TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Tees Valley Combined Authority Audit & Governance Committee Agenda

www.teesvalley-ca.gov.uk

Date: Wednesday 24th August 2022, at 10am

Venue: Teesside Airport Business Suite, Teesside International Airport, Darlington DL2 1NJ

Membership:

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

EXTRAORDINARY MEETING AGENDA

1. **Welcome & Introductions**

2. **Apologies for Absence**

3. **Declarations of Interest**
   Attached

4. **External Audit Completion Report**
   Attached

5. **STDC External Audit Follow Up Letter**
   Attached

6. **Review & Approval of the TVCA Financial Statements 2020/21 and Annual Governance Statement**
   Attached

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

Tees Valley Combined Authority Declaration of Interests Procedures

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

Personal Interests

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

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

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

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

Declarations of interest relating to the Councils' commercial role

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

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

Procedures for Declaring Interests

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

Register of Interests

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

Declaration of Interests at Meetings

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

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

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

Sensitive Information

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

Audit Completion Report

Tees Valley Combined Authority – Year ended 31 March 2021

August 2022

mazars

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Audit and Governance Committee
Tees Valley Combined Authority
Teesside Airport Business Suite
Teesside International Airport
Darlington
DL2 1NJ

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

August 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 27 July 2021. We have reviewed the significant audit risks and other areas of management judgement included in our Audit Strategy Memorandum and during the course of the audit we subsequently identified the following significant risks/areas of management judgement which was reported to you in November 2021:

- Goodwill.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: {{_es_:signer1:signature }}

Cameron Waddell

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation;
- Valuation of property, plant and equipment; and
- Goodwill.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £690,000. Section 7 outlines our work on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, [there are matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money
We not yet completed our work in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.

Whole of Government Accounts (WGA)
We have received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission, however the group instructions say that the NAO will choose a selection of audits below the threshold for detailed testing. We are unable to commence our work in this area details of sampled components have been received.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Reserves		Detailed testing of balances and notes.
Long-term debtors		Consideration of IFRS9 impairment.
Group consolidation audit work		Our audit approach includes reliance on the component auditor for Goosepool Limited. We have liaised with the component auditor throughout the year, but as yet, we have not received a response to our Group Instructions. We are aware that Tait Walker's audit is complete. We are also still completing detailed testing of the consolidation entries.
Closing procedures		Review and closure processes, including checking the amended version of the financial statements.

Likely to result in material adjustment or significant change to disclosures within the financial statements.

Potential to result in material adjustment or significant change to disclosures within the financial statements.

Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2021. We have made changes to our audit approach since we presented our Audit Strategy Memorandum which are outlined below:

- In our November progress report to the Committee we identified goodwill as an additional significant risk for review as part of the audit.

Materiality

Our provisional materiality at the planning stage of the audit was set at £1.8m for the Authority using a benchmark of gross operating expenditure and £2.3m for the Group using the same benchmark. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £2.8m for the Authority and £3.9m for the Group using the same benchmark.

Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. There are no changes to our or management's use of experts.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

As detailed in our Audit Strategy Memorandum, we identified Stockton-on-Tees Borough Council as service organisations providing general ledger and payroll services to the Authority.

3. Audit approach

Group audit approach

Group component	Approach adopted	Key points or other matters to report
Tees Valley Combined Authority (parent)	●	Full audit completed by Mazars LLP in line with the NAO code of practice. No change in audit approach.
South Tees Development Corporation Group (subsidiary)	●	Full audit completed by Mazars LLP in line with the NAO code of practice, with reliance on the component auditor's work on the subsidiaries and joint venture as appropriate. No change in audit approach.
Goosepool Group (subsidiary)	●	Full audit competed by Azets, including Teesside International Airport, in line with statutory audit requirements for Companies. No change in audit approach.

Full audit
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures
Performance of specific audit procedures on the component's financial information

Review procedures
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

04

Section 04:

Significant findings

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

Significant risks

Management override of controls	**Description of the risk** In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention at this stage.

4. Significant findings

Net defined benefit liability valuation	
	Description of the risk The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.
	How we addressed this risk We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.
	Audit conclusion Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention at this stage. Our work identified no indication of material estimation error in respect of pensions.

Valuation of property, plant and equipment	
	Description of the risk The 2020/21 group financial statements are expected to contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Group's holding of property, plant and equipment (PPE). Management will need to consider whether a valuation expert is required to provide information on valuations in line with the Code for TVCA Group, Where required, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of Group PPE to be an area of significant risk.
	How we addressed this risk Valuations were not undertaken by the Group, as it relied on valuations undertaken within the components in the Group. We therefore have placed reliance on the audit work undertaken on the valuation assertion by the component auditors for Goosepool Group (Azets) and South Tees Development Corporation Group (Mazars LLP). As Goosepool Group financial statements report under a different accounting framework to TVCA Group, including Teesside International Airport, as well as relying on the component auditor's work, we also considered classification of the asset valuations used at TVCA group level.
	Audit conclusion Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought and we have not identified any other matters to report in relation to property, plant and equipment valuations. .

4. Significant findings

Key areas of management judgement

Goodwill (Group)	**Description of the management judgement** The Group financial statements contain a material entry in respect of goodwill relating to Teesside International Airport. The calculation of goodwill is based on estimates and assumptions which are open to challenge. This results in an increased risk of material misstatement.
	How our audit addressed this area of management judgement We discussed with key contacts significant changes to the goodwill estimates. We challenged the assumptions made and reviewed the detailed work completed by the component auditor.
	Audit conclusion Our work has provided the assurance we sought and we have not identified any other matters to report in relation to goodwill.

4. Significant findings

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Draft accounts were published on the Authority's website on 31 July 2021 to meet the statutory deadline. However, subsequent work by management identified that there were weaknesses in the arrangements for preparing the accounts of the subsidiaries and a new team were brought in to undertake a review. The review found significant changes were needed to the approved and published group accounts.

This demonstrates that the quality of the approved and published accounts was not of a high quality and indicates weaknesses in the arrangements for preparation of the financial statements.

The tables below show changes made to-date to the CIES and Balance Sheet.

TVCA group CIES	Published	Updated	Difference
	£000	£000	£000
Business Growth	20,339	20,478	-139
Research, Development Innovation & Energy	1,435	1,435	0
Education Employment & Skills	2,639	2,639	0
Culture	97	97	0
Transport	9,782	13,217	-3,435
Enabling Infrastructure	0	0	0
Project Development	1	1	0
Place	1,254	1,254	0
Core Running Costs	513	1,237	-724
Concessionary Fares	-355	-355	0
SSI Related Schemes Not in the Investment Plan	4	4	0
Not Directly Attibutable to Themes	-789	-789	0
Cost Of Services	34,920	39,218	-4,298
Financing and Investment Income and Expenditure:			
Interest payable and similar charges	805	790	15
Net interest on the net defined benefit liability/asset	83	93	-10
Interest receivable and similar income	-512	-497	-15
Group Share of profit in Joint Ventures	-3,596	0	-3,596
Income & costs and changes in fair value relating to investment properties	0	-473	473
Taxation and Non-Specific Grant Income:			
Non-ringfenced government grants	0	0	0
Taxation	0	-279	279
Capital grants and contributions	-73,770	-78,223	4,453
(Surplus) or Deficit on Provision of Services	-42,070	-39,371	-2,699
Share of surplus on JV	0	-3,315	3,315
Actuarial (gains) or losses on pension assets & liabilities	2,301	2,417	-116
Other (gains) and losses	0	0	0
Other Comprehensive Income and Expenditure	2,301	-898	3,199
Total Comprehensive Income and Expenditure	-39,769	-40,269	500

4. Significant findings

Qualitative aspects of the Authority's accounting practices

TVCA group			
Balance sheet	Published	Updated	Difference
	£000	£000	£000
Non-current assets			
Property, plant and equipment	47,414	52,659	-5,245
Investment property	7,665	8,323	-658
Intangible assets	19,388	19,388	0
Investments in subsidiaries	3,596	3,315	281
Long term investments	6,000	6,000	0
Long Term Debtors	8,090	8,091	-1
Total non-current assets	92,153	97,776	-5,623
Current assets			
Short term investments	5,000	5,000	0
Inventories	623	423	200
Debtors	20,584	20,033	551
Cash and Cash Equivalents	105,515	105,516	-1
Total current assets	131,722	130,972	750
Current liabilities			
Short term borrowing	-880	-880	0
Grants Receipts in Advance	-11,071	-11,071	0
Short Term Creditors	-36,592	-39,496	2,904
Total current liabilities	-48,543	-51,447	2,904
Long term liabilities			
Long term creditors	-7	-1,722	1,715
Long Term Borrowing	-28,263	-28,263	0
Other Long Term Liabilities	-7,626	-7,745	119
Provisions	-2,835	-2,469	-366
Total long term liabilities	-38,731	-40,199	1,468
Net Assets:	136,601	137,102	-501

Reserves			
Usable reserves:			
General Fund Balance	13,715	1,380	12,335
P&L Reserve	-17,807	-15,116	-2,691
Earmarked General Fund Reserves	63,080	59,419	3,661
Capital Grants Unapplied	113,989	112,540	1,449
	172,977	158,223	14,754
Unusable Reserves:			
Pensions Reserve	-7,626	-7,745	119
Minority Interest	-5,813	-5,725	-88
Capital Adjustment Account	-22,744	-7,458	-15,286
Accumulated Absences Account	-193	-193	0
	-36,376	-21,121	-15,255
Total Reserves:	136,601	137,102	-501

4. Significant findings

Significant matters discussed with management

We have continued to discuss the accounting treatment of intangible property, plant and equipment (goodwill) and the valuation of tangible property, plant and equipment (including surplus assets and investment properties) which are consolidated into the Group from the subsidiaries.

Significant difficulties during the audit

We have encountered significant delays and difficulties during the audit including:

- Delays in management providing required information to both ourselves and the auditor of the subsidiaries. For example, goodwill calculations for the airport were provided to Azets in March 2022
- The final version of the Group accounts was received on 5 August 2022 following consolidation of South Tees Development Corporation Group and Goosepool Group.

4. Significant findings

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

There are significant weaknesses in the arrangements for accounts preparation in relation to the single entity and Group accounts.

Potential effects

Inaccurate accounts are approved and published. Additional audit fees. Late publication of audited accounts.

Recommendation

Continue to strengthen the arrangements in place for accounts preparation.

