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# Tees Valley Combined Authority and Group - Annual Financial Statements 2019/20

## 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.

# **Tees Valley Combined Authority and Group - Annual Financial Statements 2019/20**

## **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](http://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 £30million 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.

# **Tees Valley Combined Authority and Group - Annual Financial Statements 2019/20**

## **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 on the group will be reflected within 20/21 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, the airport 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 lockdown period, as well as the on-going property rental, including the addition of Willis Asset Management.

The Airport has implemented a comprehensive reopening plan to ensure our staff, customers and partners are able to access services in a safe manner. The plans followed all Government guidance and requirements for the industry with our dedicated teams ensuring all aspects of the Airport layout and reconfiguration complied with the relevant guidelines.

The lockdown period has been used to further discussions and renegotiate contracts with the existing commercial airlines (Eastern Airways, KLM), as well as with other potential partners. Flights recommenced with Eastern Airways on 24th June on a reduced-cost basis for the airport, and flights are due to recommence with KLM on 3rd August. KLM have also signed a new 5-year deal with the airport during the lockdown period. The Southside development program has now also recommenced.

Due to the relatively low-level of commercial flight activity at the airport in the period prior to the lockdown, the impact of COVID-19 has mostly been confined to a delay in the successful implementation of the business plan, rather than any significant increase in operating losses.

### **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.

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## 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 submitted to Government which considers the development of 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.

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.

# Tees Valley Combined Authority and Group - Annual Financial Statements 2019/20

## Narrative Report

**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.

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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
<b><u>Movement in reserves during 2018/19</u></b>									
<b>Balance at 1 April 2018 brought forward</b>	48,419	46,507	<b>94,926</b>	(2,270)	<b>92,656</b>	3,849	<b>96,505</b>	-	<b>96,505</b>
Balance at acquisition DTVA - 15 February 2019			-		-		-	1,786	<b>1,786</b>
Balance at share issue of Goosepool Group 15 March 2019			-		-	1,344	<b>1,344</b>	(1,344)	-
Total Comprehensive Income and Expenditure	(6,887)	-	<b>(6,887)</b>	282	<b>(6,605)</b>	(6,464)	<b>(13,069)</b>	(258)	<b>(13,327)</b>
Adjustments between accounting basis & funding basis under regulations	14,086	(13,591)	<b>495</b>	(495)	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>7,199</b>	<b>(13,591)</b>	<b>(6,392)</b>	<b>(213)</b>	<b>(6,605)</b>	<b>(5,120)</b>	<b>(11,725)</b>	<b>184</b>	<b>(11,541)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>55,618</b>	<b>32,916</b>	<b>88,534</b>	<b>(2,483)</b>	<b>86,051</b>	<b>(1,271)</b>	<b>84,780</b>	<b>184</b>	<b>84,964</b>
Re-Allocation of Subsidiary Reserves	(3,312)	2,509	<b>(803)</b>	(468)	<b>(1,271)</b>	1,271	-	-	-
<b>Group Reserves</b>	<b>52,306</b>	<b>35,425</b>	<b>87,731</b>	<b>(2,951)</b>	<b>84,780</b>	<b>-</b>	<b>84,780</b>	<b>184</b>	<b>84,964</b>
<b>General Fund analysed over:</b>									
Amounts earmarked (Note 8)	51,022								
Amounts uncommitted	1,284								
<b>Total General Fund Balance 31 March 2019</b>	<b>52,306</b>								
<b><u>Movement in reserves during 2019/20</u></b>									
<b>Balance at 1 April 2019 brought forward</b>	52,306	35,425	<b>87,731</b>	(2,951)	<b>84,780</b>	-	<b>84,780</b>	184	<b>84,964</b>
Total Comprehensive Income and Expenditure	5,933	-	<b>5,933</b>	(827)	<b>5,106</b>	(5,141)	<b>(35)</b>	(1,218)	<b>(1,253)</b>
Adjustments between Group Accounts and authority accounts	8,516	-	<b>8,516</b>	-	<b>8,516</b>	-	<b>8,516</b>	-	<b>8,516</b>
Adjustments between accounting basis & funding basis under regulations	(7,411)	8,189	<b>778</b>	(778)	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>7,038</b>	<b>8,189</b>	<b>15,227</b>	<b>(1,605)</b>	<b>13,622</b>	<b>(5,141)</b>	<b>8,481</b>	<b>(1,218)</b>	<b>7,263</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>59,344</b>	<b>43,614</b>	<b>102,958</b>	<b>(4,556)</b>	<b>98,402</b>	<b>(5,141)</b>	<b>93,261</b>	<b>(1,034)</b>	<b>92,227</b>
Re-Allocation of Subsidiary Reserves	(6,814)	2,494	<b>(4,320)</b>	(821)	<b>(5,141)</b>	5,141	-	-	-
<b>Group Reserves</b>	<b>52,530</b>	<b>46,108</b>	<b>98,638</b>	<b>(5,377)</b>	<b>93,261</b>	<b>-</b>	<b>93,261</b>	<b>(1,034)</b>	<b>92,227</b>
<b>General Fund analysed over:</b>									
Amounts earmarked (Note 8)	51,150								
Amounts uncommitted	1,380								
<b>Total General Fund Balance 31 March 2020</b>	<b>52,530</b>								

