530	639	(34)	**1,135**
Concessionary Fares	-	-	(67)	**(67)**
SSI Related Schemes Not in the Investment Plan	-	-	130	**130**
Place	-	-	-	**-**
Not Directly Attributable to Themes	-	-	(436)	**(436)**
Net Cost Of Services	5,210	810	(48,308)	**(42,288)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(15,693)	50	47,463	**31,820**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(10,483)	860	(845)	**(10,468)**

Adjustments between Funding and Accounting Basis 2018/19 (Restated)				
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	1,692	9	(1,251)	450
Research Development Innovation & Energy	341	6	(258)	89
Education Employment & Skills	3,217	33	(1,931)	1,319
Culture	3,156	21	(1,249)	1,928
Transport	3,381	-	(65)	3,316
Enabling Infrastructure	3,843	-	(102)	3,741
Project Development	1,687	-	(4,772)	(3,085)
Core Running Costs	635	496	(3,836)	(2,705)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	3	1,564	1,567
Place	1,250	-	-	1,250
Not Directly Attributable to Themes	-	-	(24,928)	(24,928)
Net Cost Of Services `	**19,202**	**568**	**(36,828)**	**(17,058)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(6,922)	46	37,795	30,919
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**12,280**	**614**	**967**	**13,861**

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	Group (Restated)
	2019/20	2018/19
	£000s	£000s
Expenditure		
Employee benefits expenses	10,224	6,466
Other services expenses	112,936	93,505
Interest payments	393	205
Total Expenditure	**123,553**	100,176
Income		
Fees, charges and other service income	(11,877)	(1,547)
Interest and investment income	(2,602)	(920)
Government grants and contributions	(119,571)	(83,980)
Taxation	-	(119)
Total Income	**(134,050)**	(86,566)
(Surplus) or Deficit on the Provision of Services	**(10,497)**	13,610

Segmental Income

Income received on a segmental basis is analysed below:

	Group	Group
	2019/20	2018/19
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	-	-
Research Development Innovation & Energy	(26)	-
Education Employment & Skills	(6)	(3)
Culture	(1)	(16)
Transport	(6,721)	(982)
Enabling Infrastructure	-	-
Project Development	-	-
Core Running Costs	(5,123)	(546)
SSI Related Schemes Not in the Investment Plan	-	-
Place	-	-
Not Directly Attributable to Themes	-	-
Total income analysed on a segmental basis	**(11,877)**	(1,547)

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.

2018/19				2019/20		
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**
4,514	450	**4,964**	Business Growth	6,652	(3,424)	**3,228**
454	89	**543**	Research Development Innovation & Energy	2,310	(2,013)	**297**
1,953	1,319	**3,272**	Education Employment & Skills	20,538	(20,465)	**73**
1,323	1,928	**3,251**	Culture	1,879	(1,596)	**283**
1,109	2,337	**3,446**	Transport	9,715	(5,286)	**4,429**
10	3,838	**3,848**	Enabling Infrastructure	-	-	**-**
5,637	(3,085)	**2,552**	Project Development	666	(642)	**24**
2,607	(2,008)	**599**	Core Running Costs	2,517	(1,379)	**1,138**
-	-	**-**	Concessionary Fares	-	(67)	**(67)**
-	1,567	**1,567**	SSI Related Schemes Not in the Investment Plan	-	130	**130**
-	1,250	**1,250**	Place		-	**-**
12,468	(24,928)	**(12,460)**	Not Directly Attributable to Themes	282	(436)	**(154)**
30,075	**(17,243)**	**12,832**	**Net Cost Of Services**	**44,559**	**(35,178)**	**9,381**
(30,076)	24,131	(5,945)	Other Income and Expenditure	(44,588)	29,274	(15,314)
(1)	**6,888**	**6,887**	Surplus or Deficit	**(29)**	**(5,904)**	**(5,933)**
(961)			**Opening General Fund Balance**	**(962)**		
(1)			Less/Plus Surplus or (Deficit)	**(29)**		
-			Movements (To)/From Other Reserves	**(67)**		
(962)			**Closing General Fund Balance at 31 March 2020**	**(1,058)**		

Note 2: Expenditure & Funding Analysis TVCA

Notes to the Expenditure and Funding Analysis: TVCA

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	(7,346)	**(5,286)**
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	-	-	(436)	**(436)**
Net Cost Of Services	4,311	730	(40,219)	**(35,178)**
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	1,505	**(5,904)**

Adjustments between Funding and Accounting Basis 2018/19				
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	1,692	9	(1,251)	450
Research Development Innovation & Energy	341	6	(258)	89
Education Employment & Skills	3,217	33	(1,931)	1,319
Culture	3,156	21	(1,249)	1,928
Transport	3,381	-	(1,044)	2,337
Enabling Infrastructure	3,843	-	(5)	3,838
Project Development	1,687	-	(4,772)	(3,085)
Core Running Costs	-	442	(2,450)	(2,008)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	3	1,564	1,567
Place	1,250	-	-	1,250
Not Directly Attributable to Themes	-	-	(24,928)	(24,928)
Net Cost Of Services `	**18,567**	**514**	**(36,324)**	**(17,243)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,976)	46	29,061	24,131
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**13,591**	**560**	**(7,263)**	**6,888**

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:

	2019/20	2018/19
	£000s	£000s
Expenditure		
Employee benefits expenses	6,117	5,080
Other services expenses	94,038	82,908
Interest payments	394	204
Total Expenditure	**100,549**	88,192
Income		
Fees, charges and other service income	(129)	(50)
Interest and investment income	(3,208)	(1,173)
Government grants and contributions	(103,145)	(80,082)
Total Income	**(106,482)**	(81,305)
(Surplus) or Deficit on the Provision of Services	**(5,933)**	6,887

Segmental Income

Income received on a segmental basis is analysed below:

	2019/20	2018/19
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	0	0
Research Development Innovation & Energy	(26)	(3)
Education Employment & Skills	(6)	(16)
Culture	(1)	(3)
Transport	(83)	0
Enabling Infrastructure	0	0
Project Development	0	0
Core Running Costs	(13)	(28)
SSI Related Schemes Not in the Investment Plan	0	0
Place	0	0
Not Directly Attributable to Themes	0	0
Total income analysed on a segmental basis	**(129)**	(50)

Note 3: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted (TVCA and Group)

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:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015–2017 Cycle. IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, IAS 23 Borrowing Costs. The adoption of these updates standard is not expected to have a material impact on the Authority's financial statements.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. The adoption of this standard is not expected to have a material impact on the Authority's financial statements.

Note 4: Critical Judgements in Applying Accounting Policies (TVCA and Group)

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.
- IAS36 states that 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. Amortisation is carried out on a systematic basis over the useful lives of the intangible assets. Management has used its judgement in classifying the useful life of the Goodwill in Goosepool to be finite (10 years) based on the business plan to turn around the performance of the airport.
- 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 (TVCA and Group)

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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Pension Liabilities**:- The pension fund external valuers have stated that their valuations as at 31 March 2020 have been reported on the basis of 'material valuation uncertainty' in relation to directly owned property and pooled investment property vehicles and consequently, less certainty and a higher degree of caution should be attached to their valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, they have recommended that the valuation of the directly held properties is kept under frequent review, which is currently undertaken each quarter. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuations cannot be relied upon. The statement is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties that – in the extraordinary circumstances that applied at the valuation date – less certainty can be attached to the valuation than would otherwise be the case. The Group and Authority's share of the Pension Fund assets are reflected in the accounts as set out in note 23 on pension disclosures.
- **Property Plant & Equipment:-** Within the Group entities valuations have been provided amidst the economic uncertainty created as a result of the Covid-19 and thus valuations have been reported subject to a Material Valuation Uncertainty clause. 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 (Group) 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 (Restated)	12,000	149	1,831	12,549	**26,529**
Additions	30	113	1,060	-	**1,203**
Revaluation	(530)	-	-	-	**(530)**
Disposals	-	-	(14)	-	**(14)**
As at 31 March 2020	11,500	262	2,877	12,549	**27,188**
Depreciation					
As at 1 April 2019	-	-	(319)	-	**(319)**
Additions	-	-	-	-	**-**
Depreciation Charge	-	(18)	-	-	**(18)**
Impairments	-	-	(907)	-	**(907)**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2020	-	(18)	(1,226)	-	**(1,244)**
Net Book Value					
As at 1 April 2019 (Restated)	12,000	149	1,512	12,549	26,210
As at 31 March 2020	**11,500**	**244**	**1,651**	**12,549**	**25,944**

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 (Group) Investment Properties

	£000s
Cost	
As at 1 April 2019	5,388
Additions	323
Revaluation	1,391
Disposals	-
As at 31 March 2020	7,102
Depreciation	
As at 1 April 2019	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2020	-
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 (Group)

	£000s
As at 1 April 2019	19,388
Additions	-
Amortisation	-
Impairment	(1,071)
As at 31 March 2020	**18,317**

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.

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 6: Tangible Fixed Assets (Group) Plant, Property and Equipment - Restated

During the year a review of the land acreage identified as surplus assets took place. The result of this review identified an error in the previous calculation of land deemed to be surplus which has resulted in a reduction of the 2018/19 NBV by £1.1 million. The below table sets out the restated position.

	Land & Buildings	Fixtures & Fittings	Assets Under Construction	Surplus Assets	TOTAL
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Cost					
As at 1 April 2018	-	-	-	-	**-**
Additions	12,273	149	1,831	12,549	**26,802**
Revaluation	(273)	-	-	-	**(273)**
Disposals	-	-	-	-	**-**
As at 31 March 2019	12,000	149	1,831	12,549	**26,529**
Depreciation					
As at 1 April 2018	-	-	-	-	**-**
Additions	-	-	-	-	**-**
Depreciation Charge	-	-	-	-	**-**
Impairments	-	-	(319)	-	**(319)**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2019	-	-	(319)	-	**(319)**
Net Book Value					
As at 1 April 2018	-	-	-	-	-
As at 31 March 2019	**12,000**	**149**	**1,512**	**12,549**	**26,210**

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.
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.
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 GVA Grimley Ltd and has informed the revalued figure shown in the accounts. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

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. At 31 March 2019 an independent valuation was received from NATS Holdings Ltd to determine the current valuation of the Radar and has informed the revalued figure shown in the accounts.

Note 6: Tangible Fixed Assets (Group) Investment Properties

	£000s
Cost	
As at 1 April 2018	-
Additions	5,388
Revaluation	-
Disposals	-
As at 31 March 2019	5,388
Depreciation	
As at 1 April 2018	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2019	-
Net Book Value	
As at 1 April 2018	-
As at 31 March 2019	**5,388**

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. All investment properties have been professionally valued by JK Property Consultants LLP as at 31 March 2019

Note 6: Intangible Fixed Assets (Group)

	£000s
As at 1 April 2018	-
Additions	24,768
Amortisation	(413)
Impairment	(4,967)
As at 31 March 2019	**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.