Management response

Management have addressed this point in full. A new team was implemented with significant private and public sector experience. Additional review procedures have been put in place. The majority of changes from the draft accounts to final were identified by the new team and addressed for the version of the accounts provided to our external auditors

Follow up on previous internal control points

Our work in 2019/20 did not identify any control points.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £86,000 for the single entity and £119,000 for the Group. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	**Cr (£'000)**	**Dr (£'000)**	**Cr (£'000)**
1	Dr: Other long term liabilities, pension liabilities			690	
	Cr: Pension reserve				690
	Estimated impact of the Authority's share of understated pension fund assets reported by the pension fund auditor				
	Total unadjusted misstatements			690	690

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Long-term debtors			9,682	
	Cr: CIES - transport expenditure		9,682		
	Reversal of the IFRS9 impairment against the airport loan in the draft accounts				
2	Dr: CIES – business growth expenditure	2,729			
	Cr: Long-term debtors				2,729
	Development expenditure incorrectly capitalised in STDC accounts, now moved to revenue. Impact on split between short term and long term debtor in TVCAs accounts (TVCA provide funding to STDC)				
	Total adjusted misstatements	2,729	9,682	9,682	2,729

Disclosure amendments

A number of disclosures and accounting policies have been updated or expanded to provide additional information and ensure Code compliance.:

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in [insert date].

Status of our work

We are yet to complete our work in respect of the Authority's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Authority's arrangements. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To: Mr Cameron Waddell
Partner
Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
[Date]

Tees Valley Combined Authority (and Group) - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Tees Valley Combined Authority (and Group) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

* access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
* additional information that you have requested from me for the purpose of the audit; and
* unrestricted access to individuals within the Authority/Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Corporation and Committee meetings, have been made available to you.

Appendix A: Draft management representation letter

Accounting policies
I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

Accounting estimates, including those measured at fair value
I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies
There are no material contingent losses including pending or potential litigation that should be accrued where:
* information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
* the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority/Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code and applicable law.

Laws and regulations
I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority/Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error
I acknowledge my responsibility as Director of Finance and Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:
* all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
* all knowledge of fraud or suspected fraud affecting the Authority/Group involving:

Appendix A: Draft management representation letter

- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Corporation's/Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions
I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Corporation's/Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review
To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets
All the Corporation's/Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments
I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements
I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Corporation's PFI schemes that you have not been made aware of.

Subsequent events
I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Appendix A: Draft management representation letter

Covid-19
I confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Corporation, including the impact of mitigation measures and uncertainties, and that the disclosures in the accounts, including the event after the balance sheet note to the financial statements, fairly reflects that assessment.

Going concern
To the best of my knowledge there is nothing to indicate that the Corporation will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts

Unadjusted misstatements
I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the ACR. Unadjusted should be numerical AND disclosure.

Yours sincerely

Director of Finance, Development and Business Services
Date………………

Appendix B: Draft audit report

Independent auditor’s report to the members of Tees Valley Combined Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Tees Valley Combined Authority (‘the Authority’) and its subsidiaries (‘the Group’) for the year ended 31 March 2021, which comprise the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Movement in Reserves Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2021 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Material uncertainty relating to the valuation of the Authority’s land

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 6 to the financial statements that describes the unique nature and scale of the Corporation’s land holdings and the material valuation uncertainty statement made by the valuer of the South Tees Development Corporation and Group’s land in their valuation report.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Resources’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Resources with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Finance and Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance and Resources for the financial statements

As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance and Resources is also responsible for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Director of Finance and Resources is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Appendix B: Draft audit report

We evaluated the Director of Finance and Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Risk Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Risk Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Risk Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception
We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Authority's arrangements. On the basis of our work to date, having regard to the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

Appendix B: Draft audit report

Responsibilities of the Authority
The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice
We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report
This report is made solely to the members of Tees Valley Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit
We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack and the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix B: Draft audit report

[*Signature*]

Cameron Waddell
Key Audit Partner
For and on behalf of Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
[Insert date]

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations. .
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework
Going Concern	We have not identified any evidence to cause us to disagree with the Director of Finance and Resources that Tees Valley Combined Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Audit and Governance Committee, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Cameron Waddell

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17 August 2022

Dear Members

Update/conclusion of pending matters– Audit Completion Report

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report follow up letter dated July 2022.

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status
Group consolidation audit work	The component auditor reported £125,562 of unadjusted errors in the STDL accounts relating to an unrecorded liability (£72,566), a rent accrual adjustment (£23,315) and an intercompany difference (£29,861). Management provided an updated set of STDC/STDC Group financial statements on 13 July 2022. The accounts were changed, based on our initial assessment of the arrangements in place, to include Teesworks consolidated as a subsidiary rather than a joint venture, we were provided with all relevant documents, but we initially misunderstood the level of control. In the final version of the consolidation we received, a formula error resulted in the full year transactions for South Tees Site Company being included rather than the period for which the Company was part of the Group. The previous version we received in May 2022 correctly accounted for South Tees Site Company.	Complete

Matter	Update/conclusion reached	Status
	Impairment charges relating to intercompany balances in the cash flow were incorrect and have been amended. Property, plant and equipment was not consistent with STDL and STSC accounts. This impacted the disclosure note only and not the primary statements and has been amended. There is a potential under accrual of £32k on STSC energy, leading to an extrapolated error of £74k, which is not material but a non-trivial unadjusted misstatement. The Group contingent liability disclosures included a disclosure of an event that is not a contingent liability, management included this for consistency as the subsidiary auditors had requested this be included in the STDL accounts. This has been removed.	
Events after the Balance Sheet date.	No further matters have arisen from our final review to report to you.	Complete
Contractual commitments	Further analysis of contractual commitments resulted in the value being reduced from £3.5m to £0.777m to exclude payments already made. This is a disclosure note impact only.	Complete

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Matter	Update/conclusion reached	Status
Review and closure processes, including checking the amended version of the financial statements produced by finance as a result of our audit.	We have now reviewed the final draft of the statements, incorporating audit adjustments, and are satisfied that the adjustments, as previously reported in our Audit Completion Report have been made appropriately. A summary of changes from the original July 2021 published group accounts and the final audited version is included in Appendix A. The majority of changes are due to amendments made to the single entity accounts reported in our ACR in March 2022, with an additional amendment of £465,000 to both the CIES and balance sheet due to group consolidation. There are the following amendments to draw to your attention: • Incorrect classification of expenditure between STDC and STDL £1.887m; • Year-end creditors not accrued in the draft accounts £0.148m; • Purchase costs in respect of acquiring STSC incorrectly capitalised and not taken to revenue £0.470m; • Additional funding to be received from TVCA to support in-year revenue costs £3.619m; • Reduction in in-year impairment of PPE additions due to reclassification of expenditure from capital to revenue and from STDC to STDL £4.960m; • Reclassification of LGPS balance £0.056m; • Income cut-off error - York Potash £0.074m; • Short term creditors included £0.056m relating to deductions due to the Teesside LGPS which should have been other entities and liabilities rather than Local Government; • Financial liabilities in the financial instruments note included amounts that were not financial instruments. There is the following unadjusted error to bring to your attention: • Short term creditors include the increase in the accumulated absences creditor of £8,186. The total creditor as at 31/03/2021 of £24,450 has been included in the accumulated absences account on the balance sheet. Short term creditors are therefore understated by £16,264, the balance on accumulated absence as at 31/03/2020. A number of disclosures and accounting policies have been updated or expanded to provide additional information and ensure Code compliance. The only other procedures now outstanding relate to our usual final routine closedown matters. We are now liaising with management to identify a suitable date for sign off of the financial statements, which we hope will be in the coming days.	Complete

Matter	Update/conclusion reached	Status
Annual governance statement	An annual governance statement for Tees Valley Combined Authority was published in July 2021 in line with the statutory guidance, which referenced the Corporation as part of the group. However, as the Corporation is a separate legal entity, a further Corporation specific annual governance statement is required. This was published on 27 July 2022. We have reviewed the annual governance statement and have no significant issues to raise. The reference to Teesworks in the annual governance statement describes the position as it currently stands rather than how it was at 31 March 2021.	Complete

We also identified a control point in relation to the bank reconciliation, priority ranking 2 (medium) which means, in our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future:

Description of deficiency

Our review of the of the bank reconciliation noted that the March 2021 reconciliation was dated 2 February 2022, over ten months after the year-end.

Potential effects

Unexpected transactions may be processed through the bank without being identified and challenged.

Recommendation

The bank reconciliations should be prepared on a more timely basis.

Management response

The internal bank reconciliation was performed and reviewed on a timely basis, however the outsourced banking section reconciliation wasn't provided till we requested this for audit purposes. Going forward we will request this monthly and ensure it reconciles to the one prepared by the group finance team.

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours faithfully

Cameron Waddell
Key Audit Partner

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Appendix 1 – summary of changes to consolidated group accounts

STDC group

CIES	Published	Updated	Difference
	£000	£000	£000
Core Running Costs	0	-17	17
Enabling Infrastructure	1,313	513	800
Development Costs	21,962	22,362	-400
Cost Of Services	23,275	22,858	417
Financing and Investment Income and Expenditure:			
Group share of profit in JV	-3,596	0	-3,596
Net interest on the net defined benefit liability/asset	0	10	-10
Taxation and Non-Specific Grant Income:			
Capital grants and contributions	-9,487	-13,940	4,453
(Surplus) or Deficit on Provision of Services	10,192	8,928	1,264
Share of surplus on JV	0	-3,315	3,315
Actuarial (gains) or losses on pension assets & liabilities	305	305	0
Other Comprehensive Income and Expenditure	305	-3,010	3,315
Total Comprehensive Income and Expenditure	10,497	5,918	4,579

STDC group

Balance sheet	Published	Updated	Difference
	£000	£000	£000
Non-current assets			
Investments in subsidiaries	3,596	3,315	281

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Property, plant and equipment	28,978	34,328	-5,350
Total non-current assets	32,574	37,643	-5,069
Current assets			
Inventories	500	300	200
Debtors	10,832	38,006	-27,174
Cash and Cash Equivalents	9,483	9,484	-1
Total current assets	20,815	47,790	-26,975
Current liabilities			
Grants Receipts in Advance	0	-200	200
Short Term Creditors	-19,265	-49,120	29,855
Total current liabilities	-19,265	-49,320	30,055
Long term liabilities			
Long Term Borrowing	-38,752	-36,022	-2,730
Other Long Term Liabilities	-884	-884	0
Provisions	0	-139	139
Total long term liabilities	-39,636	-37,045	-2,591
Net Assets:	-5,512	-932	-4,580
Reserves			
Usable reserves:			
General Fund Balance	12,657	322	12,335
Earmarked General Fund Reserves	171	3,249	-3,078
Capital Grants Unapplied	1,502	53	1,449
	14,330	3,624	10,706
Unusable Reserves:			
Capital Adjustment Account	-18,934	-884	-18,050
Pensions Reserve	-884	-3,648	2,764

Accumulated Absences Account	-24	-24	0
	-19,842	-4,556	-15,286
Total Reserves:	-5,512	-932	-4,580

AGENDA ITEM 6

REPORT TO THE TVCA AUDIT & RISK COMMITTTEE

24th August 2022

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

TVCA FINANCIAL STATEMENTS 2020/21 COVERING REPORT

SUMMARY The purpose of this paper is to provide the committee, the TVCA financial statements for 2020/21, including the external audit opinion.