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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
<b><u>Movement in reserves during 2018/19</u></b>						
<b>Balance at 1 April 2018 brought forward</b>	48,419	-	46,507	<b>94,926</b>	(2,270)	<b>92,656</b>
Total Comprehensive Income and Expenditure	(6,887)			<b>(6,887)</b>	282	<b>(6,605)</b>
Adjustments between accounting basis & funding basis under regulations	14,086		(13,591)	<b>495</b>	(495)	-
<b>Increase/Decrease in Year</b>	<b>7,199</b>		<b>(13,591)</b>	<b>(6,392)</b>	<b>(213)</b>	<b>(6,605)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>55,618</b>		<b>32,916</b>	<b>88,534</b>	<b>(2,483)</b>	<b>86,051</b>
Amounts earmarked (Note 8)	54,656					
Amounts uncommitted	962					
<b>Total General Fund Balance at 31 March 2019</b>	<b>55,618</b>					
<b><u>Movement in reserves during 2019/20</u></b>						
<b>Balance at 1 April 2019 brought forward</b>	55,618	-	32,916	<b>88,534</b>	(2,483)	<b>86,051</b>
Total Comprehensive Income and Expenditure	5,933	-	-	<b>5,933</b>	(827)	<b>5,106</b>
Adjustments between accounting basis & funding basis under regulations	(7,411)	-	8,189	<b>778</b>	(778)	-
<b>Increase/Decrease in Year</b>	<b>(1,478)</b>	-	<b>8,189</b>	<b>6,711</b>	<b>(1,605)</b>	<b>5,106</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>54,140</b>	-	<b>41,105</b>	<b>95,245</b>	<b>(4,088)</b>	<b>91,157</b>
<b>General Fund analysed over:</b>						
Amounts earmarked (Note 8)	53,082					
Amounts uncommitted	1,058					
<b>Total General Fund Balance at 31 March 2020</b>	<b>54,140</b>					



## Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

### 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)	<b>4,964</b>	12,757	(11,429)	<b>1,328</b>
14,709	(14,166)	<b>543</b>	2,649	(2,352)	<b>297</b>
5,347	(2,075)	<b>3,272</b>	22,139	(22,066)	<b>73</b>
4,626	(1,375)	<b>3,251</b>	2,260	(1,977)	<b>283</b>
29,596	(19,095)	<b>10,501</b>	38,591	(36,620)	<b>1,971</b>
4,823	(483)	<b>4,340</b>	2,569	(2,057)	<b>512</b>
4,020	(1,468)	<b>2,552</b>	691	(244)	<b>447</b>
7,852	(6,266)	<b>1,586</b>	14,849	(10,620)	<b>4,229</b>
16,756	(16,756)	-	16,569	(16,636)	<b>(67)</b>
1,567	-	<b>1,567</b>	130	-	<b>130</b>
1,250	-	<b>1,250</b>	-	-	-
-	(12,460)	<b>(12,460)</b>	273	(427)	<b>(154)</b>
<b>99,971</b>	<b>(78,605)</b>	<b>21,366</b>	<b>113,477</b>	<b>(104,428)</b>	<b>9,049</b>
<b>Financing and Investment Income and Expenditure:</b>					
		-	154	-	154
205	(160)	<b>45</b>	240	(190)	50
-	(760)	<b>(760)</b>	-	(783)	(783)
		-	-	(1,586)	(1,586)
<b>Taxation and Non-Specific Grant Income:</b>					
-	(119)	<b>(119)</b>	-	-	-
-	-	-	-	-	-
-	(6,922)	<b>(6,922)</b>	-	(15,504)	(15,504)
<b>100,176</b>	<b>(86,566)</b>	<b>13,610</b>	<b>113,871</b>	<b>(122,491)</b>	<b>(8,620)</b>
					530
					827
					-
		<b>(283)</b>			<b>1,357</b>
		<b>13,327</b>			<b>(7,263)</b>
<i>258 (Surplus) or Deficit on Provision of Services - minority interest share</i>					
					<i>1,218</i>

Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

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)	<b>4,964</b>	14,657	(11,429)	<b>3,228</b>
14,709	(14,166)	<b>543</b>	2,649	(2,352)	<b>297</b>
5,347	(2,075)	<b>3,272</b>	22,139	(22,066)	<b>73</b>
4,626	(1,375)	<b>3,251</b>	2,260	(1,977)	<b>283</b>
21,562	(18,116)	<b>3,446</b>	27,108	(22,679)	<b>4,429</b>
3,858	(10)	<b>3,848</b>	-	-	-
3,893	(1,341)	<b>2,552</b>	268	(244)	<b>24</b>
4,995	(4,396)	<b>599</b>	5,338	(4,200)	<b>1,138</b>
16,756	(16,756)	-	16,569	(16,636)	<b>(67)</b>
1,567	-	<b>1,567</b>	130	-	<b>130</b>
1,250	-	<b>1,250</b>	-	-	-
-	(12,460)	<b>(12,460)</b>	273	(427)	<b>(154)</b>
<b>87,988</b>	<b>(75,156)</b>	<b>12,832</b>	<b>91,391</b>	<b>(82,010)</b>	<b>9,381</b>
		<b>Cost Of Services</b>			
		<b>Financing and Investment Income and Expenditure:</b>			
-	-	-	154	-	154
204	(158)	<b>46</b>	240	(190)	50
-	(1,015)	<b>(1,015)</b>	-	(3,018)	(3,018)
		<b>Taxation and Non-Specific Grant Income:</b>			
-	-	-	-	-	-
-	(4,976)	<b>(4,976)</b>	-	(12,500)	(12,500)
<b>88,192</b>	<b>(81,305)</b>	<b>6,887</b>	<b>91,785</b>	<b>(97,718)</b>	<b>(5,933)</b>
		<b>(Surplus) or Deficit on Provision of Services</b>			
		(282) Re-measurements of the defined benefit liability			827
		- Other (gains) and losses			-
		<b>(282) Other Comprehensive Income and Expenditure</b>			<b>827</b>
		<b>6,605 Total Comprehensive Income and Expenditure</b>			<b>(5,106)</b>

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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".