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

Group

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	812	-	-	(812)
Adjustments involving the Accumulated Absences Adjustment Account	1	-	-	(1)
Total Adjustments	**(10,894)**	**-**	**10,905**	**(11)**

2018/19	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	-			-
Adjustments involving the Capital Grants Unapplied Account	12,007	-	(12,007)	-
Adjustments involving the Pensions Reserve	743	-	-	(743)
Adjustments involving the Accumulated Absences Adjustment Account	(56)	-	-	56
Total Adjustments	**12,694**	**-**	**(12,007)**	**(687)**

TVCA

2019/20	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving statutory provision for the financing of capital investment	(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**

2018/19	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Grants Unapplied Account	13,591	-	(13,591)	-
Adjustments involving the Pensions Reserve	561	-	-	(561)
Adjustments involving the Accumulated Absences Adjustment Account	(66)	-	-	66
Total Adjustments	**14,086**	**-**	**(13,591)**	**(495)**

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 2019/20.

Group

Earmarked Reserves	Balance at 31 March 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	3,880	-	9,094
Total Revenue Reserves	**(51,266)**	**8,521**	**(9,333)**	**(52,078)**

Earmarked Reserves (Restated)	Balance at 1 April 2018 £000s	Transfers Out 2018/19 £000s	Transfers In 2018/19 £000s	Balance at 31 March 2019 £000s
Revenue Reserves				
Development Pot	(1,939)	909	-	(1,030)
Investment Fund	(31,386)	1,308	(13,155)	(43,233)
SSI	(16,988)	4,771	-	(12,217)
P&L Reserve	-	5,214		5,214
Total Revenue Reserves	**(50,313)**	**12,202**	**(13,155)**	**(51,266)**

TVCA

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)	845	(731)	(41,295)
SSI	(12,217)	564	(67)	(11,720)
Concessionary Fares	-	-	(67)	(67)
Total Revenue Reserves	**(54,656)**	**2,439**	**(865)**	**(53,082)**

Earmarked Reserves	Balance at 1 April 2018 £000s	Transfers Out 2018/19 £000s	Transfers In 2018/19 £000s	Balance at 31 March 2019 £000s
Revenue Reserves				
Development Pot	(1,939)	909	-	(1,030)
Investment Fund	(28,531)	277	(13,155)	(41,409)
SSI	(16,988)	4,771	-	(12,217)
Total Revenue Reserves	**(47,458)**	**5,957**	**(13,155)**	**(54,656)**

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
Group and TVCA

	GROUP	
	2019/20	**2018/19**
	£000s	**£000s**
Balance at 1 April 2019	(273)	-
Revaluation Losses on non current assets	(530)	(273)
Revenue expenditure funded from capital under statute	34,415	51,940
	33,885	51,667
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	(29,618)	(30,716)
Application of grants to capital financing from the Capital Grants Unapplied Account	(4,788)	(18,929)
Statutory provision for the financing of capital investment charged against the General Fund	1,332	-
Capital expenditure charged against the General Fund balance	(9)	(2,295)
	(33,083)	(51,940)
Balance at 31 March 2020	**529**	**(273)**

	TVCA	
	2019/20	**2018/19**
	£000s	**£000s**
Balance at 1 April 2019	-	-
Revenue expenditure funded from capital under statute	33,831	51,564
	33,831	51,564
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	(29,511)	(30,702)
Application of grants to capital financing from the Capital Grants Unapplied Account	(4,311)	(18,567)
Statutory provision for the financing of capital investment charged against the General Fund	(1,224)	-
Capital expenditure charged against the General Fund balance	(9)	(2,295)
	(35,055)	(51,564)
Balance at 31 March 2020	**(1,224)**	**-**

Note 10: 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 £38,374 which consisted of £36,592 Mayoral Allowance and £1,782 travel and subsistence (2018/19 £38,406).
The Chair of the Local Enterprise partnership, Paul Booth, sits on TVCA Cabinet and during the year he was re-imbursed £4,704 in relation to accommodation and travel costs incurred whilst representing TVCA (2018/19 £3,406).

Note 11: Employee remuneration (TVCA)

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

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 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.
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.

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.

Note 11: Employee remuneration (TVCA)

Remuneration of Senior Employees 2018/19						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefits in kind £**	**Total Remuneration excluding pension contributions 2018/19 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2018/19 £**
Chief Executive	46,359	246	-	**46,605**	7,371	**53,976**
Managing Director	42,994	1,245	-	**44,239**	6,836	**51,075**
Interim Managing Director	71,012	771	-	**71,783**	11,291	**83,074**
Strategy Director	91,044	672	-	**91,716**	14,476	**106,192**
Investment Director	90,520	483	-	**91,003**	14,476	**105,479**
Business Director	91,044	896	-	**91,940**	14,476	**106,416**
Director of Finance	14,877	-	-	**14,877**	2,365	**17,242**
Head of Skills Education & Employment	76,997	99	-	**77,096**	12,243	**89,339**
Head of Culture & Tourism	76,997	-	-	**76,997**	12,243	**89,240**
Head of Transport	73,221	-	-	**73,221**	7,141	**80,362**
Head of Comms & Marketing	76,997	802	-	**77,799**	12,243	**90,042**
Head of Homes & Communities	76,997	-	-	**76,997**	12,243	**89,240**
TVCA TOTAL	829,059	5,214	-	**834,273**	127,404	**961,677**

TVCA - In July 2018 the Managing Director left his post and interim arrangements were put in place with the Finance Director taking on the role on Interim Managing Director. In December this interim arrangement ended and the Managing Director post was replaced by a Chief Executive post, with the Interim Managing Director filling this post. The Finance Director post has been vacant since the above interim arrangements were put in place with the previous Head of Homes & Communities taking on the role of Head of Finance & Resources. The Head of Transport role has been vacant since December. All other posts have been in post for the full year.

STDC - The Chief Executive was employed by the South Tees Site Company, a Government ran organisation responsible for the safety, security and upkeep of the former SSI site. The postholder left the role in September 2018 and no recharge took place for his salary.
The Senior Non Executive Director deputised for the CEO from that date.
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 Director of Finance salary is recharged to STDC by TVCA and in 2018/19 this amounted to £11,461.
Goosepool - As a result of Goosepool only forming part of the group for six weeks of the year there are no material items to disclose.

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:

	TVCA		**Group**	
Remuneration Summary Salary Range	**Number of Employees 2019/20**	**Number of Employees 2018/19**	**Number of Employees 2019/20**	**Number of Employees 2018/19**
£50,001 - £55,000	2	1	6	2
£55,001 - £60,000	1	1	4	2
£60,001 - £65,000	1	-	2	-
£65,001 - £70,000	1	-	1	-
£70,001 - £75,000	1	-	1	-
£75,001 - £80,000	2	-	2	-
£80,001 - £85,000	-	-	-	-
£85,001 - £90,000	-	-	-	-
£90,001 - £95,000	-	-	-	-
£95,001 - £100,000	-	-	-	-
£100,001 - £105,000	-	-	-	-
£125,001 - £130,000	-	-	-	-
£130,001 - £135,000	-	-	-	-
£135,001 - £140,000	-	-	-	-

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 12: Long Term Debtors

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Central Government	-	-	-	-
Local Government	6,154	17,369	6,570	17,785
Other entities and individuals	3,629	51,709	2,012	42,981
	9,783	**69,078**	**8,582**	**60,766**

Note 13: Debtors

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Central Government	3,794	2,316	6,233	6,016
Local Government	5,942	12,838	6,589	6,589
Other entities and individuals	6,459	3,428	2,653	1,025
	16,195	**18,582**	**15,475**	**13,630**

Note 14: Cash and Cash Equivalents

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Bank and Imprests	14,038	1,152	(1,966)	(5,343)
Cash Equivalents	61,500	61,500	7,000	7,000
	75,538	**62,652**	**5,034**	**1,657**

Note 15: Short Term Creditors

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Central Government	(353)	(269)	(6,138)	(103)
Local Government	(1,543)	(12,973)	(3,881)	(7,057)
Other entities and individuals	(9,707)	(3,249)	(5,826)	(2,053)
	(11,603)	**(16,491)**	**(15,845)**	**(9,213)**

Note 16: Other Long Term Liabilities

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Net pensions liability	(4,515)	(3,937)	(2,512)	(2,330)
Long Term Creditors	(1,512)	-	(2,512)	-
Long Tem Borrowing	(29,143)	(29,143)	-	-
Deferred Tax Provision	(1,380)	-	(1,333)	-
Other Provisions	(1,017)	-	(607)	-
	(37,567)	**(33,080)**	**(6,964)**	**(2,330)**

Note 17: Related Party Transactions (Group)

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.

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**

2018/19	**Income Received £000s**	**Expenditure £000s**
Stockton On Tees Borough Council	4,451	6,157
Middlesbrough Borough Council	4,636	7,285
Redcar & Cleveland Borough Council	5,156	10,166
Hartlepool Borough Council	2,427	7,127
Darlington Borough Council	3,235	3,190
Total	**19,905**	**33,925**

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**

As at 31 March 2019 the below balances were held in the groups balance sheet in respect of the constituent authorities.

2018/19	**Long Term Debtors £000s**	**Short Term Debtors £000s**	**Short Term Creditors £000s**
Stockton On Tees Borough Council	-	369	752
Middlesbrough Borough Council	3,240	311	2,938
Redcar & Cleveland Borough Council	-	2,183	200
Hartlepool Borough Council	100	1,810	107
Darlington Borough Council	3,230	1,128	339
Total	**6,570**	**5,801**	**4,336**

Note 17: Related Party Transactions (TVCA)

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 2019/20 is shown in Note 10. During 2019/20, 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.

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**

2018/19	Income Received £000s	Expenditure £000s
South Tees Development Corporation Group	65	-
Goosepool 2019 Group	255	-
Total	**320**	**-**

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

2019/20	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	48,080	94	-
Total	**59,295**	**9,950**	**13,200**

2018/19	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
South Tees Development Corporation Group	11,215	94	2,561
Goosepool 2019 Group	40,969	-	-
Total	**52,184**	**94**	**2,561**

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.