RECOMMENDATIONS

It is recommended that the TVCA Audit and Governance Committee endorses the Group Director of Finance and Resources to sign the financial statements.

DETAIL

1. The TVCA Financial Statements for 2020/21, have been updated to reflect all changes discussed at the previous Audit and Governance Committee and we are pleased to present to the committee for approval our final accounts for 2020/21 in appendix 1 below.

2. Our external auditors, Mazars, have completed their external audit of the Financial Statements and intend to issue an unmodified opinion.

3. A verbal update will be provided of the movements from the draft version of the accounts published in July 2021 to the final version brought to the committee below.

4. Our Annual Governance Statement is included in Appendix 2, it was approved at the last audit and risk committee and has been included for completeness.

FINANCIAL IMPLICATIONS

5. Financial implications are covered in the body of the report.

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

7. The content of this report is categorised as low to medium risk.

EQUALITY & DIVERSITY

8. No specific impacts on groups of people with protected characteristics have been identified.

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

Tees Valley Combined Authority and Group Statement of Accounts 2020/21

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Tees Valley Combined Authority Group - Annual Financial Statements 2020/21

Narrative Report

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

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

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

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

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

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

Tees Valley Combined Authority Group - Annual Financial Statements 2020/21

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

Masterplan - Teesworks: The UK's Largest Freeport

Achievements in Year

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

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

Narrative Report

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

Impact of Covid-19

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

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

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

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

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

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

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

Narrative Report

Looking Ahead Including Risks and Opportunities

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

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

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

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

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

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

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

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

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

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

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

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

Key Sections Included in the Statement of Accounts

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

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

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

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

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

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

Narrative Report

Borrowing and Lending Arrangements

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

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

Retirement Benefits (IAS 19)

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

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

Further Information

Further information about our finances is available from the Combined Authority's website, https://teesvalley-ca.gov.uk or from the Group Director of Finance & Resources, Tees Valley Combined Authority, Teesside International Airport, Darlington, DL2 1NJ.

Tees Valley Combined Authority Group Statement of Accounts 2020/21

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

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

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

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

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

2019/20					2020/21		
£000s	**£000s**	**£000s**			**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
22,207	(17,684)	**4,523**	Business Growth		66,945	(46,467)	**20,478**
2,897	(2,600)	**297**	Research Development Innovation & Energy		3,360	(1,925)	**1,435**
22,139	(22,066)	**73**	Education Employment & Skills		48,038	(45,399)	**2,639**
2,260	(1,977)	**283**	Culture		2,602	(2,505)	**97**
38,339	(33,070)	**5,269**	Transport		50,700	(37,483)	**13,217**
2,294	(2,057)	**237**	Enabling Infrastructure		-	-	**-**
691	(244)	**447**	Project Development		16	(15)	**1**
-	-	**-**	Place		4,677	(3,423)	**1,254**
5,267	(4,129)	**1,138**	Core Running Costs		5,429	(4,192)	**1,237**
16,569	(16,636)	**(67)**	Concessionary Fares		15,846	(16,201)	**(355)**
130	-	**130**	SSI Related Schemes Not in the Investment Plan		4	-	**4**
273	(6,755)	**(6,482)**	Not Directly Attributable to Themes		194	(983)	**(789)**
113,066	**(107,218)**	**5,848**	**Cost Of Services**		**197,811**	**(158,593)**	**39,218**
			Financing and Investment Income and Expenditure:				
154	-	154	Interest payable and similar charges		790	-	790
248	(198)	50	Net interest on the net defined benefit liability/asset		299	(206)	93
-	(783)	(783)	Interest receivable and similar income		-	(497)	(497)
-	(1,586)	(1,586)	Income & costs and changes in fair value relating to investment properties		-	(473)	(473)
			Taxation and Non-Specific Grant Income:				
5	(1,054)	(1,049)	Taxation		-	(279)	(279)
-	-	**-**	Non-ringfenced government grants		-	-	-
-	(15,693)	(15,693)	Capital grants and contributions	21	-	(78,223)	(78,223)
113,473	**(126,532)**	**(13,059)**	**(Surplus) or Deficit on Provision of Services**		**198,900**	**(238,271)**	**(39,371)**
		-	Share of (Surplus) or deficit on Joint Ventures				(3,315)
		1,191	Re-measurements of the defined benefit liability	23			2,417
		-	Other (gains) and losses				-
		1,191	**Other Comprehensive Income and Expenditure**				**(898)**
		(11,868)	**Total Comprehensive Income and Expenditure**				**(40,269)**
		746	*(Surplus) or Deficit on Provision of Services - minority interest share*				*4,956*

Group Balance Sheet as at 31 March 2021

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

	Note	**31 March 2021 £000s**	31 March 2020 £000s
Non-current assets			
Property, plant and equipment	6	52,659	25,945
Investment property	6	8,323	7,102
Intangible assets	6	19,388	19,388
Investments in associates		3,315	-
Long term investments	22	6,000	6,000
Long Term Debtors	12	8,091	9,783
Total non-current assets		97,776	68,218
Current assets			
Short term investments		5,000	-
Inventories		423	193
Debtors	13	20,033	16,640
Cash and Cash Equivalents	14	105,516	69,445
Total current assets		130,972	86,278
Current liabilities			
Short Term Borrowing	22	(1,027)	(857)
Grant Receipts In Advance	21	(11,071)	(8,727)
Short Term Creditors	15	(39,349)	(11,574)
Total current liabilities		(51,447)	(21,158)
Long term liabilities			
Long Term Creditors	16	(1,722)	(1,512)
Long Term Borrowing	16 & 22	(28,263)	(29,143)
Other Long Term Liabilities	16 & 23	(7,745)	(4,515)
Provisions	16	(2,469)	(1,335)
Total long term liabilities		(40,199)	(36,505)
Net Assets:		**137,102**	96,833
Reserves			
Usable reserves:			
General Fund Balance		1,380	1,380
P&L Reserve	8	(15,116)	(7,118)
Earmarked General Fund Reserves	8	59,419	61,172
Capital Grants Unapplied		112,540	46,330
		158,223	101,764
Unusable Reserves:			
Pensions Reserve	16 & 23	(7,745)	(4,515)
Minority Interest		(5,725)	(778)
Capital Adjustment Account	9	(7,458)	529
Accumulated Absences Account		(193)	(167)
		(21,121)	(4,931)
Total Reserves:		**137,102**	96,833

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

Chair Tees Valley Combined Authority Cabinet
Date

Group Cash Flow Statement For The Year Ended 31 March 2021

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

	Note	**Group** **2020/21** **£000s**	Group (Restated) 2019/20 £000s
Net (surplus) or deficit on the provision of services		**(39,371)**	(13,059)
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(22,280)	(17)
Revaluation Gains / (Losses)		473	1,055
Pension Fund adjustments		(813)	(812)
Increase/(Decrease) in Inventories (Stock)		230	(3)
Increase/(Decrease) in Revenue Debtors (net of acquisition effects)	13	(875)	1,165
(Increase)/Decrease in Revenue Creditors (net of acquisition effects)	15	(13,290)	(1,688)
(Increase)/Decrease in Grants Received in Advance		(2,344)	(2,768)
(Increase)/Decrease in Long Term Creditors		(210)	1,000
(Increase)/Decrease in Provisions (net of acquisition effects)		(995)	605
Increase/(Decrease) in Long Term Debtors	12	80	1,201
(Increase)/Decrease in IFRS9 Adjustments	12	(1,772)	-
		(41,796)	(262)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services		(129,938)	(40,416)
		(129,938)	(40,416)
Net cashflow from operating activities		**(211,105)**	**(53,737)**
Investing activities			
Purchase of short term and long term investments		611,000	167,500
Purchase of property, plant and equipment, investment property and intangibles		40,458	410
Disposal of property, plant and equipment, investment property and intangibles		(2)	-
Purchase of Subsidiary (net cash acquired)		(1,217)	-
Proceeds from short term and long term investments		(606,000)	(189,000)
Other receipts from investing activities		129,938	40,416
Net cashflow from investing activities		**174,177**	19,326
Financing activities			
Movement in short and long term borrowings	22	857	(30,000)
Net cashflow from financing activities		**857**	(30,000)
Net (increase) or decrease in cash and cash equivalents		**(36,071)**	(64,411)
Cash and cash equivalents at the beginning of the reporting period		**69,445**	**5,034**
Cash and cash equivalents at the end of the reporting period	14	**105,516**	69,445
The cashflow for operating activities includes the following items:			
Interest received		**(224)**	**(549)**
Interest paid		**783**	**-**

Note 1: Group Structure

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

South Tees Site Company ("STSC"):

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

Teesworks:

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

Details of other Group entities is set out below:

South Tees Development Corporation ("STDC"):

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

South Tees Developments Limited ("STDL"):

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

Goosepool 2019 Limited

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

Teesside International Airport Limited (TIAL)