		Group	TVCA	Group (Restated)	Group	TVCA
	Note	31 March 2020 £000s	31 March 2020 £000s	31 March 2019 £000s	31 March 2019 £000s	31 March 2019 £000s
<b>Non-current assets</b>						
Property, plant and equipment	6	27,078	-	26,210	27,310	-
Investment property	6	6,974	-	5,388	5,388	-
Intangible assets	6	16,898	-	19,388	19,388	-
Long Term Debtors	12	9,783	69,078	8,582	8,582	60,766
<b>Total non-current assets</b>		<b>60,733</b>	<b>69,078</b>	<b>59,568</b>	<b>60,668</b>	<b>60,766</b>
<b>Current assets</b>						
Short term investments		-	-	27,500	27,500	27,500
Inventories		193	-	196	196	-
Debtors	13	17,041	14,330	15,475	15,475	13,630
Cash and Cash Equivalents	14	74,778	62,006	5,034	5,034	1,657
<b>Total current assets</b>		<b>92,012</b>	<b>76,336</b>	<b>48,205</b>	<b>48,205</b>	<b>42,787</b>
<b>Current liabilities</b>						
Short Term Creditors	15	(23,853)	(21,177)	(15,845)	(15,845)	(15,172)
<b>Total current liabilities</b>		<b>(23,853)</b>	<b>(21,177)</b>	<b>(15,845)</b>	<b>(15,845)</b>	<b>(15,172)</b>
<b>Long term liabilities</b>						
Long Term Creditors	16	(1,020)	-	(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	(1,987)	-	(1,940)	(1,940)	-
<b>Total long term liabilities</b>		<b>(36,665)</b>	<b>(33,080)</b>	<b>(6,964)</b>	<b>(6,964)</b>	<b>(2,330)</b>
<b>Net Assets:</b>		<b>92,227</b>	<b>91,157</b>	<b>84,964</b>	<b>86,064</b>	<b>86,051</b>
<b>Reserves</b>						
<b>Usable reserves:</b>						
General Fund Balance		1,380	1,058	1,284	1,284	962
P&L Reserve	8	(9,317)	-	(5,458)	(4,479)	-
Earmarked General Fund Reserves	8	60,467	53,082	56,480	56,480	54,656
Capital Grants Unapplied		46,108	41,105	35,425	35,425	32,916
		98,638	95,245	87,731	88,710	88,534
<b>Unusable Reserves:</b>						
Pensions Reserve	16 & 23	(4,515)	(3,937)	(2,512)	(2,512)	(2,330)
Minority Interest		(1,034)	-	184	305	-
Capital Adjustment Account	9	(695)	-	(273)	(273)	-
Accumulated Absences Account		(167)	(151)	(166)	(166)	(153)
		(6,411)	(4,088)	(2,767)	(2,646)	(2,483)
<b>Total Reserves:</b>		<b>92,227</b>	<b>91,157</b>	<b>84,964</b>	<b>86,064</b>	<b>86,051</b>

Mayor Ben Houchen .....

Chair Tees Valley Combined Authority Cabinet

Date

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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
<b>Net (surplus) or deficit on the provision of services</b>		<b>(8,620)</b>	<b>(5,933)</b>	13,610	6,887
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>					
Depreciation, impairment and amortisation of non current assets		(2,508)	-	(6,632)	-
Revaluation Gains / (Losses)		1,616			
Pension Fund adjustments		(1,225)	(780)	(613)	(561)
Adjustment for balances at date of Acquisition			-	108	
Increase/(Decrease) in Inventories (Stock)		(3)	-	(37)	-
Increase/(Decrease) in Revenue Debtors	13	1,566	700	8,548	8,348
(Increase)/Decrease in Revenue Creditors	15	(8,008)	(6,005)	(8,411)	(9,797)
(Increase)/Decrease in Long Term Creditors		(27,651)	(29,143)	-	-
(Increase)/Decrease in Provisions		-	-	119	-
Increase/(Decrease) in Long Term Debtors	12	1,201	8,312	2,134	54,318
		<b>(35,012)</b>	<b>(26,916)</b>	(4,784)	52,308
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>					
Capital Grants credited to surplus or deficit on the provision of services		42,016	44,510	(18,695)	(17,111)
		<b>42,016</b>	<b>44,510</b>	(18,695)	(17,111)
<b>Net cashflow from operating activities</b>		<b>(1,616)</b>	<b>11,661</b>	<b>(9,869)</b>	<b>42,084</b>
<b>Investing activities</b>					
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		1,388	-	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		(42,016)	(44,510)	18,695	17,111
<b>Net cashflow from investing activities</b>		<b>(68,128)</b>	<b>(72,010)</b>	32,261	(20,389)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(69,744)</b>	<b>(60,349)</b>	22,392	21,695
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(5,034)</b>	<b>(1,657)</b>	<b>(27,426)</b>	<b>(23,352)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	14	<b>(74,778)</b>	<b>(62,006)</b>	(5,034)	(1,657)
<b>The cashflow for operating activities includes the following items:</b>					
Interest received		(549)	(547)	(687)	(687)
Interest paid		-	-	-	-

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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.

## Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

### 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	<b>4,964</b>	6,652	(5,324)	<b>1,328</b>
454	89	<b>543</b>	2,310	(2,013)	<b>297</b>
1,953	1,319	<b>3,272</b>	20,538	(20,465)	<b>73</b>
1,323	1,928	<b>3,251</b>	1,879	(1,596)	<b>283</b>
7,185	3,316	<b>10,501</b>	15,773	(13,802)	<b>1,971</b>
599	3,741	<b>4,340</b>	1,763	(1,251)	<b>512</b>
5,637	(3,085)	<b>2,552</b>	666	(219)	<b>447</b>
4,291	(2,705)	<b>1,586</b>	6,331	(2,102)	<b>4,229</b>
-	-	-	-	(67)	<b>(67)</b>
-	1,567	<b>1,567</b>	-	130	<b>130</b>
-	1,250	<b>1,250</b>	-	-	-
12,468	(24,928)	<b>(12,460)</b>	282	(436)	<b>(154)</b>
<b>38,424</b>	<b>(17,058)</b>	<b>21,366</b>	<b>56,194</b>	<b>(47,145)</b>	<b>9,049</b>
(38,675)	30,919	(7,756)	(56,290)	38,621	(17,669)
<b>(251)</b>	<b>13,861</b>	<b>13,610</b>	<b>(96)</b>	<b>(8,524)</b>	<b>(8,620)</b>
<b>1,033</b>		<b>Opening General Fund Balance</b>	<b>1,284</b>		
<b>251</b>		Less/Plus Surplus or (Deficit)	<b>96</b>		
<b>1,284</b>		<b>Closing General Fund Balance at 31 March 2019</b>	<b>1,380</b>		

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## Note 2: Group Expenditure & Funding Analysis

### Group Notes to the Expenditure and Funding Analysis:

<b>Adjustments between Funding and Accounting Basis 2019/20</b>				
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)	<b>(5,324)</b>
Research Development Innovation & Energy	-	11	(2,024)	<b>(2,013)</b>
Education Employment & Skills	-	66	(20,531)	<b>(20,465)</b>
Culture	-	28	(1,624)	<b>(1,596)</b>
Transport	2,055	5	(15,862)	<b>(13,802)</b>
Enabling Infrastructure	510	-	(1,761)	<b>(1,251)</b>
Project Development	-	38	(257)	<b>(219)</b>
Core Running Costs	-	115	(2,217)	<b>(2,102)</b>
Concessionary Fares	-	-	(67)	<b>(67)</b>
SSI Related Schemes Not in the Investment Plan	-	-	130	<b>130</b>
Place	-	-	-	-
Not Directly Attributable to Themes	-	-	(436)	<b>(436)</b>
<b>Net Cost Of Services</b>	4,821	286	(52,252)	<b>(47,145)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(15,504)	50	54,075	<b>38,621</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	(10,683)	336	1,823	<b>(8,524)</b>

<b>Adjustments between Funding and Accounting Basis 2018/19 (Restated)</b>				
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)
<b>Net Cost Of Services</b>	<b>19,202</b>	<b>568</b>	<b>(36,828)</b>	<b>(17,058)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(6,922)	46	37,795	30,919
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>12,280</b>	<b>614</b>	<b>967</b>	<b>13,861</b>

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

	Group 2019/20 £000s	Group (Restated) 2018/19 £000s
<b>Expenditure</b>		
Employee benefits expenses	10,277	6,466
Other services expenses	103,200	93,505
Interest payments	394	205
<b>Total Expenditure</b>	<b>113,871</b>	100,176
<b>Income</b>		
Fees, charges and other service income	(10,806)	(1,547)
Interest and investment income	(973)	(920)
Government grants and contributions	(110,712)	(83,980)
Taxation	-	(119)
<b>Total Income</b>	<b>(122,491)</b>	(86,566)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(8,620)</b>	13,610

## Segmental Income

Income received on a segmental basis is analysed below:

	Group 2019/20 £000s	Group 2019/20 £000s
<b>Services</b>		
Business Growth	-	-
Research Development Innovation & Energy	(26)	-
Education Employment & Skills	(6)	(3)
Culture	(1)	(16)
Transport	(5,508)	(982)
Enabling Infrastructure	-	-
Project Development	-	-
Core Running Costs	(5,265)	(546)
SSI Related Schemes Not in the Investment Plan	-	-
Place	-	-
Not Directly Attributable to Themes	-	-
<b>Total income analysed on a segmental basis</b>	<b>(10,806)</b>	(1,547)



## Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

### 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	<b>4,964</b>	6,652	(3,424)	<b>3,228</b>
		Business Growth			
454	89	<b>543</b>	2,310	(2,013)	<b>297</b>
		Research Development Innovation & Energy			
1,953	1,319	<b>3,272</b>	20,538	(20,465)	<b>73</b>
		Education Employment & Skills			
1,323	1,928	<b>3,251</b>	1,879	(1,596)	<b>283</b>
		Culture			
1,109	2,337	<b>3,446</b>	9,715	(5,286)	<b>4,429</b>
		Transport			
10	3,838	<b>3,848</b>	-	-	-
		Enabling Infrastructure			
5,637	(3,085)	<b>2,552</b>	666	(642)	<b>24</b>
		Project Development			
2,607	(2,008)	<b>599</b>	2,450	(1,312)	<b>1,138</b>
		Core Running Costs			
-	-	-	-	(67)	<b>(67)</b>
		Concessionary Fares			
-	1,567	<b>1,567</b>	-	130	<b>130</b>
		SSI Related Schemes Not in the Investment Plan			
-	1,250	<b>1,250</b>	-	-	-
		Place			
12,468	(24,928)	<b>(12,460)</b>	282	(436)	<b>(154)</b>
		Not Directly Attributable to Themes			
<b>30,075</b>	<b>(17,243)</b>	<b>12,832</b>	<b>44,492</b>	<b>(35,111)</b>	<b>9,381</b>
		<b>Net Cost Of Services</b>			
(30,076)	24,131	(5,945)	(44,588)	29,274	(15,314)
		Other Income and Expenditure			
<b>(1)</b>	<b>6,888</b>	<b>6,887</b>	<b>(96)</b>	<b>(5,837)</b>	<b>(5,933)</b>
		Surplus or Deficit			
961		<b>Opening General Fund Balance</b>	962		
<b>1</b>		Less/Plus Surplus or (Deficit)	<b>96</b>		
<b>962</b>		<b>Closing General Fund Balance at 31 March 2019</b>	<b>1,058</b>		