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**

2018/19	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,451	6,150
Middlesbrough Borough Council	4,636	7,285
Redcar & Cleveland Borough Council	5,156	10,135
Hartlepool Borough Council	2,427	7,127
Darlington Borough Council	3,235	3,111
Total	**19,905**	**33,808**

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**

As at 31 March 2019 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	-	369	752
Middlesbrough Borough Council	3,240	311	2,937
Redcar & Cleveland Borough Council	-	2,183	169
Hartlepool Borough Council	100	1,810	107
Darlington Borough Council	3,230	1,128	331
Total	**6,570**	**5,801**	**4,296**

Note 18: External Audit Costs (TVCA and Group)

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:

	Group 2019/20 £000s	**TVCA 2019/20 £000s**	Group 2018/19 £000s	TVCA 2018/19 £000s
Fees payable to Mazars LLP with regard to external audit services	43	23	50	29
Fees payable to MHA Tait Walker with regard to external audit services	35	-	30	-
	78	**23**	80	29
Rebate from Public Sector Audit Appointments Ltd	*(3)*	*(3)*		

In addition to the above fees paid to MHA Tait Walker, £7k other fees were paid for Taxation compliance services provided.

Note 19: Leases (TVCA and Group)

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	**2019/20 £000s**	2018/19 £000s
Not later than one year	152	152
Later than one year & not later than five years	608	608
Later than five years	266	418
	1,026	1,178

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 £195k.
At the end of 2019/20 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	**2019/20 £000s**	2018/19 £000s
Not later than one year	391	445
Later than one year & not later than five years	687	516
Later than five years	815	857
	1,893	1,818

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 £257k.
At the end of 2019/20 TVCA did not grant any leases.

Note 20: Capital Expenditure and Financing (TVCA and Group)

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

	GROUP	
	31 March 2020	31 March 2019 (Restated)
	£000s	£000s
Opening Capital Financing Requirement	**40,698**	**-**
Capital investment		
Purchase of Airport	-	40,200
Plant, Property & Equipment	1,203	11,215
Revenue expenditure funded from capital under statute	34,415	51,940
Loans for Capital Investment	1,702	5,174
Sources of Finance		
Government grants and other contributions	(35,327)	(65,436)
Sums set aside from revenue:		
Direct revenue contributions	(261)	(2,395)
Minimum Revenue Provision (MRP)	(1,332)	0
Closing Capital Financing Requirement	**41,098**	**40,698**

	TVCA	
	31 March 2020	31 March 2019 (Restated)
	£000s	£000s
Opening Capital Financing Requirement	**40,698**	**-**
Capital investment		
Revenue expenditure funded from capital under statute	33,831	51,564
Loans for Capital Investment	1,702	56,589
Sources of Finance		
Government grants and other contributions		-
	(33,822)	(65,060)
Sums set aside from revenue:		
Direct revenue contributions	(9)	(2,395)
Minimum Revenue Provision (MRP)	(1,224)	0
Closing Capital Financing Requirement	**41,176**	**40,698**

Note 21: Grant Income (TVCA and Group)

The Authority and Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

	Group	**TVCA**	Group	TVCA
	2019/20	**2019/20**	2018/19	2018/19
	£000s	**£000s**	£000s	£000s
Credited to Taxation and Non Specific Grant Income				
Local Growth Fund	234	234	-	-
Transforming Cities Fund	12,266	12,266	2,921	2,921
National Productivity Investment Fund	-	-	1,555	1,555
DfT Local Majors	-	-	500	500
South Tees Development Corporation Prairie Site	3,193	-	1,946	-
Total	**15,693**	**12,500**	6,922	4,976
Credited to Services				
Adult Education Budget	15,936	15,936	285	285
AGE	1	1	-	-
BEIS Local Energy Capacity Support	405	405	294	294
BEIS Growth Hub	246	246	246	246
BEIS Rural Community Energy Fund	123	123	-	-
DECC - City Deal / Carbon	-	-	33	33
Devolution	15,000	15,000	15,000	15,000
DfT Access Fund	1,022	1,022	1,109	1,109
DfT Local Majors	-	-	-	-
DWP Routes To Work	2,053	2,053	1,157	1,157
ERDF Business Compass	4,451	4,451	4,196	4,196
ESFA Apprenticeship	-	-	5	5
ESIF Technical Assistance	23	23	25	25
EU Exit Preparation Fund	104	104	-	-
Heat Network District Unit	147	147	70	70
HLF Great Places	460	460	521	521
Homeless Veterans Fund	91	91	-	-
LEP Core	500	500	500	500
Local Growth Fund	9,182	9,182	13,708	13,708
Local industrial Strategy	138	138	20	20
Local Transport Plan	13,930	13,930	13,943	13,943
Mayoral Capacity Funding	1,000	1,000	1,000	1,000
MCA Funding	-	-	199	199
National Productivity Investment Fund	5,050	5,050	1,719	1,719
Pothole Action Fund	534	534	253	253
Skills Analysis	25	25	-	-
South Tees Development Corporation OPEX	3,000	-	2,000	-
South Tees Development Corporation Prairie Site	107	-	14	-
Transforming Cities Fund	734	734	1,079	1,079
	74,262	**71,155**	57,376	55,362

Capital and Revenue Grants Receipts in Advance

	Group	**TVCA**	Group	TVCA
	2019/20	**2019/20**	2018/19	2018/19
	£000s	**£000s**	£000s	£000s
Adult Education Budget	2,642	2,642	18	18
BEIS Local Energy Capacity Support	1,113	1,113	933	933
DfT Access Fund	29	29	-	-
DWP Routes To Work	2,658	2,658	2,210	2,210
EU Exit Preparation Fund	250	250	91	91
Heat Network District Unit	44	44	191	191
Homeless Veterans Fund	-	-	91	91
Local Industrial Strategy	241	241	180	180
One Public Estates	136	136	136	136
Opportunity North East	4	4	-	-
Pothole Action Fund	-	-	534	534
Rural Community Energy Fund	1,560	1,560	1,500	1,500
Skills Analysis Panel	50	50	75	75
Total	**8,727**	**8,727**	5,959	5,959

Note 22: Financial Instruments (Group)

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 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 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	9,783	8,582	87,470	46,360
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**9,783**	8,582	**87,470**	46,360

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

	Long Term		**Short Term**	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(29,143)	(1,000)	(11,803)	(15,271)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(29,143)**	(1,000)	**(11,803)**	(15,271)

Note 22: Financial Instruments (Group)

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 2020.

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 2020		31 March 2019	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	74,893	74,893	29,157	29,157
Loans to Subsidiaries	3	-	-	-	-
Loans To Local Authorities	3	6,570	6,570	9,745	9,745
Loans To Companies	3	3,720	3,720	2,013	2,013
Other Short Term Assets*	N/A	12,070	12,070	14,027	14,027
Total Financial Assets		**97,253**	97,253	**54,942**	54,942
Recorded on Balance Sheet as:-					
Long Term Debtors		9,783		8,582	
Short Term Debtors		12,577		17,203	
Long Term Investments		-		-	
Short Term Investments		-		27,500	
Cash and Cash Equivalents		74,893		1,657	
Total Financial Assets		**97,253**		**54,942**	

* 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 2020		31 March 2019	
		£000s	**£000s**	£000s	£000s
Long Term PWLB Loans	2	30,000	(32,970)	-	-
Other Short Term Liabilities*	N/A	10,946	10,946	16,271	
Total Financial Liabilities		**40,946**	(22,024)	**16,271**	-
Recorded on Balance Sheet as:-					
Short Term Creditors		10,946		15,271	
Short Term Borrowing		857		-	
Long Term Creditors		-		1,000	
Long Term Borrowing		29,143		-	
Total Financial Liabilities		**40,946**		**16,271**	

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

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

Note 22: Financial Instruments (Group)

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.

	2019/20		2018/19	
	Long Term	Short Term	Long Term	Short Term
Credit Rating	**£000s**	**£000s**	**£000s**	**£000s**
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	37,500	-	-
A+	-	19,000	-	14,000
A	-	-	-	-
A-	-	-	-	500
Unrated Local Authorities	-	5,000	-	20,000
Total financial assets	**-**	**61,500**	-	34,500

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 2020, 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:

	2019/20	2018/19
	£000s	£000s
Increase in interest receivable on variable rate investments	(152)	(150)
Impact on (Surplus) or Deficit on the Provision of Services	**(152)**	(150)

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 22: Financial Instruments (TVCA)

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 £8.8 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 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	69,078	60,766	81,012	41,920
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**69,078**	60,766	**81,012**	41,920

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

	Long Term		Short Term	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(29,143)	-	(16,990)	(14,916)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(29,143)**	-	**(16,990)**	(14,916)

Note 22: Financial Instruments (TVCA)

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 2020.

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 2020		31 March 2019	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	62,006	62,006	29,157	29,157
Loans to Subsidiaries	3	59,295	59,295	52,183	52,183
Loans To Local Authorities	3	6,571	6,571	9,745	9,745
Loans To Companies	3	3,720	3,720	2,013	2,013
Other Short Term Assets*	N/A	18,498	18,498	9,588	9,588
Total Financial Assets		**150,090**	150,090	**102,686**	102,686
Recorded on Balance Sheet as:-					
Long Term Debtors		69,078		60,766	
Short Term Debtors		19,006		12,763	
Long Term Investments		-		-	
Short Term Investments		-		27,500	
Cash and Cash Equivalents		62,006		1,657	
Total Financial Assets		**150,090**		**102,686**	

* 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 2020		31 March 2019	
		£000s	**£000s**	£000s	£000s
Long Term PWLB Loans	2	(30,000)	(32,970)	-	-
Other Short Term Liabilities*	N/A	(16,133)	(16,133)	(14,916)	(14,916)
Total Financial Liabilities		**(46,133)**	(49,103)	**(14,916)**	(14,916)
Recorded on Balance Sheet as:-					
Short Term Creditors		(16,133)		(14,916)	
Short Term Borrowing		(857)		-	
Long Term Creditors		-		-	
Long Term Borrowing		(29,143)		-	
Total Financial Liabilities		**(46,133)**		**(14,916)**	

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

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

Note 22: Financial Instruments (TVCA)

Credit Risk: Treasury Investments

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

	2019/20		2018/19	
	Long Term	**Short Term**	**Long Term**	**Short Term**
Credit Rating	**£000s**	**£000s**	**£000s**	**£000s**
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	37,500	-	-
A+	-	19,000	-	14,000
A	-	-	-	-
A-	-	-	-	500
Unrated Local Authorities	-	5,000	-	20,000
Total financial assets	**-**	**61,500**	-	34,500

Liquidity Risk

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:

	2019/20	2018/19
	£000s	£000s
Increase in interest payable on variable rate borrowings		-
Increase in interest receivable on variable rate investments	(152)	(150)
Impact on (Surplus) or Deficit on the Provision of Services	**(152)**	(150)

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: Defined Benefit Pension Schemes (Group)

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

Guaranteed Minimum Pension (GMP) and McCloud Judgement
At 31 March 2019 the group did not make any amendments for the potential impact of GMP and the McCloud Judgement and these were reflected as contingent liabilities. The actuary report dated 31 March 2020 has included within its calculations the impact of both of these cases. Any increase in liabilities at 31 March 2020 arising from the impact of GMP has been charged through other comprehensive income. The potential McCloud judgement liability has been presented as a past service cost this year.