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

Note 2: Group Expenditure & Funding Analysis

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

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
6,652	(2,129)	**4,523**	Business Growth	45,995	(25,517)	**20,478**
2,310	(2,013)	**297**	Research Development Innovation & Energy	1,935	(500)	**1,435**
20,538	(20,465)	**73**	Education Employment & Skills	33,798	(31,159)	**2,639**
1,879	(1,596)	**283**	Culture	1,574	(1,477)	**97**
14,715	(9,446)	**5,269**	Transport	20,288	(7,071)	**13,217**
(132)	369	**237**	Enabling Infrastructure	-	-	**-**
666	(219)	**447**	Project Development	5,305	(5,304)	**1**
-	-	**-**	Place	2,333	(1,079)	**1,254**
3,199	(2,061)	**1,138**	Core Running Costs	2,135	(898)	**1,237**
-	(67)	**(67)**	Concessionary Fares	208	(563)	**(355)**
-	130	**130**	SSI Related Schemes Not in the Investment Plan	-	4	**4**
282	(6,764)	**(6,482)**	Not Directly Attributable to Themes	194	(983)	**(789)**
50,109	**(44,261)**	5,848	**Net Cost Of Services**	**113,765**	**(74,547)**	39,218
(50,138)	31,231	(18,907)	Other Income and Expenditure	(113,150)	34,561	(78,589)
(29)	**(13,030)**	**(13,059)**	Surplus or Deficit	**615**	**(39,986)**	**(39,371)**
(1,284)			**Opening General Fund Balance**	**(1,380)**		
(29)			Less/Plus (Surplus) or Deficit	**615**		
(67)			Movements To Other Reserves	**(615)**		
(1,380)			**Closing General Fund Balance at 31 March 2020**	**(1,380)**		

Note 2: Group Expenditure & Funding Analysis

Group Notes to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis 2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	25,012	113	(50,642)	**(25,517)**
Research Development Innovation & Energy	1,094	9	(1,603)	**(500)**
Education Employment & Skills	2,579	52	(33,790)	**(31,159)**
Culture	80	9	(1,566)	**(1,477)**
Transport	38	-	(7,109)	**(7,071)**
Enabling Infrastructure	-	-	-	**-**
Project Development	-	5	(5,309)	**(5,304)**
Place	-	3	(1,082)	**(1,079)**
Core Running Costs	-	530	(1,428)	**(898)**
Concessionary Fares	-	-	(563)	**(563)**
SSI Related Schemes Not in the Investment Plan	-	-	4	**4**
Not Directly Attributable to Themes	1,250	-	(2,233)	**(983)**
Net Cost Of Services	30,053	721	(105,321)	**(74,547)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(88,844)	93	123,312	**34,561**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(58,791)	814	17,991	**(39,986)**

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

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

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

Group Notes to the Expenditure and Funding Analysis:

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

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

Net Change for the Pensions Adjustments: this is the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

For services this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure **–** the net interest on the defined benefit liability is charged to the CIES.

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

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

Expenditure and Income Analysed By Nature

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

	Group 2020/21	Group 2019/20
	£000s	£000s
Expenditure		
Employee benefits expenses	14,683	10,224
Other services expenses	183,128	102,855
Interest payments	1,089	394
Total Expenditure	**198,900**	113,473
Income		
Fees, charges and other service income	(10,744)	(11,856)
Interest and investment income	(1,176)	(2,567)
Government grants and contributions	(226,072)	(111,055)
Taxation	(279)	(1,054)
Total Income	**(238,271)**	(126,532)
(Surplus) or Deficit on the Provision of Services	**(39,371)**	(13,059)

Segmental Income

Income received on a segmental basis is analysed below:

	Group 2020/21	Group 2019/20
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	(2,029)	-
Research Development Innovation & Energy	(21)	(26)
Education Employment & Skills	(12)	(6)
Culture	(75)	(1)
Transport	(4,818)	(6,700)
Enabling Infrastructure	(3,728)	-
Project Development	-	-
Place	-	-
Core Running Costs	(61)	(5,123)
SSI Related Schemes Not in the Investment Plan	-	-
Not Directly Attributable to Themes	-	-
Total income analysed on a segmental basis	**(10,744)**	(11,856)

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

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

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

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

Note 4: Critical Judgements in Applying Accounting Policies

In applying its accounting policies the TVCA and the Group has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

Note 5: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

- **Pension liabilities**: estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide TVCA and the Group with expert advice about the assumptions to be applied. Sensitivities are included in Note 23.
- **Property Plant & Equipment:-** Within the Group entities valuations have been provided which have been reported subject to a Material Valuation Uncertainty clause due to the unique nature and scale of the land holdings. The inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

Note 6: Tangible Fixed Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Plant & Machinery	Infrastructure Assets	Assets Under Construction	Surplus Assets	TOTAL
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost								
As at 1 April 2020	11,500	-	215	47	-	1,970	12,549	**26,281**
Additions	17,996	240	477	160	466	29,658	-	**48,997**
Revaluation	-	-	-	-	-	-	-	**-**
Reclassification	8,200	-	139	-	-	(8,339)	-	**-**
Disposals	-	-	-	(2)	-	-	-	**(2)**
As at 31 March 2021	37,696	240	831	205	466	23,289	12,549	**75,276**
Depreciation								
As at 1 April 2020	-	-	13	5	-	319	-	**337**
Additions	-	-	-	-	-	-	-	**-**
Depreciation Charge	-	18	43	22	36	-	-	**119**
Impairments	3,494	-	-	-	-	18,667	-	**22,161**
Derecognition of Disposals	-	-	-	-	-	-	-	**-**
As at 31 March 2021	3,494	18	56	27	36	18,986	-	**22,617**
Net Book Value								
As at 1 April 2020	11,500	-	202	42	-	1,651	12,549	25,944
As at 31 March 2021	**34,202**	**222**	**775**	**178**	**430**	**4,303**	**12,549**	**52,659**

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

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

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

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

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

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

Note 6: Tangible Fixed Assets Plant, Property and Equipment

Note 6: Tangible Fixed Assets Investment Properties

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

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

Note 6: Intangible Fixed Assets

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

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

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

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

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

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

Contractual Commitments
At 31 March 2021 the Group had entered into contracts which would continue into the 2021/22 financial year. These consisted of £777,611 for preparation of land for development. (2019/20 £356,199)

Note 6: Tangible Fixed Assets Plant, Property and Equipment

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

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

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

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

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

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

Note 6: Tangible Fixed Assets Investment Properties

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

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

Note 6: Intangible Fixed Assets

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

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

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

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

The latest available financial projections for the asset based on the business case and financial plan have been utilised to forecast future cashflows. Cash flow projections beyond the period covered by the most recent budgets or forecasts have been extrapolated based on a steady growth rate for subsequent years. The current expectation and intention is that the airport will continue in use for the foreseeable future, given this the disposal of the asset has not been included in the cashflow as allowed, instead the forecasts have been extended over a 30 year period, to reflect this continued use.
The plan is driven by a combination of increased revenues and reduced unit costs arising from growth in passenger numbers in line with the business case and market analysis. Various factors were taking into account when carrying out the impairment review and management have conducted appropriate sensitivity analysis in respect of passenger numbers that reflects the inherent risk at this stage of the plan. With the proposed NPV calculation we have included the Government suggested rate of 3.5%. The plans that have been set out assume that the asset will continue in its current use as an airport and that any capital investment that is made will be to maintain the current operations rather than to enhance the asset.

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

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

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

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

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

Note 8: Movements in Earmarked Reserves

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

Earmarked Reserves	Balance at 31 March 2020 £000s	Transfers Out 2020/21 £000s	Transfers In 2020/21 £000s	Balance at 31 March 2021 £000s
Revenue Reserves				
Investment Fund	(49,385)	4,978	(3,134)	(47,541)
SSI	(11,720)	275	(10)	(11,455)
Concessionary Fares	(67)	-	(356)	(423)
P&L Reserve	7,118	10,601	(2,603)	15,116
Total Revenue Reserves	**(54,054)**	**15,854**	**(6,103)**	**(44,303)**
Capital Grants Unapplied	(46,330)	6,723	(72,933)	(112,540)
Total Capital Reserves	**(46,330)**	**6,723**	**(72,933)**	**(112,540)**

Earmarked Reserves	Balance at 1 April 2019 £000s	Transfers Out 2019/20 £000s	Transfers In 2019/20 £000s	Balance at 31 March 2020 £000s
Revenue Reserves				
Development Pot	(1,030)	1,030	-	-
Investment Fund	(43,233)	3,047	(9,199)	(49,385)
SSI	(12,217)	564	(67)	(11,720)
Concessionary Fares	-	-	(67)	(67)
P&L Reserve	5,214	1,904	-	7,118
Total Revenue Reserves	**(51,266)**	**6,545**	**(9,266)**	**(54,054)**
Capital Grants Unapplied	(35,425)	4,311	(15,216)	(46,330)
Total Capital Reserves	**(35,425)**	**4,311**	**(15,216)**	**(46,330)**

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

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

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

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

Note 9: Capital Adjustment Account

	2020/21 £000s	2019/20 £000s
Balance at 1 April	(529)	273
Revaluation Losses on non current assets	-	530
Impairment Charge	22,161	-
Depreciation Charge	119	-
Revenue expenditure funded from capital under statute	66,448	34,415
	88,728	34,945
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(72,496)	(29,618)
Application of grants to capital financing from the Capital Grants Unapplied Account	(6,724)	(4,788)
Statutory provision for the financing of capital investment charged against the General Fund	(1,417)	(1,332)
Capital expenditure charged against the General Fund balance	(104)	(9)
	(80,741)	(35,747)
Balance at 31 March	**7,458**	**(529)**

Note 10: Members' Allowances

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

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

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

Tees Valley Combined Authority Group - Annual Financial Statements 2020/21
Note 11: Employee remuneration

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

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

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

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

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

Note 11: Employee remuneration

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

TVCA - A senior management restructure took place in the year which resulted in all Heads of Service who previously reported direct to the Chief Executive now reporting to relevant Directors with the exception of the Head of Comms & Marketing who continues to report to the Chief Executive. This has led to a reduction of the senior employees reported in the above table however the roles are now included in the table at the end of this note.
At the start of the year both the Director of Business & Skills and Director of Finance & Resources were vacant, both of these roles were filled in September 2019. All other posts have been in post for the full year.

STDC - The Chief Executive was employed by the South Tees Site Company from October 2019 in the 2019/20 year, a Government run organisation responsible for the safety, security and upkeep of the former SSI site. His remuneration is included in the table information for that entity. Costs charged in relation to his services amounted to £46,121. There was no recharge in the prior year. In the period from June to September the CEO was directly employed by South Tees Development Corporation.
The Director of Finance is employed by Tees Valley Combined Authority.
Neither of the above received direct remuneration from STDC, however a proportion of the current Director of Finance salary was recharged to STDC by TVCA and in 2019/20 this amounted to £25,885. The former Director of Finance was not recharged in this year. (2018/19 £11,461) The role holder of the Director of Finance position changed in September 2019
Goosepool - The Managing Director left the Goosepool group in September 2019 , the Commercial Director joined the organisation in March 2020 and the Operations Director was in post all year.