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## Note 2: Expenditure & Funding Analysis TVCA

### Notes to the Expenditure and Funding Analysis: TVCA

<b>Adjustments between Funding and Accounting Basis 2019/20</b>				
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)	<b>(3,424)</b>
Research Development Innovation & Energy	-	11	(2,024)	<b>(2,013)</b>
Education Employment & Skills	-	66	(20,531)	<b>(20,465)</b>
Culture	-	28	(1,624)	<b>(1,596)</b>
Transport	2,055	5	(7,346)	<b>(5,286)</b>
Enabling Infrastructure	-	-	-	-
Project Development	-	38	(680)	<b>(642)</b>
Core Running Costs	-	559	(1,871)	<b>(1,312)</b>
Concessionary Fares	-	-	(67)	<b>(67)</b>
SSI Related Schemes Not in the Investment Plan	-	-	130	<b>130</b>
Place	-	-	-	-
Not Directly Attributable to Themes	-	-	(436)	<b>(436)</b>
<b>Net Cost Of Services</b>	4,311	730	(40,152)	<b>(35,111)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,500)	50	41,724	<b>29,274</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	(8,189)	780	1,572	<b>(5,837)</b>

<b>Adjustments between Funding and Accounting Basis 2018/19</b>				
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)
<b>Net Cost Of Services</b>	<b>18,567</b>	<b>514</b>	<b>(36,324)</b>	<b>(17,243)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,976)	46	29,061	24,131
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>13,591</b>	<b>560</b>	<b>(7,263)</b>	<b>6,888</b>

**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:

	<b>2019/20</b>	2018/19
	<b>£000s</b>	£000s
<b>Expenditure</b>		
Employee benefits expenses	6,117	5,080
Other services expenses	85,274	82,908
Interest payments	394	204
<b>Total Expenditure</b>	<b>91,785</b>	88,192
<b>Income</b>		
Fees, charges and other service income	(129)	(50)
Interest and investment income	(3,208)	(1,173)
Government grants and contributions	(94,381)	(80,082)
<b>Total Income</b>	<b>(97,718)</b>	(81,305)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(5,933)</b>	6,887

## Segmental Income

Income received on a segmental basis is analysed below:

	<b>2019/20</b>	2018/19
	<b>£000s</b>	£000s
<b>Services</b>	<b>Income from Services</b>	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
<b>Total income analysed on a segmental basis</b>	<b>(129)</b>	(50)

## **Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20**

### **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:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- IFRIC 23 Uncertainty over Income Tax Treatments -It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes

### **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: estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide TVCA and the Group with expert advice about the assumptions to be applied. Sensitivities are included in Note 23.

**Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20**

**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
<b>Cost</b>					
As at 1 April 2019 (Restated)	12,000	149	1,831	12,549	<b>26,529</b>
Additions	30	129	1,102	155	<b>1,416</b>
Revaluation	(530)			-	<b>(530)</b>
Disposals		-			-
As at 31 March 2020	<b>11,500</b>	<b>278</b>	<b>2,933</b>	<b>12,704</b>	<b>27,415</b>
<b>Depreciation</b>					
As at 1 April 2019	-	-	(319)	-	<b>(319)</b>
Additions	-	-	-	-	-
Depreciation Charge	-	(18)	-	-	<b>(18)</b>
Impairments	-	-	-	-	-
Derecognition of Disposals	-	-	-	-	-
As at 31 March 2020	-	(18)	(319)	-	<b>(337)</b>
<b>Net Book Value</b>					
As at 1 April 2019	12,000	149	1,512	12,549	26,210
As at 31 March 2020	<b>11,500</b>	<b>260</b>	<b>2,614</b>	<b>12,704</b>	<b>27,078</b>

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.

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.

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.

## Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

### Note 6: Tangible Fixed Assets (Group) Investment Properties

	<u>£000s</u>
<b>Cost</b>	
As at 1 April 2019	5,388
Additions	1,586
Revaluation	-
Disposals	-
As at 31 March 2020	<u>6,974</u>

<b>Depreciation</b>	
As at 1 April 2019	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2020	<u>-</u>

<b>Net Book Value</b>	
As at 1 April 2019	5,388
As at 31 March 2020	<b>6,974</b>

Investment properties are those that do not in any way to 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.

### Note 6: Intangible Fixed Assets (Group)

	<u>£000s</u>
As at 1 April 2019	19,388
Additions	
Amortisation	
Impairment	(2,490)
<b>As at 31 March 2020</b>	<b><u>16,898</u></b>

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.

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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	(47)			47
Adjustments involving the Capital Grants Unapplied Account	(10,683)		10,683	-
Adjustments involving the Pensions Reserve	1,176			(1,176)
Adjustments involving the Accumulated Absences Adjustment Account	1			(1)
<b>Total Adjustments</b>	<b>(9,553)</b>	-	<b>10,683</b>	<b>(1,130)</b>

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
<b>Total Adjustments</b>	<b>12,694</b>	-	<b>(12,007)</b>	<b>(687)</b>

### TVCA

2019/20	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
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
<b>Total Adjustments</b>	<b>(7,411)</b>	-	<b>8,189</b>	<b>(778)</b>

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
<b>Total Adjustments</b>	<b>14,086</b>	-	<b>(13,591)</b>	<b>(495)</b>

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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
<b>Revenue Reserves</b>				
Development Pot	(1,031)	1,031		-
Investment Fund	(43,233)	5,121	(10,568)	(48,680)
SSI	(12,216)	563	(67)	(11,720)
Concessionary Fares	-	-	(67)	(67)
P&L Reserve	5,458	3,859		9,317
<b>Total Revenue Reserves</b>	<b>(51,022)</b>	<b>10,574</b>	<b>(10,702)</b>	<b>(51,150)</b>