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 (Group)

	Local Government Pension Scheme	
	2019/20 £000s	2018/19 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service cost	1,423	1,176
• Past service cost	100	10
Financing and Investment Income and Expenditure		
Net interest cost	52	45
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**1,575**	1,231
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)	546	(341)
• Actuarial gains and losses arising on changes in financial assumptions	(315)	447
• Actuarial gains and losses due to liability experience	1,274	-
• Actuarial gains and losses due to changes in demographic assumptions	(316)	(389)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**1,189**	(283)
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	(1,575)	(1,231)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**713**	617

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£1.191m).

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	
	2019/20	2018/19
	£000s	£000s
Present value of defined benefit obligation	(12,877)	(9,629)
Fair value of assets	8,362	7,117
Net liability recognised in the Balance Sheet	**(4,515)**	(2,512)

Note 23: Defined Benefit Pension Schemes (Group)

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

	Local Government Pension Scheme	
	2019/20	2018/19
	£000s	£000s
Opening fair value of scheme assets	7,117	5,654
Interest income	198	160
Remeasurement gains and (losses)	(546)	341
Contributions from the employer	722	617
Contributions from employees into the scheme	332	291
Benefits paid	539	54
Closing balance at 31 March 2020	**8,362**	7,117

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

	Local Government Pension Scheme	
	2019/20	2018/19
	£000s	£000s
Opening balance at 1 April	(9,629)	(7,705)
Current service cost	(1,423)	(1,176)
Interest cost	(250)	(205)
Contributions by scheme participants	(332)	(291)
Actuarial gains and losses - financial assumptions	315	(447)
Actuarial gains and losses - demographic assumption	323	389
Actuarial gains and losses - liability experience	(1,281)	-
Benefits paid	(539)	(54)
Net adjustment from acquisitions	39	(130)
Past service cost	(100)	(10)
Closing balance at 31 March 2020	**(12,877)**	(9,629)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2019/20		2018/19	
	£000s	**%**	£000s	%
Equity investments (Quoted)	6,079	72.7%	5,117	71.9%
Property (Quoted)	744	8.9%	655	9.2%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	1,121	13.4%	1,196	16.8%
Other Investments	418	5.0%	149	2.1%
	8,362	**100%**	7,117	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 (Group)

The principal assumptions used by the actuary have been:

	2019/20	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8	22.2
Women	23.5	24.1
Longevity at 45 for future pensioners:		
Men	23.2	23.9
Women	25.3	25.9
Other assumptions:		
Rate of inflation (CPI)	1.8%	2.1%
Rate of increase in salaries	2.8%	3.1%
Rate of increase in pensions	1.8%	2.1%
Rate of Pension accounts revaluation rate	1.8%	2.1%
Rate for discounting scheme liabilities	2.3%	2.5%
Take-up of option to convert annual pension into retirement lump sum	80.0%	80.0%

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)	13,204	12,795	12,390
Rate of increase in salaries (increase or decrease by 0.1%)	12,856	12,795	12,735
Rate of increase in pensions payment (increase or decrease by 0.1%)	13,092	12,795	12,506
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	12,453	12,795	13,145

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 £0.834m contributions to the scheme in 2020/2021.

Note 23: Defined Benefit Pension Schemes (TVCA)

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.

Guaranteed Minimum Pension (GMP) and McCloud Judgement
At 31 March 2019 the group did not make any amendments for the potential impact of GMP and the McCloud Judgement and these were reflected as contingent liabilities. The actuary report dated 31 March 2020 has included within its calculations the impact of both of these cases. Any increase in liabilities at 31 March 2020 arising from the impact of GMP has been charged through other comprehensive income. The potential McCloud judgement liability has been presented as a past service cost this year.

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 23: Defined Benefit Pension Schemes (TVCA)

	Local Government Pension Scheme	
	2019/20	2018/19
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
· Current service cost	1,273	1,042
· Past service cost	91	10
Financing and Investment Income and Expenditure		
Net interest cost	50	46
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**1,414**	1,098
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)	668	(338)
· Actuarial gains and losses arising on changes in financial assumptions	(304)	436
· Actuarial gains and losses due to liability experience	769	-
· Actuarial gains and losses due to changes in demographic assumptions	(306)	(380)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**827**	(282)
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	(1,414)	(1,098)
Actual amount charged against the General Fund Balance for pensions in the year:		
· Employers' contributions payable to scheme	**634**	**537**

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.827m).

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	
	2019/20	2018/19
	£000s	£000s
Present value of defined benefit obligation	(11,668)	(9,314)
Fair value of assets	7,731	6,984
Net liability recognised in the Balance Sheet	**(3,937)**	(2,330)

Note 23: Defined Benefit Pension Schemes (TVCA)

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

	Local Government Pension Scheme	
	2019/20	2018/19
	£000s	£000s
Opening fair value of scheme assets	6,984	5,643
Interest income	190	158
Remeasurement gains and (losses)	(668)	338
Contributions from the employer	634	537
Contributions from employees into the scheme	291	252
Benefits paid	300	56
Closing balance at 31 March 2020	**7,731**	6,984

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

	Local Government Pension Scheme	
	2019/20	2018/19
	£000s	£000s
Opening balance at 1 April 2019	(9,314)	(7,694)
Current service cost	(1,273)	(1,042)
Interest cost	(240)	(204)
Contributions by scheme participants	(291)	(252)
Actuarial gains and losses - financial assumptions	304	(436)
Actuarial gains and losses - demographic assumption	306	380
Actuarial gains and losses - liability experience	(769)	-
Benefits paid	(300)	(56)
Net increase from acquisitions		-
Past service cost	(91)	(10)
Closing balance at 31 March 2020	**(11,668)**	(9,314)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2019/20		2018/19	
	£000s	**%**	£000s	%
Equity investments (Quoted)	5,620	72.7%	5,021	71.9%
Property (Quoted)	688	8.9%	643	9.2%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	1,036	13.4%	1,173	16.8%
Other Investments	387	5.0%	147	2.1%
	7,731	**100%**	6,984	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 (TVCA)

The principal assumptions used by the actuary have been:

	2019/20	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8	22.2
Women	23.5	24.1
Longevity at 45 for future pensioners:		
Men	23.2	23.9
Women	25.3	25.9
Other assumptions:		
Rate of inflation (CPI)	1.8%	2.1%
Rate of increase in salaries	2.8%	3.1%
Rate of increase in pensions	1.8%	2.1%
Rate of Pension accounts revaluation rate	1.8%	2.1%
Rate for discounting scheme liabilities	2.3%	2.5%
Take-up of option to convert annual pension into retirement lump sum	80.0%	80.0%

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)	12,041	11,668	11,299
Rate of increase in salaries (increase or decrease by 0.1%)	11,720	11,668	11,617
Rate of increase in pensions payment (increase or decrease by 0.1%)	11,942	11,668	11,402
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	11,358	11,668	11,986

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 £0.609m contributions to the scheme in 2020/2021.

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

Note 24: Termination Benefits (TVCA and Group)

The Group terminated the contract of one employee in 2019/20, incurring liabilities of £10k.
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	
	2019/20	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20 £000s**	2018/19 £000s
£1 to £20,000	-	-	1	2	1	2	10	20
£20,001 to £40,000	-	-	-	1	-	1	-	30
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-		-	-	-	-
Total	**-**	-	**1**	3	**1**	3	**10**	50

TVCA did not terminate the contract of any employees in 2019/20.
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	
	2019/20	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20 £000s**	2018/19 £000s
£1 to £20,000	-	-	-	1	-	1	-	10
£20,001 to £40,000	-	-	-	1	-	1	-	30
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-		-	-	-	-
Total	**-**	-	**-**	2	**-**	2	**-**	40

Note 25: Provisions (TVCA and Group)

	Deferred Tax £000	Other £000	Total £000
Opening Balance at 1st April 2019	1,380	607	1,987
Additions	-	410	410
Closing Balance at 31st March 2020	**1,380**	**1,017**	**2,397**

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 (TVCA and Group)

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 2020 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.

In 2018/19 contingent liabilities were disclosed in relation to Guaranteed Minimum Pension (GMP) and the McCloud Judgement. The actuaries report on the pension fund as at 31 March 2020 took the impact of both of these into account and as such are now held within the liabilities in the pension fund.

In 2007 Durham Tees Valley Airport Limited (now Teesside International Airport) entered into an infrastructure agreement with English Partnerships and One North East (now the Homes and Communities Agency). Grant funding of £458,124 was received in connection with this agreement. In March 2020 a deed of release was signed in relation to this grant and this has released the company of the covenants and therefore the contingent liability has been removed.

(2018/19 GMP £28k, McCloud Judgement £196k & Goosepool Grant £458k)

Note 27: Post Balance Sheet Events (TVCA and Group)

Land acquisition and Compulsory purchase order

On 29 April 2020 the South Tees Development Corporation (Land at the former Redcar Steel Works, Redcar) Compulsory Purchase Order 2019 ("the Order"), was confirmed without modification. The order allows STDC to take ownership of the remaining land within the boundaries of the South Tees Development Corporation site through a formal vesting process.

On 3 July 2020 STDC submitted its first "General Vesting Declaration" to give notice to occupiers of land within the scope of CPO that land is to be acquired and a second General Vesting Declaration was submitted on 6 October 2020.

The c 960 acres of land which was subject to the first declaration, was vested by STDC on 8th October 2020, c 5 acres of land covered by the second general vesting declaration is due to vest on 6 January 2021.

Vesting under a Compulsory Purchase process triggers compensation payments to parties displaced. At this time it is not possible to determine the exact value of compensation payable in due to ongoing negotiations, however it considered that the overall cost of displacing parties under the General Vesting Declarations made by STDC to date will be in the region of £17m to £18m.

Transition of South Tees Site Company into Local ownership

Also, 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. Funding for the continuing activities of STSC has also been allocated to STDC within funds secured as part of a successful business case to government (see below)

Business case to government

In September 2020, following a business case submission Tees Valley Combined Authority entered into a joint memorandum of understanding with the Department for Business Energy and Industrial Strategy and Ministry of Housing Communities and Local Government securing (in respect of the 2020/21 financial year) the first £21m of a three year anticipated funding commitment of £124.5m to support STDC's regeneration of the South Tees Development Corporation Site.

The memorandum allocated £14.5m of an anticipated total of £70.9m to fund the ongoing activities of South Tees Site company.