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

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

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

Note 12: Long Term Debtors

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

Note 13: Debtors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	7,504	3,794
Local Government	5,982	5,942
Other entities and individuals	6,547	6,904
	20,033	**16,640**

Note 14: Cash and Cash Equivalents

	31 March 2021 £000s	31 March 2020 £000s
Bank and Imprests	10,516	7,945
Cash Equivalents	95,000	61,500
	105,516	**69,445**

Note 15: Short Term Creditors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	(897)	(351)
Local Government	(8,770)	(1,543)
Other entities and individuals	(29,682)	(9,680)
	(39,349)	**(11,574)**

Note 16: Other Long Term Liabilities

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

Note 17: Related Party Transactions

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

TVCA Constituent Authorities

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

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

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

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

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

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

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

Note 18: External Audit Costs

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

	2020/21	2019/20
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	39	43
Fees payable to MHA Tait Walker with regard to external audit services	49	45
	88	88
Rebate from Public Sector Audit Appointments Ltd		(3)

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

Note 19: Leases

Operating leases:

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

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

Within STDC Group there are leases which came with the purchase of land (both as lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets, e.g. pipework, the annual value of these leases is £202k. (2019/20£195k)

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

Operating leases: Group lessors

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

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

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

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

Note 20: Capital Expenditure and Financing

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

	31 March 2021 £000s	31 March 2020 £000s
Opening Capital Financing Requirement	**41,098**	**40,698**
Capital investment		
Plant, Property & Equipment	48,986	283
Revenue expenditure funded from capital under statute	66,448	34,415
Loans for Capital Investment	66	1,702
Sources of Finance		
Government grants and other contributions	(79,220)	(34,545)
Sums set aside from revenue:		
Direct revenue contributions	-	(123)
Minimum Revenue Provision (MRP)	(1,417)	(1,332)
Closing Capital Financing Requirement	**75,961**	**41,098**

Note 21: Grant Income

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

	2020/21	2019/20
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
BEIS/MHCLG South Tees Development Corporation	739	-
Local Growth Fund	-	234
Transforming Cities Fund	13,452	12,266
DfT Active Travel Fund	1,434	-
LAD2 Green Homes Grant	52,950	-
Major Transport Development Fund	382	-
Brownfield Housing	3,976	-
South Tees Development Corporation Prairie Site	5,290	3,193
Total	**78,223**	15,693
Credited to Services		
Adult Education Budget	29,627	15,936
BEIS Local Energy Capacity Support	304	405
BEIS Growth Hub	462	246
BEIS Rural Community Energy Fund	678	123
BEIS Operating Grant	1,806	-
BEIS Peer to Peer Network	81	-
BEIS/MHCLG South Tees Development Corporation	20,254	-
Brownfield Housing	915	-
Devolution	15,000	15,000
DfT Access Fund	701	1,022
DfT Active Travel Fund	385	
DfT Covid Bus Support	269	-
DfT Travel Demand Management	113	-
Department For International Trade	60	-
DWP Routes To Work	1,842	2,053
ERDF Back to Business	985	-
ERDF Business Compass	729	4,451
ERDF Business Growth Fund	1,047	-
ERDF SME Energy Efficiency	73	
EU Exit Preparation Fund	182	104
Get Building Fund	8,750	-
Home to School Transport	1,697	-
HLF Great Places	359	460
LAD2 Green Homes Grant	65	-
LEP Core	500	500
Local Growth Fund	14,217	9,182
Local Transport Plan	13,930	13,930
Major Transport Development Fund	398	-
Mayoral Capacity Funding	1,000	1,000
MHCLG Covid SFC	221	-
National Productivity Investment Fund	-	5,050
One Public Estate	84	-
One Vision Pilot	102	-
Pothole Action Fund	6,891	534
Skills Analysis	101	25
South Tees Development Corporation OPEX	-	3,000
South Tees Development Corporation Prairie Site	-	107
Transforming Cities Fund	4,548	734
Other Misc Grants	157	400
	128,533	**74,262**

Capital and Revenue Grants Receipts in Advance

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

Note 22: Financial Instruments

Categories of Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

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

Financial Instruments

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

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

	Long Term		**Short Term**	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£000s	£000s	**£000s**	£000s
At Amortised Cost	14,091	15,783	122,653	81,372
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**14,091**	15,783	**122,653**	81,372

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

	Long Term		**Short Term**	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(28,263)	(29,143)	(38,618)	(11,774)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(28,263)**	(29,143)	**(38,618)**	(11,774)

Note 22: Financial Instruments

Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31st March 2021.

Fair values are shown in the table below, split by their level in the fair value hierarchy:
- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. Pooled Property Fund based on the latest market value from quarterly unaudited accounts.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability. For PWLB loans payable, PWLB premature repayment rates. For non-PWLB loans payable, prevailing market rates.
- Level 3 – fair value is determined using unobservable inputs. Loans are based on estimated creditworthiness taking into account security held against loans.

Financial Assets	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2021		31 March 2020	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	116,516	116,516	74,800	74,800
Loans to Subsidiaries	3	-	-	-	-
Loans To Local Authorities	3	5,840	5,840	6,570	6,570
Loans To Companies	3	2,251	2,251	3,720	3,720
Other Short Term Assets*	N/A	12,137	12,137	12,066	12,066
Total Financial Assets		**136,744**	136,744	**97,156**	97,156
Recorded on Balance Sheet as:-					
Long Term Debtors		8,091		9,783	
Short Term Debtors		17,137		11,928	
Long Term Investments		6,000		6,000	
Short Term Investments		5,000		-	
Cash and Cash Equivalents		100,516		69,445	
Total Financial Assets		**136,744**		**97,156**	

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

Financial Liabilities	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2021		31 March 2020	
		£000s	**£000s**	£000s	£000s
Long Term PWLB Loans	2	(29,143)	(32,568)	(30,000)	32,970
Other Short Term Liabilities*	N/A	(37,738)	(37,738)	(10,917)	10,917
Total Financial Liabilities		**(66,881)**	(70,306)	**(40,917)**	43,887
Recorded on Balance Sheet as:-					
Short Term Creditors		(37,738)		(10,917)	
Short Term Borrowing		(880)		(857)	
Long Term Creditors		-		-	
Long Term Borrowing		(28,263)		(29,143)	
Total Financial Liabilities		**(66,881)**		**(40,917)**	

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

PWLB Borrowing Breakdown

	31 March 2021	31 March 2020
Within 1 Year	880	857
1-2 Years	904	880
2 - 5 Years	2,860	2,785
Over 5 Years	24,499	25,478
Total	**29,143**	**30,000**

Note 22: Financial Instruments

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 as interest rates and stock market movements

Credit Risk: Treasury Investments

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

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

Liquidity Risk

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

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

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

Market Risk

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

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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

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

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

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

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

Note 23: Defined Benefit Pension Schemes

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

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

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

Note 23: Defined Benefit Pension Schemes

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

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Note 23: Defined Benefit Pension Schemes

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

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

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

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

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2020/21		2019/20	
	£000s	**%**	£000s	%
Equity investments (Quoted)	9,391	79.8%	6,079	72.7%
Property (Quoted)	882	7.5%	744	8.9%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	882	7.5%	1,121	13.4%
Other Investments	611	5.2%	418	5.0%
	11,766	**100%**	8,362	100%

Basis for Estimating Assets and Liabilities

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

Note 23: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

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

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

Impact on the Defined Benefit Obligation in the Scheme

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

Impact on the Groups Cash Flows

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

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

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

Note 24: Termination Benefits

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

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

Note 25: Provisions

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

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

Note 26: Contingent Liabilities

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

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

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

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

Note 27: Post Balance Sheet Events

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

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

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Tees Valley Combined Authority Statement of Accounts 2020/21

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

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

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

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

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

2019/20					2020/21		
£000s	**£000s**	**£000s**			**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
14,657	(11,429)	**3,228**	Business Growth		45,154	(38,884)	**6,270**
2,897	(2,600)	**297**	Research Development Innovation & Energy		3,360	(1,925)	**1,435**
22,139	(22,066)	**73**	Education Employment & Skills		48,038	(45,399)	**2,639**
2,260	(1,977)	**283**	Culture		2,602	(2,505)	**97**
27,108	(24,867)	**2,241**	Transport		31,629	(31,827)	**(198)**
268	(244)	**24**	Project Development		16	(15)	**1**
-	-	**-**	Place		4,677	(3,423)	**1,254**
5,338	(4,200)	**1,138**	Core Running Costs		5,429	(4,192)	**1,237**
16,569	(16,636)	**(67)**	Concessionary Fares		15,846	(16,201)	**(355)**
130	-	**130**	SSI Related Schemes Not in the Investment Plan		4	-	**4**
273	(6,755)	**(6,482)**	Not Directly Attributable to Themes		194	(983)	**(789)**
91,639	**(90,774)**	**865**	**Cost Of Services**		**156,949**	**(145,354)**	**11,595**
			Financing and Investment Income and Expenditure:				
154	-	154	Interest payable and similar charges		790	-	790
240	(190)	**50**	Net interest on the net defined benefit liability/asset		276	(193)	83
-	(3,018)	**(3,018)**	Interest receivable and similar income		-	(3,402)	(3,402)
			Taxation and Non-Specific Grant Income:				
-	-	**-**	Non-ringfenced government grants		-	-	-
-	(12,500)	**(12,500)**	Capital grants and contributions	19	-	(72,933)	(72,933)
92,033	**(106,482)**	**(14,449)**	**(Surplus) or Deficit on Provision of Services**		**158,015**	**(221,882)**	**(63,867)**
		827	Re-measurements of the defined benefit liability	21			2,112
		-	Other (gains) and losses				-
		827	**Other Comprehensive Income and Expenditure**				**2,112**
		(13,622)	**Total Comprehensive Income and Expenditure**				**(61,755)**

TVCA Balance Sheet as at 31 March 2021

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

	Note	**31 March 2021 £000s**	31 March 2020 £000s
Non-current assets			
Long Term Debtors	10	115,735	77,594
Total non-current assets		115,735	77,594
Current assets			
Short term investments		5,000	-
Debtors	11	40,302	18,582
Cash and Cash Equivalents	12	95,122	62,652
Total current assets		140,424	81,234
Current liabilities			
Short Term Borrowing		(1,027)	(857)
Grant Receipts In Advance	19	(11,071)	(8,727)
Short Term Creditors	13	(47,591)	(16,491)
Total current liabilities		**(59,689)**	(26,075)
Long term liabilities			
Long Term Borrowing	14	(28,263)	(29,143)
Other Long Term Liabilities	14 & 21	(6,779)	(3,937)
Total long term liabilities		**(35,042)**	(33,080)
Net Assets:		**161,428**	99,673
Reserves			
Usable reserves:			
General Fund Balance		1,058	1,058
Earmarked General Fund Reserves	6	58,641	60,374
Capital Grants Unapplied	6	112,487	41,105
		172,186	102,537
Unusable Reserves:			
Pensions Reserve	14 & 21	(6,779)	(3,937)
Capital Adjustment Account	7	(3,810)	1,224
Accumulated Absences Account		(169)	(151)
		(10,758)	(2,864)
Total Reserves:		**161,428**	99,673