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
<b>Revenue Reserves</b>				
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	-	5,458		5,458
<b>Total Revenue Reserves</b>	<b>(50,313)</b>	<b>12,446</b>	<b>(13,155)</b>	<b>(51,022)</b>

### 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
<b>Revenue Reserves</b>				
Development Pot	(1,031)	1,031	-	-
Investment Fund	(41,409)	845	(731)	(41,295)
SSI	(12,216)	563	(67)	(11,720)
Concessionary Fares	-	-	(67)	(67)
<b>Total Revenue Reserves</b>	<b>(54,656)</b>	<b>2,439</b>	<b>(865)</b>	<b>(53,082)</b>

Earmarked Reserves	Balance at 1 April 2018 £000s	Transfers Out 2018/19 £000s	Transfers In 2018/19 £000s	Balance at 31 March 2019 £000s
<b>Revenue Reserves</b>				
Development Pot	(1,939)	908	-	(1,031)
Investment Fund	(28,531)	277	(13,155)	(41,409)
SSI	(16,988)	4,772	-	(12,216)
<b>Total Revenue Reserves</b>	<b>(47,458)</b>	<b>5,957</b>	<b>(13,155)</b>	<b>(54,656)</b>



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## Note 9: Capital Adjustment Account Group and TVCA

	GROUP	
	2019/20 £000s	2018/19 £000s
<b>Balance at 1 April 2019</b>	273	-
Revaluation Losses on non current assets	530	273
Revenue expenditure funded from capital under statute	34,637	51,940
	<u>35,167</u>	<u>52,213</u>
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	(29,807)	(30,716)
Application of grants to capital financing from the Capital Grants Unapplied Account	(4,821)	(18,929)
Statutory provision for the financing of capital investment charged against the General Fund	(108)	-
Capital expenditure charged against the General Fund balance	(9)	(2,295)
	<u>(34,745)</u>	<u>(51,940)</u>
<b>Balance at 31 March 2020</b>	<u><b>695</b></u>	<u><b>273</b></u>
	TVCA	
	2019/20 £000s	2018/19 £000s
<b>Balance at 1 April 2019</b>	-	-
Revenue expenditure funded from capital under statute	33,831	51,564
	<u>33,831</u>	<u>51,564</u>
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)
Capital expenditure charged against the General Fund balance	(9)	(2,295)
	<u>(33,831)</u>	<u>(51,564)</u>
<b>Balance at 31 March 2020</b>	<u><b>-</b></u>	<u><b>-</b></u>

## Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

### 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.

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

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.

**Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20**

**Note 11: Employee remuneration (TVCA)**

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

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:

<b>Remuneration Summary Salary Range</b>	<b>TVCA</b>	
	<b>Number of Employees</b>	<b>Number of Employees</b>
	<b>2019/20</b>	<b>2018/19</b>
£50,001 - £55,000	2	1
£55,001 - £60,000	1	1
£60,001 - £65,000	1	-
£65,001 - £70,000	1	-
£70,001 - £75,000	1	-
£75,001 - £80,000	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.

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### 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
	<b>9,783</b>	<b>69,078</b>	<b>8,582</b>	<b>60,766</b>

### 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	6,464	8,462	6,589	6,589
Other entities and individuals	6,783	3,552	2,653	1,025
	<b>17,041</b>	<b>14,330</b>	<b>15,475</b>	<b>13,630</b>

### 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	13,278	506	(1,966)	(5,343)
Cash Equivalents	61,500	61,500	7,000	7,000
	<b>74,778</b>	<b>62,006</b>	<b>5,034</b>	<b>1,657</b>

### 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	(9,932)	(9,853)	(6,138)	(6,062)
Local Government	(1,481)	(8,075)	(3,881)	(7,057)
Other entities and individuals	(12,440)	(3,249)	(5,826)	(2,053)
	<b>(23,853)</b>	<b>(21,177)</b>	<b>(15,845)</b>	<b>(15,172)</b>

### 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	(1,020)	-	(2,512)	-
Long Tem Borrowing	(29,143)	(29,143)	-	-
Deferred Tax Provision	(1,380)	-	(1,333)	-
Other Provisions	(607)	-	(607)	-
	<b>(36,665)</b>	<b>(33,080)</b>	<b>(6,964)</b>	<b>(2,330)</b>

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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	6,861
Hartlepool Borough Council	2,341	5,060
Darlington Borough Council	3,200	8,025
<b>Total</b>	<b>19,062</b>	<b>38,118</b>

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
<b>Total</b>	<b>19,905</b>	<b>33,925</b>

As at 31 March 2019 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	-	358	339
Middlesbrough Borough Council	2,924	1,057	307
Redcar & Cleveland Borough Council	-	2,562	202
Hartlepool Borough Council	-	2,182	176
Darlington Borough Council	3,230	295	637
<b>Total</b>	<b>6,154</b>	<b>6,454</b>	<b>1,661</b>

As at 31 March 2018 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
<b>Total</b>	<b>6,570</b>	<b>5,801</b>	<b>4,336</b>

South Tees Site Company is a Government controlled organisation who is responsible for the safety, security and upkeep of the former SSI Site which forms part of the South Tees Development Corporations designated area. During the year STDC received £14k income from the Site Company and expended £117k with them, of which £4k was owed at 31 March 2020.