Rebranding of the South Tees Development Corporation site

In July 2020, the South Tees Development Corporation site was rebranded as "Teesworks". References to the South Tees Development Corporation Site and Teesworks in these financial statements should therefore be considered as interchangeable. The rebranding relates to description of the land assets only and names of legal entities in the STDC Group have not been changed.

Teesworks Limited

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

Note 28: Statement of Accounting Policies (Group)

General Principles
The Statement of Accounts summarises TVCA's and Group transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, supported by International Financial Reporting Standards (IFRS).
Upon consolidation of the Group accounts all subsidiary accounting policies are aligned to those of the Authority.

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.

Note 28: Statement of Accounting Policies (Group)

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.

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.

Note 28: 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.

Note 28: Statement of Accounting Policies (Group)

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 Council becomes a party to the contractual provisions of a fi nancial 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.

Note 28: Statement of Accounting Policies (Group)

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.

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 fi nance 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.

Note 28: Statement of Accounting Policies (Group)

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 fo £10,000 for PPE.

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:

Note 28: Statement of Accounting Policies (Group)

- 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.

Note 28: Statement of Accounting Policies (Group)

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.

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.

Note 28: Statement of Accounting Policies (Group)

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:

· 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 2020.

G Macdonald **Date:** 24th July 2020
Group Director of Finance & Resources

These financial statements replace the unaudited financial statements certified by the Director of Finance on 24th 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.

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

19 January 2021

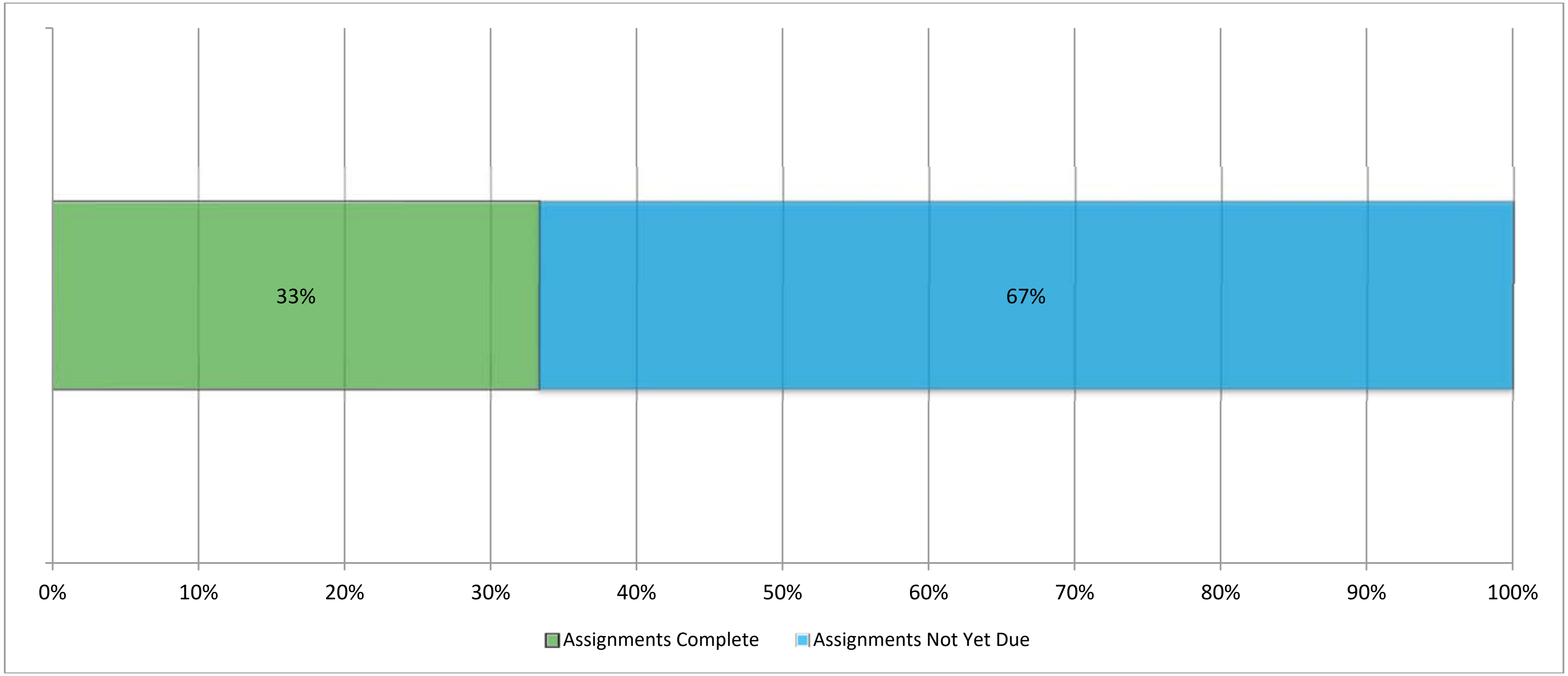
RSM

Contents

1 Introduction

The internal audit plan for 2020/21 was approved by the Audit and Governance Committee on 21 July 2020.

The graphic below provides a summary update on progress against the 2020/21 plan.



2 Reports

2.1 Summary of final reports being presented to this committee

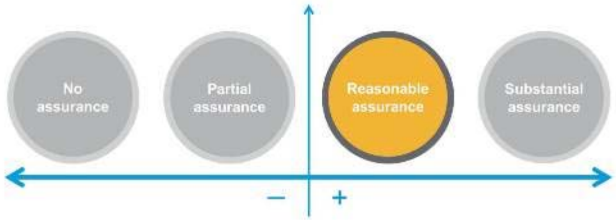
We have finalised two reports since the previous meeting and these are detailed below:

Assignment	Actions agreed		
	L	M	H
Goosepool: Finance Governance	3	3	0

Objective of the review:

The Authority has an adequate and effective governance process in place via its subsidiary entity, Goosepool, to manage financial transactions in respect of its other subsidiary entity, Teesside International Airport Limited.

Overall assurance rating and management actions:



An overall assurance rating of **reasonable assurance** has been given for this review. We have raised **three medium** and **three low** priority management actions. The medium management actions are summarised below:

- Review of the Goosepool Board meeting papers and minutes identified that the Goosepool Board do not receive a suitable suite of key performance indicators (KPIs) to facilitate comparative analysis of airport performance to enable informed decision.
- The TIAL five-year business plan was approved by the TVCA Cabinet in January 2019 and is reviewed and approved annually. Due to the Covid-19 pandemic, the airport and TVCA are working to update the business plan and funding forecasts.
- The Finance Manager monitors funding requests against the business plan to monitor any variance. However, monitoring has not been continued throughout the pandemic as the funding requests have vastly altered from the original business plan. TVCA would benefit from conducting a reconciliation exercise to review actual funding requests during the pandemic against the original business plan to understand the variations from pre-approved forecasts and inform future decision making.

Assignment	Actions agreed		
	L	M	H

Context:

The Tees Valley Combined Authority (TVCA) governs financial transactions relating to its subsidiary Teesside International Airport Limited (TIAL) via an intermediary subsidiary, Goosepool. Goosepool is a limited company that was established in February 2019 to acquire and hold 89% of the former Peel Holding shareholding in TIAL with the remaining 11% shareholdings being held by local authorities. 75% of the shares in Goosepool are owned by the TVCA and 25% are owned by Stobart Aviation Limited.

As part of the TVCA Investment Plan 2019, TVCA have provided loan funding via Goosepool of £40.2 million for the initial TIAL purchase and £19.4 million to support TIAL in its operational expenditure (opex). Goosepool have loaned a further £15 million in capital expenditure (capex) funding. TVCA are further loaning TIAL £23.6 million for its Southside Development based on a seven-year returns plan.

Through Goosepool, TVCA has oversight of the financial affairs of TIAL, including scrutiny over intra-group transactions and loans. No operational activity occurs within Goosepool, and therefore, this review is intended to review how, via Goosepool, TVCA governs financial transactions in respect of TIAL.

The Goosepool Executive Board is comprised of three TVCA Directors and one Stobart Aviation Director. The purpose of the Goosepool Board is to ensure the company's prosperity by collectively directing company affairs, while meeting the appropriate interests of its shareholders and relevant stakeholders. The Goosepool Board meet on a quarterly basis. Three TIAL Directors attend the Goosepool Board and present reports on airport operations, commercial and retail, and finance. The Goosepool Executive Group meet on a weekly basis to discuss operations in-depth, including cashflow forecasting, reporting requirements and loan monitoring.

The Group Director of Finance and Resources has overall responsibility for overseeing TIAL financial transactions and the Director of Commercial and Delivery Director sits on the Goosepool Executive Board and the TIAL Board as a TVCA representative.

Assignment	Actions agreed		
	L	M	H
Project / Programme Activity	2	1	0

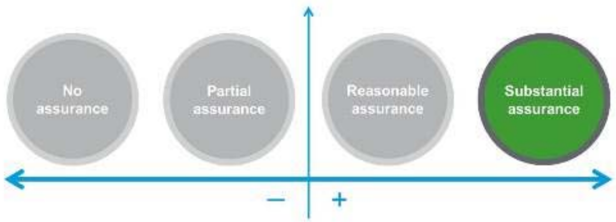
Objective of the review:

We will review the monitoring and recording of pipeline activity to ensure the Authority is on target to achieve its milestones as detailed in the Investment Plan.

Risk:

Risk C01: Failure to secure agreement on the future investment priorities.

Overall assurance rating and management actions:



An overall assurance rating of **substantial assurance** has been given for this review. We have raised **one medium** and **two low** priority management actions. The medium management are summarised below:

- Monitoring and Evaluation Plans are required to be submitted at the point of submitting a business case; however, from our sample of 10 programmes / projects, seven did not have a Monitoring and Evaluation Plan in place at the point of submitting the business case.

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. The Authority has set out a 10-year Investment Plan outlining the transformational investments that the Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases.

The process of investment planning and programme management for the Investment Fund, including the stages for programme and project development through to appraisal, delivery and monitoring and evaluation, is documented in the Authority's Assurance Framework.

Assignment	Actions agreed		
	L	M	H
Our review has provided assurance on the processes in place to develop, consistently appraise and monitor pipeline activity in line with the framework; to ensure the Authority is on target to achieve its milestones as detailed in the Investment Plan. For each project and programme a monitoring and evaluation framework is developed and in cases where a third party is contracted, a funding agreement is also established. Thus, monitoring and evaluation requirements, including the clawback arrangements in place in the event of underperformance are documented and progress of projects and programmes are monitored in line with this. On a quarterly basis, the progress of projects and programmes is monitored and reported to the Combined Authority Cabinet.			