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

Chair Tees Valley Combined Authority Cabinet
Date

TVCA Cash Flow Statement For The Year Ended 31 March 2021

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

	Note	TVCA 2020/21 £000s	TVCA 2019/20 (Restated) £000s
Net (surplus) or deficit on the provision of services		**(63,867)**	(14,449)
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Pension Fund adjustments		(730)	(780)
Increase/(Decrease) in Revenue Debtors	11	21,720	4,952
(Increase)/Decrease in Revenue Creditors	13	(31,247)	(7,278)
(Increase)/Decrease in Grants Received in Advance	19	(2,344)	(2,768)
(Increase)/Decrease in IFRS9 Adjustments	10	(1,772)	(264)
Increase/(Decrease) in Long Term Debtors	10	39,913	17,092
		25,540	10,954
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services		(129,938)	(37,700)
		(129,938)	(37,700)
Net cashflow from operating activities		**(168,265)**	**(41,195)**
Investing activities			
Purchase of short term and long term investments		611,000	161,500
Proceeds from short term and long term investments		(606,000)	(189,000)
Other receipts from investing activities		129,938	37,700
Net cashflow from investing activities		**134,938**	10,200
Financing activities			
Movements in short and long term borrowings	20	857	(30,000)
Net cashflow from financing activities		**857**	(30,000)
Net (increase) or decrease in cash and cash equivalents		**(32,470)**	(60,995)
Cash and cash equivalents at the beginning of the reporting period		**62,652**	**1,657**
Cash and cash equivalents at the end of the reporting period	13	**95,122**	62,652
The cashflow for operating activities includes the following items:			
Interest received		**(224)**	**(547)**
Interest paid		**783**	**-**

Note 1: Expenditure & Funding Analysis TVCA

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

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

Note 1: Expenditure & Funding Analysis TVCA

Notes to the Expenditure and Funding Analysis: TVCA

Adjustments between Funding and Accounting Basis 2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	2,850	40	(18,334)	**(15,444)**
Research Development Innovation & Energy	1,094	9	(1,603)	**(500)**
Education Employment & Skills	2,579	52	(33,790)	**(31,159)**
Culture	80	9	(1,566)	**(1,477)**
Transport	38	-	(7,109)	**(7,071)**
Project Development	-	5	(5,309)	**(5,304)**
Place	-	3	(1,082)	**(1,079)**
Core Running Costs	-	530	(1,428)	**(898)**
Concessionary Fares	-	-	(563)	**(563)**
SSI Related Schemes Not in the Investment Plan	-	-	4	**4**
Not Directly Attributable to Themes	1,250	-	(2,233)	**(983)**
Net Cost Of Services	7,891	648	(73,013)	**(64,474)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(72,933)	83	73,457	**607**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(65,042)	731	444	**(63,867)**

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	2,256	23	(5,703)	(3,424)
Research Development Innovation & Energy	-	11	(2,024)	(2,013)
Education Employment & Skills	-	66	(20,531)	(20,465)
Culture	-	28	(1,624)	(1,596)
Transport	2,055	5	(9,534)	(7,474)
Enabling Infrastructure	-	-	-	-
Project Development	-	38	(680)	(642)
Core Running Costs	-	559	(1,938)	(1,379)
Concessionary Fares	-	-	(67)	(67)
SSI Related Schemes Not in the Investment Plan	-	-	130	130
Place	-	-	-	-
Not Directly Attributable to Themes	-	-	(6,764)	(6,764)
Net Cost Of Services `	4,311	730	(48,735)	**(43,694)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,500)	50	41,724	29,274
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**(8,189)**	**780**	**(7,011)**	**(14,420)**

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

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

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

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

Net Change for the Pensions Adjustments - this is the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

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

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

Expenditure and Income Analysed By Nature

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

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

Segmental Income

Income received on a segmental basis is analysed below:

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

Note 2: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

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

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

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

Note 3: Critical Judgements in Applying Accounting Policies

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

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

Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

- Pension liabilities: estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide TVCA with expert advice about the assumptions to be applied. Sensitivities are included in Note 22

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

Note 6: Movements in Earmarked Reserves

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

TVCA

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

Note 6: Movements in Earmarked Reserves

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

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

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

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

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

Note 7: Capital Adjustment Account

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

Note 8: TVCA Members' Allowances

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

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

Note 9: Employee remuneration

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

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

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

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

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

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

Note 9: Employee remuneration

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

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

Note 10: Long Term Debtors

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

Note 11: Debtors

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

Note 12: Cash and Cash Equivalents

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

Note 13: Short Term Creditors

	31 March 2021 £000s	31 March 2020 £000s
Central Government	(592)	(269)
Local Government	(39,811)	(12,973)
Other entities and individuals	(7,188)	(3,249)
	(47,591)	**(16,491)**

Note 14: Other Long Term Liabilities

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

Note 15: Related Party Transactions

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

Central Government

Central government has effective control over the general operations of TVCA – it is responsible for providing the statutory framework within which they operate, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that they have with other parties. Grants received from government departments are set out in the subjective analysis in Note 19.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 8. During 2020/21, there were no related party transactions between members and TVCA.

Entities Controlled or Significantly Influenced by the Authority

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

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

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

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

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

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
South Tees Development Corporation Group	36,022	28,751	35,296
Goosepool 2019 Group	71,622	81	-
Total	**107,644**	**28,832**	**35,296**

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

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

TVCA Constituent Authorities

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

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

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

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

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

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

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

Note 16: External Audit Costs

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

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

Note 17: Leases

Operating leases: TVCA as lessee

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

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

Note 18: Capital Expenditure and Financing

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

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

Note 19: Grant Income

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

	2020/21	2019/20
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
BEIS/MHCLG South Tees Development Corporation	739	-
Brownfield Housing	3,976	-
DfT Active Travel Fund	1,434	-
LAD2 Green Homes Grant	52,950	-
Local Growth Fund	-	234
Major Transport Development Fund	382	-
Transforming Cities Fund	13,452	12,266
Total	**72,933**	12,500
Credited to Services		
Adult Education Budget	29,627	15,936
BEIS Local Energy Capacity Support	304	405
BEIS Growth Hub	462	246
BEIS Rural Community Energy Fund	678	123
BEIS Peer to Peer Network	81	-
BEIS/MHCLG South Tees Development Corporation	20,254	-
Brownfield Housing	915	-
Devolution	15,000	15,000
DfT Access Fund	701	1,022
DfT Active Travel Fund	385	
DfT Covid Bus Support	269	-
DfT Travel Demand Management	113	-
Department For International Trade	60	-
DWP Routes To Work	1,842	2,053
ERDF Back to Business	985	-
ERDF Business Compass	729	4,451
ERDF Business Growth Fund	1,047	-
ERDF SME Energy Efficiency	73	
EU Exit Preparation Fund	182	104
Get Building Fund	8,750	-
Home to School Transport	1,697	-
HLF Great Places	359	460
LAD2 Green Homes Grant	65	-
LEP Core	500	500
Local Growth Fund	14,217	9,182
Local Transport Plan	13,930	13,930
Major Transport Development Fund	398	-
Mayoral Capacity Funding	1,000	1,000
MHCLG Covid SFC	221	-
National Productivity Investment Fund	-	5,050
One Public Estate	84	-
One Vision Pilot	102	-
Pothole Action Fund	6,891	534
Skills Analysis	101	25
Transforming Cities Fund	4,548	734
Other Grants	157	400
	126,727	71,155

Capital and Revenue Grants Receipts in Advance

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

Note 20: Financial Instruments

Categories of Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

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

Financial Instruments

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

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

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

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

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

Note 20: Financial Instruments

Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31st March 2021.

Fair values are shown in the table below, split by their level in the fair value hierarchy:
· Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. Pooled Property Fund based on the latest market value from quarterly unaudited accounts.
· Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability. For PWLB loans payable, PWLB premature repayment rates. For non-PWLB loans payable, prevailing market rates.

· Level 3 – fair value is determined using unobservable inputs. Loans are based on estimated creditworthiness taking into account security held against loans.

Financial Assets	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2021		31 March 2020	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	100,122	100,122	62,652	62,006
Loans to Subsidiaries	3	107,645	107,645	67,811	59,295
Loans To Local Authorities	3	5,840	5,840	6,571	6,571
Loans To Companies	3	2,250	2,250	3,720	3,720
Other Short Term Assets*	N/A	38,310	38,310	17,855	18,498
Total Financial Assets		**254,167**	254,167	**158,609**	150,090
Recorded on Balance Sheet as:-					
Long Term Debtors		115,735		77,594	
Short Term Debtors		38,310		18,363	
Long Term Investments		-		-	
Short Term Investments		5,000		-	
Cash and Cash Equivalents		95,122		62,652	
Total Financial Assets		**254,167**		**158,609**	

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

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

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

PWLB Borrowing Breakdown

	31 March 2021	31 March 2020
Within 1 Year	880	857
1-2 Years	1,784	1,737
2 - 5 Years	2,860	2,785
Over 5 Years	24,499	24,621
Total	**30,023**	**30,000**

Note 20: Financial Instruments

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

- **credit risk –** the possibility that other parties might fail to pay amounts due to the Authority
- **liquidity risk –** the possibility that the Authority might not have funds available to meet its commitments to make payments
- **re-financing risk –** the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **market risk –** the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

Credit Risk: Treasury Investments

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

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

Liquidity Risk

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

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

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

Market Risk

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

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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

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

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

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

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

Note 21: Defined Benefit Pension Schemes

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

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

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

Note 21: Defined Benefit Pension Schemes

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

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Note 21: Defined Benefit Pension Schemes

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

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

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

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

Local Government Pension Scheme assets comprised:

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

Basis for Estimating Assets and Liabilities

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

Note 21: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

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

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

Impact on the Defined Benefit Obligation in the Scheme

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

Impact on the Authority's Cash Flows

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

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

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

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

Note 22: Termination Benefits

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

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

Note 23: Provisions

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

Note 24: Contingent Liabilities

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

Note 25: Post Balance Sheet Events

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

Statement of Accounting Policies (TVCA & Group)

General Principles

The Statement of Accounts summarises TVCA's and Group transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. They are required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Group Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).
Upon consolidation of the Group accounts all subsidiary accounting policies are aligned to those of the Authority.