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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	-
<b>Total</b>	<b>2,402</b>	<b>1,900</b>

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

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	4,958	8,302
Goosepool 2019 Group	48,080	94	-
<b>Total</b>	<b>59,295</b>	<b>5,052</b>	<b>8,302</b>

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	-	-
<b>Total</b>	<b>52,184</b>	<b>94</b>	<b>2,561</b>

## 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.

<b>2019/20</b>	<b>Income Received £000s</b>	<b>Expenditure £000s</b>
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
<b>Total</b>	<b>19,057</b>	<b>37,590</b>

<b>2018/19</b>	<b>Income Received £000s</b>	<b>Expenditure £000s</b>
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
<b>Total</b>	<b>19,905</b>	<b>33,808</b>

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

	<b>Long Term Debtors £000s</b>	<b>Short Term Debtors £000s</b>	<b>Short Term Creditors £000s</b>
Stockton On Tees Borough Council	-	357	339
Middlesbrough Borough Council	2,924	1,057	307
Redcar & Cleveland Borough Council	-	2,562	133
Hartlepool Borough Council	-	2,182	176
Darlington Borough Council	3,230	295	637
<b>Total</b>	<b>6,154</b>	<b>6,453</b>	<b>1,592</b>

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

	<b>Long Term Debtors £000s</b>	<b>Short Term Debtors £000s</b>	<b>Short Term Creditors £000s</b>
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
<b>Total</b>	<b>6,570</b>	<b>5,801</b>	<b>4,296</b>

## Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

### 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:

	<b>Group 2019/20 £000s</b>	<b>TVCA 2019/20 £000s</b>	Group 2018/19 £000s	TVCA 2018/19 £000s
Fees payable to Mazars LLP with regard to external audit services	44	23	50	29
Fees payable to MHA Tait Walker with regard to external audit services	30	-	30	-
	<b>74</b>	<b>23</b>	<b>80</b>	<b>29</b>
<i>Rebate from Public Sector Audit Appointments Ltd</i>	<i>(3)</i>	<i>(3)</i>		

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:

<b>Future minimum lease payments due</b>	<b>2019/20 £000s</b>	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
	<b>1,026</b>	<b>1,178</b>

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 £194k.

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.

<b>Future minimum lease payments due</b>	<b>2019/20 £000s</b>	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
	<b>1,893</b>	<b>1,818</b>

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 £254k.

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.

	<b>GROUP</b>	
	<b>31 March 2020</b>	31 March 2019 (Restated)
	<b>£000s</b>	£000s
<b>Opening Capital Financing Requirement</b>	-	-
<b>Capital investment</b>		
Purchase of Airport	-	40,200
Plant, Property & Equipment	1,387	11,215
Revenue expenditure funded from capital under statute	34,637	51,940
Loans for Capital Investment	7,702	5,174
<b>Sources of Finance</b>		
Government grants and other contributions	(35,730)	(65,436)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(2,324)	(43,093)
Minimum Revenue Provision (MRP)	(108)	0
<b>Closing Capital Financing Requirement</b>	<b>5,564</b>	-

	<b>TVCA</b>	
	<b>31 March 2020</b>	31 March 2019 (Restated)
	<b>£000s</b>	£000s
<b>Opening Capital Financing Requirement</b>	-	-
<b>Capital investment</b>		
Revenue expenditure funded from capital under statute	33,831	51,564
Loans for Capital Investment	7,702	56,589
<b>Sources of Finance</b>		
Government grants and other contributions	(33,822)	-
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(2,039)	(43,093)
<b>Closing Capital Financing Requirement</b>	<b>5,672</b>	-

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### 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
<b>Credited to Taxation and Non Specific Grant Income</b>				
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	3,004	-	1,946	-
<b>Total</b>	<b>15,504</b>	<b>12,500</b>	<b>6,922</b>	<b>4,976</b>

### 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	296	-	14	-
Transforming Cities Fund	734	734	1,079	1,079
<b>Total</b>	<b>74,451</b>	<b>71,155</b>	<b>57,376</b>	<b>55,362</b>

### 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	2,657	2,657	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
<b>Total</b>	<b>8,726</b>	<b>8,726</b>	<b>5,959</b>	<b>5,959</b>

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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 2019/20 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 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	87,467	46,360
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
<b>Total financial assets</b>	<b>9,783</b>	<b>8,582</b>	<b>87,467</b>	<b>46,360</b>

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	(30,410)	(1,000)	(23,668)	(15,271)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
<b>Total financial liabilities</b>	<b>(30,410)</b>	<b>(1,000)</b>	<b>(23,668)</b>	<b>(15,271)</b>

## 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

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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.

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

### 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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy

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

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

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.

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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 2019/20 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.

### 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	76,117	41,920
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
<b>Total financial assets</b>	<b>69,078</b>	<b>60,766</b>	<b>76,117</b>	<b>41,920</b>

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)	-	(20,910)	(14,916)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
<b>Total financial liabilities</b>	<b>(29,143)</b>	<b>-</b>	<b>(20,910)</b>	<b>(14,916)</b>

## 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
- **market risk** – the possibility that financial loss might arise for the Authority as a result of changes in such measures

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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 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 Authority has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Authority has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

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

### Liquidity Risk

The Authority 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 Authority 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 Authority'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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy

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

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

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

**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 therefore has no exposure to loss arising from movements in exchange rates.*

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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)

	<b>Local Government Pension Scheme</b>	
	<b>2019/20</b>	2018/19
	<b>£000s</b>	£000s
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
• Current service cost	1,423	1,176
• Past service cost	100	10
<b>Financing and Investment Income and Expenditure</b>		
Net interest cost	52	45
<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>1,575</b>	1,231
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
• 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)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,189</b>	(283)
<b>Movement in Reserves Statement</b>		
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)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
• Employers' contributions payable to scheme	<b>713</b>	617

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£1.174m).

## Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

### 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 £000s	2018/19 £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	<b>(4,515)</b>	<b>(2,512)</b>

### 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 £000s	2018/19 £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
<b>Closing balance at 31 March 2020</b>	<b>8,362</b>	<b>7,117</b>

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

	Local Government Pension Scheme	
	2019/20 £000s	2018/19 £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)
<b>Closing balance at 31 March 2020</b>	<b>(12,877)</b>	<b>(9,629)</b>

#### Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2019/20 £000s	%	2018/19 £000s	%
Equity investments (Quoted)	6,079	72.7%	5,117	79.9%
Property (Quoted)	744	8.9%	655	7.3%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	1,121	13.4%	1,196	11.1%
Other Investments	419	5.0%	149	1.7%
	<b>8,363</b>	<b>100%</b>	<b>7,117</b>	<b>100%</b>



## Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

### 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:		
<u>Longevity at 65 for current pensioners:</u>		
Men	21.8	22.2
Women	23.5	24.1
<u>Longevity at 45 for future pensioners:</u>		
Men	23.2	23.9
Women	25.3	25.9
<u>Other assumptions:</u>		
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)	12,192	11,813	11,438
Rate of increase in salaries (increase or decrease by 0.1%)	11,865	11,813	11,762
Rate of increase in pensions payment (increase or decrease by 0.1%)	12,392	11,813	11,542
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	11,498	11,813	12,136

### 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.

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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)

	<b>Local Government Pension Scheme</b>	
	<b>2019/20</b>	<b>2018/19</b>
	<b>£000s</b>	<b>£000s</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
· Current service cost	1,273	1,042
· Past service cost	91	10
<b>Financing and Investment Income and Expenditure</b>		
Net interest cost	50	46
<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>1,414</b>	<b>1,098</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
· 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)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>827</b>	<b>(282)</b>
<b>Movement in Reserves Statement</b>		
· 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)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
· Employers' contributions payable to scheme	<b>634</b>	<b>537</b>

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.730m).

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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:

	<b>Local Government Pension Scheme</b>	
	<b>2019/20</b>	2018/19
	<b>£000s</b>	£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	<b><u>(3,937)</u></b>	<b><u>(2,330)</u></b>

## Note 23: Defined Benefit Pension Schemes (TVCA)

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

	<b>Local Government Pension Scheme</b>	
	<b>2019/20</b>	2018/19
	<b>£000s</b>	£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
<b>Closing balance at 31 March 2020</b>	<b><u>7,731</u></b>	<b><u>6,984</u></b>

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

	<b>Local Government Pension Scheme</b>	
	<b>2019/20</b>	2018/19
	<b>£000s</b>	£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)
<b>Closing balance at 31 March 2020</b>	<b><u>(11,668)</u></b>	<b><u>(9,314)</u></b>

### Local Government Pension Scheme assets comprised:

	<b>Fair value of scheme assets</b>		<b>Fair value of scheme assets</b>	
	<b>2019/20</b>		<b>2018/19</b>	
	<b>£000s</b>	<b>%</b>	£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%
	<b><u>7,731</u></b>	<b><u>100%</u></b>	<b><u>6,984</u></b>	<b><u>100%</u></b>

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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:		
<u>Longevity at 65 for current pensioners:</u>		
Men	21.8	22.2
Women	23.5	24.1
<u>Longevity at 45 for future pensioners:</u>		
Men	23.2	23.9
Women	25.3	25.9
<u>Other assumptions:</u>		
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.

**Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20**

**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	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>1</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>10</b>	<b>50</b>

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	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>2</b>	-	<b>2</b>	-	<b>40</b>

## **Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20**

### **Note 25: Provisions (TVCA and Group)**

Within the group statements a deferred tax provision has been included relating to the fair value adjustment of assets within the Goosepool Group £1,380k

In addition to this there is a provision within Goosepool group relating to the obligation to pay for repair costs for the rail halt at Durham Tees Valley Airport Rail Station. These repairs have been estimated by a third party and are provided for to the value of £607k.

(2018/19 - Goosepool £1.333K and £607K)

### **Note 26: Contingent Liabilities (TVCA and Group)**

In 2007 Durham Tees Valley Airport Limited 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. However until all conditions attached to the agreement have been satisfied the amount received is repayable to the awarding body. Since all conditions have not currently been met the full amount of the grant received is included in Other creditors.

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.

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

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

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. Compensation will be payable to parties displaced by the vesting in consideration for the land acquired, however at this time it is not possible to determine the exact value due to ongoing negotiations.

## Note 28: Statement of Accounting Policies (Group)

### General Principles

The Statement of Accounts summarises TVCA's and Group transactions for the 2018/19 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.

#### 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.

**Note 28: Statement of Accounting Policies (Group)**

***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.

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.

### 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.

## 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 Lessee**

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.

#### **Recognition**

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

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

## Note 28: Statement of Accounting Policies (Group)

The Group does not capitalise borrowing costs incurred whilst assets are under construction.

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

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

**Note 28: Statement of Accounting Policies (Group)**

**Goodwill**

The CIPFA Code states that the acquisition method should be adopted through the initial business combination following IFRS 3 for guidance and refers to IAS 36 for consideration of goodwill.

Identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree, are recognised separately from goodwill. All assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value.

Goodwill is measured as the difference between:

- the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed

After initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost/ revaluation less accumulated amortisation and accumulated impairment losses.

**Provisions, Contingent Liabilities and Contingent Assets**

**Provisions**

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

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

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

**Contingent Liabilities & Contingent Assets**

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

**Reserves**

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

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

**Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Group has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged.

**VAT**

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

**Note 28: Statement of Accounting Policies (Group)**

**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.

# Tees Valley Combined Authority (and Group) - Annual Financial Statements 2019/20

## 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**   
**Group Director of Finance & Resources**

**Date:** 24th July 2020

These financial statements replace the unaudited financial statements certified by the Director of Finance on 24th July 2020

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

**Date:**

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

## **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.

## **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".