Appendix A – Progress against the internal audit plan 2020/21

The current Covid-19 situation means that our clients and internal audit are working differently. We understand and recognise the organisation’s strategic / primary objectives, and that the developments around Covid-19 will continue to impact on all areas of the organisation’s risk profile. We will work closely with management to deliver an internal audit programme which remains flexible and agile to ensure it meets your needs in the current circumstances. We will revisit the internal audit priorities in November / December with the Group Director of Finance and Resources to confirm the areas of coverage are appropriate.

Assignment	Status	Proposed Audit and Governance Committee
Governance	The internal audit plan is currently being refreshed with the Group Director of Finance and Resources and wider senior management team to reflect the Authority’s operating landscape. An update to internal audit priorities will be provided to this committee in due course.	
HR: Recruitment and Selection		
South Tees Site Company		
Project Management Assurance		
Follow Up of Previous Internal Audit Management Actions		

Appendix B - Key performance indicators (KPIs)

Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	*7 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	*1 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 C – 2020/21 Internal audit assignments previously reported

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

Assignment	Opinion issued	Actions agreed		
		L	M	H
Directorate: Risk Management		3	4	0
Group Strategic: Procurement		6	4	0

For more information contact

Rob Barnett, Head of Internal Audit

RSM

1 St. James‘ Gate

Newcastle upon Tyne

NE1 4AD

M: 07809 560103
Robert.Barnett@rsmuk.com

TEES VALLEY COMBINED AUTHORITY

Goosepool: Financial Governance

Internal audit report 3.20/21

REVISED FINAL

18 January 2021

RSM

1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit / assignment and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to sample test the control framework.

Why we completed this audit

The Tees Valley Combined Authority (TVCA) governs financial transactions relating to its subsidiary Teesside International Airport Limited (TIAL) via an intermediary subsidiary, Goosepool. Goosepool is a limited company that was established in February 2019 to acquire and hold 89% of the former Peel Holding shareholding in TIAL with the remaining 11% shareholdings being held by local authorities. 75% of the shares in Goosepool are owned by the TVCA and 25% are owned by Stobart Aviation Limited.

As part of the TVCA Investment Plan 2019, TVCA have provided loan funding via Goosepool of £40.2 million for the initial TIAL purchase and £19.4 million to support TIAL in its operational expenditure (opex). Goosepool have loaned a further £15 million in capital expenditure (capex) funding. TVCA are further loaning TIAL £23.6 million for its Southside Development based on a seven-year returns plan.

Through Goosepool, TVCA has oversight of the financial affairs of TIAL, including scrutiny over intra-group transactions and loans. No operational activity occurs within Goosepool, and therefore, this review is intended to review how, via Goosepool, TVCA governs financial transactions in respect of TIAL.

The Goosepool Executive Board is comprised of three TVCA Directors and one Stobart Aviation Director. The purpose of the Goosepool Board is to ensure the company's prosperity by collectively directing company affairs, while meeting the appropriate interests of its shareholders and relevant stakeholders. The Goosepool Board meet on a quarterly basis. Three TIAL Directors attend the Goosepool Board and present reports on airport operations, commercial and retail, and finance. The Goosepool Executive Group meet on a weekly basis to discuss operations in-depth, including cashflow forecasting, reporting requirements and loan monitoring.

The Group Director of Finance and Resources has overall responsibility for overseeing TIAL financial transactions and the Director of Commercial and Delivery Director sits on the Goosepool Executive Board and the TIAL Board as a TVCA representative.

Conclusion

Our review identified that there is a well-designed governance structure in place to monitor airport operations, comprising of quarterly Goosepool Board meetings, weekly Goosepool Executive Group meetings and supporting documentation with funding requests.

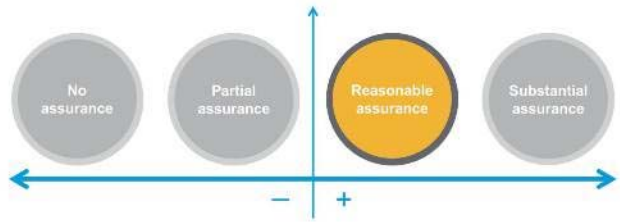
However, our review identified some areas for improvement in reporting aspects and we noted that TVCA have not thoroughly monitored variations in funding from the original business plan during the Covid-19 pandemic.

As a result of this review, we have raised **three medium** and **three low** priority management actions.

Internal audit opinion:

Taking account of the issues identified, the Cabinet 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.



Key findings

Our audit identified the following exceptions with the Tees Valley Combined Authority's established control framework resulting in three medium priority actions:

Review of the Goosepool Board meeting papers and minutes identified that the Goosepool Board do not receive a suitable suite of key performance indicators (KPIs) to facilitate comparative analysis of airport performance to enable informed decision. KPIs are reported internally within airport governance structures; however, currently there is no KPI data provided to the Goosepool Board. The Goosepool Board would not require the same level of detail regarding KPIs as required internally, and therefore the development of a suitable suite of KPIs is recommended. **(Medium)**

The TIAL five-year business plan was approved by the TVCA Cabinet in January 2019 and is reviewed and approved annually. Due to the Covid-19 pandemic, the airport and TVCA are working to update the business plan and funding forecasts. The updated business plan is expected to go the TVCA Cabinet meeting at the end of November 2020. **(Medium)**

The Finance Manager monitors funding requests against the business plan to monitor any variance. However, monitoring has not been continued throughout the pandemic as the funding requests have altered from the original business plan. TVCA would benefit from conducting a reconciliation exercise to review actual funding requests during the pandemic against the original business plan to understand the variations from pre-approved forecasts and inform future decision making. **(Medium)**

For details of the low priority management actions, please see section two of this report.

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

The Teesside International Organisational Structure Chart sets out the governance structure in place to ensure appropriate oversight of relevant airport transactions by the Authority.

The Goosepool Board meet on a quarterly basis to enable strategic decision making. The Goosepool Board receive regular reports relating to airport operations, commercial and retail, and finance. The Goosepool Board roles and remits are outlined. The Goosepool Executive Group meet on a weekly basis to discuss airport operations in further details with resulting actions recorded.

The signed Shareholder Agreement between Goosepool, the Tees Valley Combined Authority and Stobart Holdings Ltd. outlines the responsibilities of shareholders to oversee management decisions. Each Airport Director is required to report back to the shareholders on the affairs of TIAL and disclose such information concerning the Group, as considered reasonable.

Financial reporting requirements are outlined within the signed Shareholder Agreement and includes monthly projected profit and loss accounts reporting, a monthly cashflow statement and management report to provide business objectives for the financial year. Review of the Goosepool Board meeting papers and minutes identified that the airport have complied with these requirements.

We reviewed a sample of 10 funding requests and confirmed that each request had been signed off by the airport Director of Finance and Resources or Financial Controller and approved by TVCA Directors. Funding requests were supplied with supporting documentation. Cashflow documents provided were reviewed against loan monitoring records and we verified that funding actuals were accurately recorded.

The TVCA Cabinet receive regular updates on the performance of the airport, included within the Mayor’s updates, annual reports and TVCA Group Governance Arrangements reporting.

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: Goosepool: Financial Governance			
Control	The Goosepool Board meets on a quarterly basis. The Goosepool Board is comprised of three TVCA Directors and one Stobart Holdings Ltd Director. The TIAL Operations Director, TIAL Commercial Director and TIAL Director of Finance and Resources attend the Goosepool Board and present the Airport Operations Report, Commercial and Retail Report and the Finance Report for TIAL.	**Assessment:** **Design** **Compliance**	 ✓ ×
Findings / Implications	We reviewed the Goosepool Board meetings and minutes for January, April and August 2020 and verified in each instance the TIAL Directors presented the Airport Operations Report, Commercial and Retail Report, and the Finance Report. Review of each report presented at the Goosepool Board meetings confirmed the following themes and elements have been included: Airport Operations Report: • On-time performance for KLM airlines and Eastern Airways; • Regulatory report, which includes security compliance and aerodrome compliance with the Civil Aviation Authority (CAA) security standards; and • Health and safety report, including Safety Event Overview and reporting of injuries, diseases and dangerous occurrences regulations (RIDDOR) reports. Commercial and Retail Report: • Car parking income and concessionary revenue; • Retail updates, including development of the premium lounge and conference suite; and • Marketing updates, which included specific marketing initiatives and digital communications. Finance Report: • Income and expenditure; • Updates to the Finance function at TIAL in addition to development of key performance indicators (KPIs); and • Profit and loss summary.		

Area: Goosepool: Financial Governance

In April 2020 and August 2020, the reports have included updates to operations due to the Covid-19 pandemic.

However, review of the Goosepool Board reports identified that the Board do not receive a standard suite of KPIs to allow for easy comparison to the previous reporting KPIs. Other airport KPIs have included the following to track operating improvements:

- Cancellation rates compared with the total number of operated flights;
- Departure delay per passenger, per flight and total delay minutes, including amount of compensation to be paid;
- Revenue per available seat;
- Sum of all board passengers en-route and satisfied passenger quota;
- Total number of irregularities (including delays, aircraft changes, diversions); and
- Schedule stability.

Whilst we appreciate that the airport governance structure includes in-depth reporting on the information suggested above and that the Commercial and Delivery Director sits on the TIAL Board, the Goosepool Board should consider implementing a suitable suite of KPIs, which would further inform strategic decision making and enable quarterly comparisons. Where KPI data is not provided to the Goosepool Board, there is a risk that the Goosepool Board is limited in its strategic decision-making capacity and in its capacity to identify potential cost efficiencies in relation to funding requests. We understand that the TIAL Director of Finance and Resources is reviewing financial KPIs for Goosepool Board reports.