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group’s financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Group to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Group are members of one pension scheme:

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

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

The Local Government Pension Scheme

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

- The liabilities of the Teesside Pension Fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the Aon Hewitt GBP Central AA Curve.
- The assets of the Teesside Pension Fund attributable to the Group are included in the Balance Sheet at their fair value:
  quoted securities – current bid price
  unquoted securities – professional estimate
  unitised securities – current bid price
  property – market value.

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

Service cost comprising:

- *current service cost:* the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- *past service cost* : the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability: i.e. net interest expense for the Group - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- *the return on plan assets* - excluding amounts included in the net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- *actuarial gains and losses:* changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Teesside Pension Fund:

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

Statement of Accounting Policies (TVCA & Group)

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

Events after the Reporting Period

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

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

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis. The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Statement of Accounting Policies (TVCA & Group)

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

Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Intangible Assets

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

Inventories

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

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases as Leasee

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

Operating Leases as Lessor

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

Statement of Accounting Policies (TVCA & Group)

Overheads and Support Services

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Statement of Accounting Policies (TVCA & Group)

Depreciation

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

Depreciation is calculated on the following bases:

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

Goodwill

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Group may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent Liabilities & Contingent Assets

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

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.

Statement of Accounting Policies (TVCA & 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.

Responsibilities for the Annual Financial Statements

The Authority and Group's Responsibilities

The Tees Valley Combined Authority Group is required to:

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

The Chief Financial Officers Responsibilities

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

In preparing the Annual Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice.

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

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

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

These financial statements replace the unaudited financial statements certified by the Director of Finance on 31st July 2021

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

Independent auditor's report to the members of Tees Valley Combined Authority

Report on the audit of the financial statements

Opinion on the financial statements
We have audited the financial statements of Tees Valley Combined Authority ('the Authority') and its subsidiaries ('the Group') for the year ended 31 March 2021, which comprise the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Movement in Reserves Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2021 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
Material uncertainty relating to the valuation of the Authority's land
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 6 to the financial statements that describes the unique nature and scale of the Corporation's land holdings and the material valuation uncertainty statement made by the valuer of the Corporation's land in their valuation report.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Resources with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Finance and Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance and Resources for the financial statements
As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance and Resources is also responsible for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Director of Finance and Resources is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance and Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Risk Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Risk Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Risk Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Authority's arrangements. On the basis of our work to date, having regard to the Code of Audit Practice, having regard to the guidance issued by the Comptroller and

Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

Responsibilities of the Authority
The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Tees Valley Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack and the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[*Signature*]

Cameron Waddell

Key Audit Partner
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

[Insert date]

Appendix A

Glossary of Terms

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

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

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

Capital Expenditure

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

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

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

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

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

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

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

Fair Value

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

Appendix A

Glossary of Terms

Finance Lease

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

Going Concern

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

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

Inventories

Comprise the value of items held in the following categories:

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

Investments

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

Long Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Appendix A

Glossary of Terms

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

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

Operating Lease
A lease other than a finance lease.

Operational Assets

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

Post Balance Sheet Events

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

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

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

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

Unusable Reserves

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

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Tees Valley Combined Authority

Annual Governance Statement 2020/21

1. Introduction

Good governance continues to be key to the delivery of our organisational objectives.

In the past eighteen-months the Combined Authority's governance responsibilities have expanded in both scale and complexity. We now provided centralised support to the Teesside International Airport companies recognising the investment and support provided by the Combined Authority Group and have ensured full integration of the governance arrangements of the South Tees Development Corporation and its subsidiaries into a single governance framework.

The effective and transparent oversight of our growing responsibilities are reliant upon maintaining robust governance arrangements which ensure the effective delivery of our activities, good decision making and the active identification and management of risk.

Our ambition remains to make the Tees Valley the best place to live in the UK by driving rapid and sustainable economic growth, delivering better life chances and a better quality of life for our communities. But these are not the limits of our ambition or our responsibilities.

Our goal is that the Tees Valley Combined Authority and it wider group continue to be perceived to be at the forefront of this devolution revolution and recognised by our peers as a role model when it comes to delivery and innovation in local government an economic development..

As part of the first wave of Mayoral Combined Authorities we are aware that we have a responsibility to prove that the best answers for local people come from local people and that devolution is the most effective way of driving regional economic development and creating vibrant, inclusive and prosperous communities throughout the United Kingdom. We have seen recent additional recognition from Government, most notably in being named the UK's largest Freeport and the home to a new HM Treasury led economic campus in Darlington. Business is also paying attention to these changes in our Region investments are being actively explored. All these things are only possible because Government, our constituent Authorities and wider stakeholders trust our governance, decision making and ability to deliver. We do not believe that the government would be and business would engage with us so strongly had we not successfully met this challenge to date. Recent government decisions and the evolving devolution agenda places further duties on us to ensure that our governance framework continues to be an exemplar of best practice and has the flexibility to adapt to any new responsibilities and new challenges the coming period presents.

It is also our ambition that our Governance Framework continues to add genuine value to the decision and policy-making of the Combined Authority Group.

2. The Scope of Responsibility

The Tees Valley Combined Authority is responsible for ensuring that our operations are conducted in accordance with the law and appropriate standards. We are also responsible for making sure public money is used effectively and appropriately and is properly accounted for. We have a responsibility to ensure we have proper arrangements in place for the governance of our affairs and effective exercise of our functions, including the management of risk. We also have a duty under the 1999 Local Government Act to make continuous improvements to the way we operate.

Our Constitution sets out how we operate, how decisions are made, what our governance arrangements are and what processes are followed to ensure these are effective, transparent and accountable.

These arrangements are designed to be consistent all legislative requirements and with the principles and best practice outlined in the CIPFA guidance on good governance.

This Annual Governance Statement details how we have complied with this framework and also how we meet our responsibilities under the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.

3. The Purpose of our Governance Framework

Meaningful and dynamic corporate governance establishes the conditions and culture for us to work effectively, economically and ethically.

Our governance framework comprises the systems and procedures we believe will achieve our strategic objectives and deliver our activities in an appropriate and cost-effective way.

These objectives, as laid out in our Strategic Economic Plan and Investment Plan are:

- Driving **business growth** to increase job numbers and business density.
- Enhancing the **productivity** in key industrial sectors through the commercialisation of knowledge.
- Establishing a local labour market with the **skills** to meet local business needs.
- **Attracting and retaining innovative local, national and international businesses and individuals**, with an emphasis on vibrant town centres.
- **Changing perceptions** of the Tees Valley through its cultural and leisure offer, and making our area an attractive place to work, visit and live.
- Facilitating local, regional, national and international **connectivity** through investment in road, rail, air and broadband infrastructure.

A 10-year Investment Plan was agreed in January 2019 setting out how we will allocate resources to deliver these objectives. This plan is reviewed annually at Cabinet level, most recently in July 2021.

Our governance framework enables us to monitor the achievement of these strategic objectives, and the system of internal control which derives from it allows us to manage risk at a realistic level. Although it is impossible to eliminate all risk, this structure is designed to identify and prioritise risks to the achievement of our objectives, evaluate the likelihood of those risks being realised and managing their impact should they be realised.

4. The Key Elements of our Governance Framework

The following arrangements are in place to quantify the quality of our services, ensure that they are delivering our objectives and make certain that we are providing value for money.

The Constitution

The responsibilities of Combined Authority employees and members is clearly laid out in the Authority's Constitution. This document – subject to annual review – explicitly documents how the Authority operates, responsibilities for specific functions, schemes of delegation and how decisions are made. A new Scheme of Delegation was introduced in the Autumn of 2020 to deliver greater transparency and efficiency of the Combined Authority's day-to-day decision-making process.

The Constitution – which can only be amended by the unanimous agreement of the Cabinet – also sets out expected standards of behaviour for both officers and members.

The Constitution clearly sets how both the activities of the Mayor, Cabinet and Senior Officers will be subject to a robust set of check and balances, and details how this scrutiny process will be delivered.

Statutory and non-Statutory Committees

The Combined Authority Constitution details a number of Statutory Committees.

- A statutory **Overview and Scrutiny Committee** of members appointed by each of the Constituent Authorities, reviews the policies and operations of the Combined Authority and ensures effective democratic scrutiny of decisions. This committee has the authority to 'call in' for review Authority decisions which have yet to be implemented and the power to prevent their implementation whilst under review. The committee has utilised this power on one occasion to date. The committee continues to conduct strong scrutiny of the Combined Authority's activities, including establishing a Task and Finish Group to conduct an in-depth investigation into the draft Combined Authority Budget for 2020/21, as part of the consultation process. The committee also receives reports detailing decisions taken under delegated powers for scrutiny and review.
- A statutory **Audit and Governance Committee**, assuring sound governance and financial management of the Combined Authority, with members appointed from each Constituent Authority working in tandem with appropriately qualified and experienced independent members. This committee oversees the operation of the Authority's risk management arrangements, considers and reviews its Internal Audit arrangements and reviews its Financial Statements.
- A statutory **Transport Committee**, reviewing transport strategy and policies and making recommendations to Cabinet. Members are drawn from the executive

member with transport responsibilities from each Constituent Authorities and private sector representation.
- The **Local Enterprise Partnership (LEP)**, the principal forum for collaboration between the public and private sectors, is an integral part of the Combined Authority and its governance. A network of LEPs exists across England, but in the Tees Valley this partnership is strengthened by its clear governance integration and strong partnership working – both evidenced by LEP members holding the role of Associate Members of the Combined Authority Cabinet.
- **South Tees Development Corporation Board** is responsible for identifying any decision or issue which results or may result in a significant risk of a financial liability, a statutory liability or an environmental or criminal liability - a referral decision
- Following the announcement in March 2021 that Tees Valley would be the location of one of the first Freeports, the **Teesside Freeport Board** has been established for the purposes of making recommendations to Cabinet on Freeport strategy and policies, to review Freeport services, ensure compliance with Freeport legislation and to co-ordinate the interests of landowners and other key stakeholders.