Management Action 1	The Goosepool Board will be asked to consider which KPIs are suitable for reporting to the Goosepool Board, and which KPIs are discharged through the airport governance structure. The Goosepool Board will develop a suite of relevant KPIs in conjunction with Airport Directors.	**Responsible Owner:** Commercial and Delivery Director	**Date:** 28 February 2021	**Priority:** **Medium**

Area: Goosepool: Financial Governance

Control	The TVCA Investment Plan for 2019 to 2029 sets out TVCA's focus for investments to create new jobs, grow the skills base and improve infrastructure. TVCA's commitment to its Investment Plan for 2019 to 2029 feeds into the reporting structure for TIAL.	**Assessment:** **Design** **Compliance**	 ✓ ×

Area: Goosepool: Financial Governance				
Findings / Implications	The TVCA Investment Plan for 2019 to 2029 establishes TVCA's focus for investments to create new jobs, grow the skills base and improve infrastructure. The Tees Valley region has a number of locally and nationally significant transport assets, including TIAL. Transport assets underpin economic activity and offer economic growth opportunities in their own right. The acquisition of the airport supports TVCA's focus on creating new jobs, growing the skills base and improving infrastructure. However, review of the Goosepool Board meetings and papers identified that the Board receive limited information on how the airport internally complies with TVCA's focus on job development and growth in skills base, and business developments internally, such as the attraction of additional airlines. Although, we note that the Covid-19 pandemic has affected growth in industry and job development, it would be recommended that Airport Directors are asked to consider the airport's compliance with the TVCA assurance framework. We note that the long-term impact of investments will be evaluated by TVCA as part of the assurance framework. However, where TVCA do not receive up to date information on the airport's current impact on the assurance framework, there is a risk that TVCA may not fully achieve its objectives as part of the Investment Plan in its acquisition of the airport.			
Management Action 2	Airport Directors will be asked for further information on compliance with the TVCA assurance framework to ensure that there is a focus on job development, growth of skills and improvement to infrastructure.	**Responsible Owner:** Commercial and Delivery Director	**Date:** 30 April 2021	**Priority:** Low

Area: Goosepool: Financial Governance				
Control	<u>**Missing control**</u> The Goosepool Board receive regular updates on the airport's steps to mitigate environmental impact in alignment with the TVCA Strategic Transport Plan.		**Assessment:** **Design** **Compliance**	 × -
Findings / Implications	The TVCA Strategic Transport Plan outlines three key objectives: social equality; economic growth; and carbon reduction and environment. We reviewed the Goosepool Board meetings papers and minutes and noted there is limited information on the steps the airport is taking to reduce its environmental impact. Where the Goosepool Board do not receive information in relation to the steps the airport is taking to mitigate risks associated with environmental matters, there is a risk of reputational damage if extensive environmental damage occurred.			
Management Action 3	TIAL Directors will be asked to include information on the steps the airport take to mitigate risks associated with environmental matters.	**Responsible Owner:** Commercial and Delivery Director	**Date:** 30 April 2021	**Priority:** Low

Area: Goosepool: Financial Governance			
Control	TIAL request funding from Goosepool in line with the approved business plan. All requests are supported by a current cashflow statement and a signed TIAL short-term funding request form.	**Assessment:** **Design** × **Compliance** -	
Findings / Implications	We conducted a sample test of 10 funding requests from TIAL, comprised of eight operational expenditure (opex) requests and two Southside Development funding requests. For each funding request, we verified a funding request form was completed by TIAL and approved by a Goosepool Executive Director. We reviewed the weekly cashflow document provided to support funding requests. The document provides weekly variance against the previous week's cashflow report. For requests prior to June 2020, there were no cashflow requests saved on file, and therefore we were unable to retrospectively compare cashflows. Funding in the cashflow is categorised into TIAL and Southside Development funding; however, there is no detail on whether funding is allocated to operating expenditure (opex) or capital expenditure (capex). The TIAL Director of Finance and Resources maintains a TIAL loan monitoring spreadsheet, which outlines the current position of TIAL funding against available loan facilities and is categorised into opex, capex and Southside Development accounts. We understand that TVCA have sight of this document at weekly Goosepool Executive meetings; however, we would recommend the spreadsheet is provided with each funding request to monitor funding requests to date. If TVCA do not receive loan monitoring information in relation to funding requests, there is a risk that TVCA is limited in its decision making in relation to approval of funding requests and could approve requests over budget.		
Management Action 4	TVCA will request that the TIAL Director of Finance and Resources provides the TIAL funding spreadsheet to show the current position on loans against loan facilities in support of each funding request. TVCA will also request that the cashflow forecast be updated to provide information on forecasts and actuals in the opex and capex accounts. TVCA will ensure that all cashflow forecasts are retained on file to support funding requests.	**Responsible Owner:** Group Director of Finance and Resources Finance Manager	**Date:** 31 December 2020 **Priority:** Low

Area: Goosepool: Financial Governance				
Control	The Investment Plan 2019 to 2019 was reviewed and approved by the TVCA Cabinet in January 2019. The TVCA Cabinet were presented with the acquisition and operation of Durham Tees Valley Airport, which included a five-year business plan. The business plan is updated and approved annually.		**Assessment:** **Design** **Compliance**	 × -
Findings / Implications	The five-year business plan sets out the forecasted funding for TIAL. The business plan was presented to the TVCA Cabinet in January 2019 and approved by the Cabinet. The business plan is reviewed on an annual basis. As is the case in most organisations, the Covid-19 pandemic has altered the accuracy of business plan forecasts and management explained that funding requests during the pandemic have been altered in order to support the airport during closure. TIAL and TVCA are in the process of updating the business plan due to huge changes in airport operations as a result of the Covid-19 pandemic. Management explained this is ongoing and plans cannot be fully fixed due to the everchanging situation, and subsequent restrictions. The total business impact resulting from the pandemic may not be known for some time. We understand the revised business plan is expected to go to the TVCA Cabinet for approval at the end of November 2020 as an initial update. However, the Group Director of Finance and Resources explained as the situation with the Covid-19 pandemic is ongoing and the position is continuously changing for the aviation industry, the business plan will require continuous revision as the full impact of the Covid-19 pandemic is assessed. It is expected that a second wave and any additional restrictions would affect the business plan and therefore require further revision. However, where there is no revised plan, there is a risk that TVCA are not funding TIAL in place with pre-approved forecasts and could be over budget. We have raised a recommendation with an extended due date for 31 March 2021 to reflect the ongoing process of updating the business plan in response to changing circumstances.			
Management Action 5	The TIAL business plan will be updated and reported to the TVCA Cabinet for approval. A formal monitoring and review process will be established to enable future revisions of the business plan required as a result of the Covid-19 pandemic	**Responsible Owner:** Commercial and Delivery Director Group Director of Finance and Resources	**Date:** 31 March 2021	**Priority:** Medium

Area: Goosepool: Financial Governance			
Control	The Finance Manager reviews funding requests against the TIAL approved five-year business plan funding forecasts.	**Assessment:** **Design** **Compliance**	 × -

Area: Goosepool: Financial Governance				
Findings / Implications	We obtained the TIAL loan monitoring spreadsheet from the Finance Manager. The spreadsheet records the date of funding, amount of funding (allocated into capex and opex accounts), the cumulative spend and variances against the business plan. However, the TIAL loan monitoring spreadsheet goes up to 31 March 2020 only. Discussions with the Finance Manager established that although the loan monitoring spreadsheet was last updated on 31 March 2020, the impact on the business plan has been carefully monitored to ensure the impact on the business plan forecast is understood from a cash perspective. This monitoring informs any cash drawdown requests from management. As funding actuals have changed materially, the impact of this on the business plan going forward is currently being reviewed and will also be required to take into account the current second wave of the pandemic. This is expected and in line with the rest of the aviation industry. Where funding during the Covid-19 pandemic has not been reviewed against the original business plan, there is a risk that TVCA are unaware of its full impact of the pandemic on the original business plan and TVCA do not have appropriate oversight of TIAL funding and variations from the original business plan.			
Management Action 6	TVCA will reconcile the funding provided to TIAL during the Covid-19 pandemic against the approved business plan to determine the level of variance and enable informed decisions on the revising of the business plan.	**Responsible Owner:** Group Director of Finance and Resources Finance Manager	**Date:** 31 March 2021	**Priority:** **Medium**

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
Goosepool: Financial Governance	1	(11)	5	(11)	3	3	0
Total					**3**	**3**	**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 internal audit assignment has been scoped to provide assurance on how the Tees Valley Combined Authority manages the following area:

Objective of the area under review
The Authority has an adequate and effective governance process in place via its subsidiary entity, Goosepool, to manage financial transactions in respect of its other subsidiary entity, Teesside International Airport Limited.

Scope of the review

The Tees Valley Combined Authority (TVCA) governs financial transactions relating to its subsidiary Teesside International Airport Limited (TIAL) via an intermediary subsidiary, Goosepool. Through Goosepool, the Authority has oversight of the financial affairs of TIAL, including scrutiny over intra-group transactions and loans. No operational activity occurs within Goosepool and, therefore, this review is intended to review how, via Goosepool, the Authority governs financial transactions in respect of TIAL, with particular reference to:

- Whether there is a clearly defined governance structure in place to ensure the appropriate oversight of relevant transactions by the Authority.
- How and what transactions within, or in relation to, TIAL are defined and identified as warranting reporting to Goosepool and / or the Authority for scrutiny.
- Whether reporting arrangements between TIAL and Goosepool and Goosepool and the Authority are sufficient to ensure the complete, accurate and timely reporting of relevant matters as required.
- What governance arrangements are in place within Goosepool to review all relevant financial transactions in respect of TIAL and report, as required, to the Authority.
- What governance arrangements are in place within TIAL to identify and assess those matters warranting reporting to Goosepool and / or the Authority for authorisation.

The following limitations apply to the scope of our work:

- Goosepool has no responsibility for or authority over routine, day to day operational activities of TIAL and, therefore, we will not cover this during the course of our audit.
- We will not consider the appropriateness of transactions reviewed, only whether appropriate governance arrangements have been followed.

- We will not seek to substantiate any of the financial transactions themselves or reperform any reconciliations.
- We will not review any activities or transactions in relation to Goosepool other than those related to scrutiny of the affairs of TIAL.
- 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.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	21 October 2020	**Internal audit Contacts**	Robert Barnett, Head of Internal Audit
Draft report issued	4 November 2020		Philip Church, Client Manager
Responses received	5 January 2021 18 January 2021		Michael Gibson, Assistant Manager
			Hollie Adams, Senior Auditor
Final report issued	5 January 2021 18 January 2021	**Client sponsor**	Gary MacDonald, Group Director of Finance and Resources
		Distribution	Gary MacDonald, Group Director of Finance and Resources

TEES VALLEY COMBINED AUTHORITY

Project and Programme Activity

Internal audit report: 4.20/21

FINAL

5 January 2021

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, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to sample test.

Why we completed this audit

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. The Authority has set out a 10-year Investment Plan outlining the transformational investments that the Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases.

The process of investment planning and programme management for the Investment Fund, including the stages for programme and project development through to appraisal, delivery and monitoring and evaluation, is documented in the Authority's Assurance Framework. Our review has provided assurance on the processes in place to develop, consistently appraise and monitor pipeline activity in line with the framework; to ensure the Authority is on target to achieve its milestones as detailed in the Investment Plan.

For each project and programme a monitoring and evaluation framework is developed and in cases where a third party is contracted, a funding agreement is also established. Thus, monitoring and evaluation requirements, including the clawback arrangements in place in the event of underperformance are documented and progress of projects and programmes are monitored in line with this. On a quarterly basis, the progress of projects and programmes is monitored and reported to the Combined Authority Cabinet.

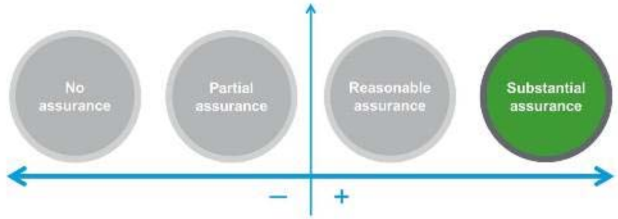
Conclusion

Overall, the review identified that the Authority has in place an Assurance Framework and a Monitoring and Evaluation Framework. Thus, our review highlighted that the process for development through to appraisal, delivery and monitoring of programmes / projects is in line with the frameworks in place.

As a result of this review, we have agreed **one medium** and **two low** priority management actions which relate to the review and approval of the Monitoring and Evaluation Plan **(low)**, the implementation of Service Level Agreements for internally delivered programmes / projects **(low)** and for the Assurance Framework to document the instances in which Monitoring and Evaluation Plans are not required at the point of submitting business cases **(medium)**.

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 this risk are suitably designed, consistently applied and effective.



Key findings

We identified the following finding that has resulted in a medium action being raised:

Monitoring and Evaluation Plans are required to be submitted at the point of submitting a business case; however, from our sample of 10 programmes / projects, seven did not have a Monitoring and Evaluation Plan in place at the point of submitting the business case. **(Medium)**

A further two low priority management actions have been raised and details 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 Tees Valley Combined Authority Cabinet Decision Record we confirmed the Assurance Framework in place has been reviewed on 13 March 2020. The framework is made available to staff via the Authority's website.

The Authority's Assurance Framework and Monitoring and Evaluating Framework outlines the process of investment planning and programme management for the Investment Fund, including the stages for development through to appraisal, delivery and monitoring and evaluation.

Through discussions with a sample of staff responsible for the evaluation, operation and monitoring of projects we found staff were aware of the framework and the documented procedures.

Testing a sample of 10 projects confirmed in all cases the project was included in the Investment Plan and allocated funding. Therefore, no Expression of Interest was required and sought.

- Our testing highlighted the Authority has in place a business case template split into five cases that align with the HM Treasury Green Book. Our testing confirmed the template was used in all cases, the Authority's strategic aims and objectives, including its 10-year Investment Plan, value for money and social value was considered and captured within the business case.
- Our testing also confirmed in all cases the appraisal had been completed and documented by the policy lead or by the Investment Manager in cases where a conflict of interest existed. In all cases the project was signed off in line with the Assurance Framework and documented on the Delegated Decision to Approve Business Case and Commit Funds Form.
- Testing highlighted that a Monitoring and Evaluation Framework, and where applicable a funding agreement, was in place and this outlined key details including arrangements in place, project spend, responsible officers and reporting frequency for all attributable outputs and outcomes.
- The Combined Authority Cabinet receive a quarterly Investment Plan Delivery Report which provides an overview of the progress made to date against the Authority's 10-year Investment Plan.
- Funding Claim Forms are completed by the Project Sponsor on a quarterly basis which are submitted to the Claims and Monitoring Team for review and approval prior to the release of funds.

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: Failure to secure agreement on the future investment priorities.				
Control 1	The Authority has in place a Monitoring and Evaluation Framework which is reviewed by the Management Group on an annual basis.		**Assessment:** **Design** **Compliance**	 ✓ ×
Findings / Implications	The Authority has in place a Monitoring and Evaluation Framework which outlines the following: • The purpose of the Monitoring and Evaluation Framework; • The process for developing a logic model to monitor and evaluate programme and projects; • A Monitoring and Evaluation Plan template; and • Roles and responsibilities of key members of the Authority involved in the monitoring and evaluation process. Discussions with the Investment Planning Manager confirmed that the framework is reviewed and approved by the Management Group, however this review is not documented. Where this is not documented, there is a risk of reduced traceability regarding when and whether the framework was reviewed and approved.			
Management Action 1	The Management Group will formally document the review and approval of the Monitoring and Evaluation Framework.	**Responsible Owner:** Group Director of Finance and Resources	**Date:** 31 March 2021	**Priority:** Low

<table>
<tr><th colspan="5">Risk: Failure to secure agreement on the future investment priorities.</th></tr>
<tr><td>Control 2</td><td colspan="2">Missing control
A Funding Agreement is in place for each project or programme which is delivered internally. The Funding Agreement details the following:
• Monitoring and evaluation requirements;
• Claw back arrangements in the event of underperformance;
• Project spend; and
• A clear time frame for delivery.</td><td colspan="2">Assessment:
Design x
Compliance -</td></tr>
<tr><td>Findings / Implications</td><td colspan="4">We reviewed 10 programmes / projects and identified that three projects / programmes were internally delivered. It was explained that for the three internally delivered projects no funding agreements were in place. However, we also confirmed that out of the three internally delivered projects, no funding had, at the time of the audit been released. A discussion with the Investment Planning Manager explained he has identified this as a current weakness and provided us with a draft Service Level Agreement (SLA) which has been designed to capture the above for all new internally delivered programmes and projects.
Where an SLA is not in place there is a risk that the above requirements are not documented or adhered to prior to funding being released.</td></tr>
<tr><td>Management Action 2</td><td>As planned, the Assurance Framework will be updated to include the requirement for SLAs to be in place for internally delivered projects and training will be provided to all staff on the new requirement. Going forward SLAs will be completed for all internally delivered programmes and projects.</td><td>Responsible Owner:
Development and Delivery Manager</td><td>Date:
31 March 2021</td><td>Priority:
Low</td></tr>
</table>

<table>
<tr><th colspan="3">Risk: Failure to secure agreement on the future investment priorities.</th></tr>
<tr><td>Control 3</td><td>All programmes and projects have in place a Monitoring and Evaluation Plan which is developed at the business case stage. The plan details the timescales for delivery, budget mechanisms, claw back arrangements, monitoring and evaluation requirements, responsible officer and reporting frequency for all attributable outputs and outcomes.</td><td>Assessment:
Design ✓
Compliance x</td></tr>
</table>

Findings / Implications	It was explained by the Investment Planning Manager that although Monitoring and Evaluation Plans are required to be submitted at the point of submitting a business case, Monitoring and Evaluation Plans are not always submitted with the business case and this has been down to a number of the following factors: • Timescale to complete business case; • Covid 19; and • One off purchase of land / property not requiring a Monitoring and Evaluation Plan. From our sample of 10 programmes and projects selected, we were informed that three projects / programmes had a Monitoring and Evaluation Plan in place and seven projects / programmes did not. Explanations were provided to why each of the seven projects / programmes do not have a current Monitoring and Evaluation Plan in place, of which we confirmed they were due to the above factors. Currently, the Assurance Framework does not document where a project / programme is exempt form a Monitoring and Evaluation Plan at the time of business base and therefore could result in non-compliance with the Assurance Framework.			
Management Action 3	The Assurance Framework will be updated to document where a Project / Programme is exempt form a Monitoring and Evaluation plan, and who is required to sign off this process at the time of Business Case submissions and approval.	**Responsible Owner:** Group Chief Legal Officer	**Date:** 31 March 2021	**Priority:** Medium

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
Risk C01: Failure to secure agreement on the future investment priorities.	1	(12)	2	(12)	2	1	0
Total					**2**	**1**	**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 risk:

Objective of the risk under review	Risk relevant to the scope of the review	Risk source
We will review the monitoring and recording of pipeline activity to ensure the Authority is on target to achieve its milestones as detailed in the Investment Plan.	Risk C01: Failure to secure agreement on the future investment priorities.	Strategic Risk Register

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

- The Authority has an Assurance Framework which governs the oversight of project and programme activity, specifically the development of business cases, decision-making in respect of projects and ongoing monitoring and evaluation.
- The Authority also has a Monitoring and Evaluation Framework which sits alongside the Assurance Framework and sets out further detail for the ongoing monitoring and evaluation of projects and programme activity.
- Staff responsible for the assessment of business cases, and the monitoring and evaluation of projects are familiar with these Frameworks and procedures.
- Whether all business cases are assessed and the accept / reject decision is made and documented in line with the Investment Plan 2019-2029 and the requirements of the Authority's Constitution, Financial Regulations and Assurance Framework (i.e. in keeping with the requirements of democracy, transparency and robust and efficient decision-making).
- The process of assessing business cases for selection ensures that projects are assessed on a consistent basis and includes a consideration of the following criteria (not an exhaustive list):
    - Whether the project is identified as a named project with allocated resource, a named project without allocated resource or a new project.
    - Whether the project is supported by a clear business case.
    - Whether the project is aligned with the Authority's strategic aims and objectives, including its 10-year Investment Plan.
    - Whether the project meets the Authority's broader aims including value for money and social value.
- Projects are being monitored in line with the Monitoring and Evaluation Framework in that:
    - Each project has a clear plan, timescale, budget and monitoring framework set by its sponsor.

- The party(ies) responsible for delivering the project is(are) clearly defined.
    - A formal contract/agreement is in place with any external delivery partner.
    - An agreed process for monitoring is in place for "direct delivery" (i.e. internally-delivered) projects.
    - Funding decisions are made in line with the project plan and the Assurance Framework.
    - Project reporting procedures are in line with the project plan and the Evaluation and Monitoring Framework.
- How the Authority monitors progress of delivery of its programme against its 10-year Investment Plan.

The following limitations apply to the scope of our work:

- Our review will focus on business case assessment and project monitoring processes within TVCA only and not within any of its subsidiary entities.
- We will not review delivery of the project, only how that project is being monitored to support funding decisions.
- We will not comment on the suitability or otherwise of projects, only that they are being monitored in line with the Authority's criteria.
- 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 do not endorse a particular means of project management.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	9 November 2020	**Internal audit Contacts**	Rob Barnett, Head of Internal Audit Philip Church, Client Manager Mike Gibson, Assistant Manager Jessica Rushworth, Senior Auditor
Draft report issued	12 November 2020		
Revised draft report issued	18 November 2020		
Responses received	5 January 2021		
Final report issued	5 January 2021	**Client sponsor**	Gary MacDonald, Group Director of Finance and Resource
		Distribution	Gary MacDonald, Group Director of Finance and Resources

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

ITEM 12

Audit & Governance Committee Forward Plan 2020/21

Standing Items

- Minutes from the Previous Meeting
- Action Tracker
- Chief Executive Update to include COVID-19 Update
- Forward Plan
- Date and Time of the Next Meeting

Date	**Venue**	**Items to be scheduled in year 2021/22**
TBC	TBC	Internal Audit Progress Report External Audit Progress Report Corporate Risk Register Risk Management Framework Annual Review Treasury Management Advisors Update on GDPR Remuneration & Decision Making Draft Group Assurance Framework

*Meeting schedule for 2021/22 year to be confirmed.