The work of both these committees and the wider Combined Authority is given strategic support and oversight by a series of non-statutory and advisory groups, made up of experts from the private, public and third sectors and designed to create channels of communication with stakeholders and to add value to the Combined Authority's wider community consultation and engagement efforts, including but not limited to the:

- Education, Employment and Skills Advisory Group – beneath which sit several specialised workstreams addressing specific areas of operation.
- Creative Place Advisory Group
- Industrial Collaboration Group
- Transport Advisory Group
- Business Growth Steering Group

Monitoring Officer

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Combined Authority has appointed a suitably-qualified Group Chief Legal Officer, who is the Authority's Monitoring Officer and a protocol in place with all directors and clear systems are operating, to ensure the legality of all Authority activities. All Cabinet reports are considered for legal issues before submission to members. The Group Chief Legal Officer, is also the South Tees Development Corporation's Monitoring Officer ensuring transparency on group legal, governance and probity matters

Internal Audit

The Combined Authority's Internal Audit function, undertaken by RSM Limited, ensures compliance with the relevant standards and statutory requirements. The service liaises with relevant statutory and senior officers throughout the year to develop and maximise the effectiveness of the Authority’s internal control systems and delivers an annual report on the quality of our processes.

External Audit

The purpose of the External Auditors, Mazars, is to provide an opinion on the accounts and Value for Money (VfM) conclusion.

Chief Financial Officer and Financial Arrangements

In accordance with the requirements of Section 73 of the 1985 Local Government Act, the Combined Authority has appointed a suitably-qualified Chief Finance Officer the Group Director of Finance and Resources. The Group Director of Finance and Resources fulfils a similar role for also the South Tees Development Corporation’ ensuring transparency on group finance and resources issues.

This Chief Finance Officer is responsible for:

- The operation of a robust system of budgetary control, including quarterly and annual financial reports indicating financial performance against forecasts.
- Ensuring that the Authority’s finance function is appropriately resourced.
- Assessing the short, medium and long-term implications of all material business decisions, and identifying and mitigating financial and organisational risks arising from them.
- Aligning the Combined Authority’s business and financial planning processes.
- Promoting good financial management throughout the organisation.

There are comprehensive budgeting systems in place and a robust system of budgetary control, including quarterly and annual financial reports, which indicate financial performance against forecasts. The authority’s financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Assurance Framework

As part of the Devolution Deal signed with HM Government, a significant proportion of central government regional investment funding has been consolidated into a Single Pot, over which the Combined Authority has significant autonomy over allocation.

An Assurance Framework has been developed setting out how the Tees Valley will ensure accountable and transparent decision making with regards to this fund, appraise projects and monitor and evaluate schemes to achieve value for money and ensure that funds are spent lawfully.

The Assurance Framework is reviewed annually, most recently in July 2021.

South Tees Development Corporation (STDC)

The Mayoral Development Corporation has in place its own governance arrangements, constitution and statutory committees. The Tees Valley Mayor is chair of the STDC board and TVCA and STDC share a Director of Finance & Resources.

Regular updates are provided to TVCA Cabinet, Local Enterprise Partnership Board and Overview & Scrutiny Committee on the progress of STDC activities, and any significant decisions are brought to the TVCA Cabinet for decision through a referral mechanism.

The TVCA Group Governance Team assume responsibility for the management of STDC's group governance arrangements in the Autumn of 2019, in order to strengthen the integration of decision-making across different aspects of the Combined Authority Group and to strengthen the governance arrangements of the Development Corporation.

The South Tees Development Corporation currently operates the following statutory committees:

- A **Board**, the ultimate decision-making body of the Development Corporation with a constitutional responsibility to guide and oversee delivery of the key objectives of the STDC.
- An **Audit & Risk Committee** with oversight responsibilities in matters concerning risk, financial affairs and probity, overseeing STDC's internal audit and external audit arrangements.

The land at the STDC site (now called **Teesworks**) was formerly managed by the South Tees Site Company Ltd (**STSC**), an interim government body established in December 2016 to ensure the safe, secure and cost-effective management of the former site. The STSC was transitioned in the control STDC in the autumn of 2020 and STDC and its subsidiaries have adopted the trading style 'Teesworks'.

By ensuring members of the STDC Board or Combined authority officer serve as directors of each of STDC;s subsidiaries, the group can be assures that activities operating in accordance with the strategic direction and within the governance frameworks set by STDC.

Goosepool

TVCA are 75% shareholders in Goosepool 2019 Ltd who in turn own 89% of the shares in Teesside International Airport.

Goosepool has its own Governance arrangements in place and the Deputy Chair of the LEP is the Chair of the Board of Goosepool. 3 senior officials of TVCA make up the board members along with 1 official from the minority shareholder. The TVCA Governance team assumed responsibility for governance arrangements of the Goosepool Board in the Spring of 2020, in order to strengthen the integration of decision-making across different aspects of the Combined Authority Group and to strengthen its governance arrangements. The

Governance team is also providing some oversight and support to the TIAL Board to ensure good governance, and company secretarial standards.

Regular updates on the progress against the Airport Business Plan are given to TVCA Cabinet and relevant committees.

Adult Education Budget Governance

Responsibility for post-19 education funding was devolved to the Tees Valley Combined Authority in August 2019. An appropriate governance framework was developed alongside this process to ensure effective and appropriate decision-making, oversight and value-for-money assurance and this process has been incorporated into the wider Combined Authority Assurance Framework.

Corporate Risk Register

The Combined Authority operates a comprehensive and proactive Risk Management Framework outlining its approach to Risk Management. Central to this framework is a Corporate Risk Register which details what risks have been identified, the probability and impact of these risks being realised and which controls are in place to mitigate against these risks. This report is regularly presented to the Senior Leadership Team and scrutinised on a quarterly basis by the TVCA Audit and Governance Committee.

Declarations of Interest and Code of Conduct

All Combined Authority employees and members are subject to a formal Code of Conduct – forming part of the Authority's Constitution - and must complete, at least annually, a formal Declaration of Interest.

- An annual review of members' Declarations of Interest was completed in July 2020 and the 2021 review began in July 2021.
- An annual review of officers' Declarations of Interest was completed in December 2020.

In the interests of transparency the member declarations are reviewed by both the Chief Executive and Monitoring Officer and published on the Authority's website. The Chief Executive's Employee Declaration of Interest is also published on the Authority's website.

Gifts and Hospitality

The Combined Authority maintains a register of offers of Gifts and Hospitality made to members and officers of the Combined Authority, even if these offers are declined.

Governance Arrangements

A dedicated Governance team is in place to ensure that the Combined Authority is compliant with its regulatory responsibilities and to advise both members, employees and partner organisations. The team oversees number of areas including transparent decision making, Declarations of Interest, Whistle-blowing and Freedom of Information request handling.

Freedom of Information and Environmental Information Regulation Requests

The Combined Authority is subject to the Freedom of information Act 2000 and the Environmental Information Regulations 2004. The group Governance team processes such requests. Over the last financial year the Combined Authority has received and responded to 86 such requests for information.

5. Review of Effectiveness

The Combined Authority is responsible for conducting, at least annually, a review of the effectiveness of its governance arrangements. Any areas for review are overseen and co-ordinated by the Chief Executive, Director of Finance & Resources and Monitoring Officer and any findings reported to the Audit and Governance Committee, as appropriate.

Internal Audit

The Internal Audit service compiles an annual report on its Internal Audit arrangements, which forms an integral part of this Annual Governance Statement.

This report, carried out by an independent provider, incorporates an Audit Plan detailing timescales for assurance work relating to specific activities. High priority is given to significant corporate projects and key financial systems, as well as other specific areas requested by the Senior Management Team.

Although annual assessment has yet to be received from the current internal audit provider, all area reviews carried out to date under the Audit Plan have resulted in a positive assessment of either.

External Audit

The Audit Completion Report from the Combined Authority's external auditors for the financial year ending March 31st 2021 is not yet available

6. Conclusion

It is our conclusion – validated by external opinion – that the Combined Authority operates suitable, effective and robust governance framework which supports the achievement of its policies, aims and objectives and meets all statutory requirements.

7. Impact of COVID-19 outbreak

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

The outbreak did, however, present challenges to the Combined Authority's governance framework – not least ensuring appropriate and transparent decision-making and operations was maintained in a time of disruption and enforced social distancing. Although moving to remote working and remote meetings (in accordance with legislation), the system of oversight, control and decision-making continued and we sought to maintain the same high standards throughout.

The Combined Authority responded to the situation by:

- Ensuring continuity of the governance framework by immediately re-arranging all non-statutory meetings to take place by video conferencing and preparing for statutory meetings to take place by video conferencing in advance of this power being granted to local authorities.
- Implementing power to temporarily hold statutory meetings remotely granted under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 from April 2020. This legislation ended in early May 2021 and the Authority has since ensured statutory meetings have taken place in a manner that maintained safety of its Members and Officers whilst maintaining opportunities for public and political scrutiny, and met our obligations under the Local Government Act 1972.
- Conducting an internal review of the implications of the postponement of the scheduled Mayoral Election of May 2020.The Mayoral Election took place in May 2021.
- Implementing guidance from the relevant supervisory authority – the Information Commissioner's Office – relating to the treatments of Freedom of Information requests during the outbreak and informing request makers.
- Adjusting financial reporting schedules to reflect revised deadlines and communicating these changes to the appropriate committee members.

The Combined Authority also responded to the COVID-19 outbreak by establishing a call centre to support local businesses affected by the disruption.

As we progress to the recovery stage the Combined Authority 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.

8. Progress

At this time the Combined Authority has not identified any significant governance issues. The following actions have been proactively taken, however, since the publication of the previous Annual Governance Report in order to mitigate against future risks and continue to strengthen our arrangements.

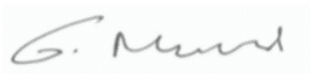
Progress made on implementing Improvement Plan from previous Annual Governance Report:

Action	Outcome
Review of Combined Authority Constitution	Constitution review completed and amendments approved and implemented, in July 2021.
Review of Assurance Framework	Revised Framework agreed by the Cabinet in July 2021.
Monitoring Officer role brought in house	Group Chief Legal Officer in post and appointed as Monitoring officer for TVCA and STDC in September 2020
Publication of Gifts and Hospitality offers to Members and Directors	Register of gifts and hospitality offered to Members and Directors now published on Authority's website in real time.

9. Action Plan

The following actions are envisaged for the future development of our governance and risk management systems.

Action	Outcome	Responsibility	By When
Introduction of Governance Toolkit	Further embed governance framework across organisaiton.	Director of Finance & Resources/ Group Chief Legal Officer	31st August 2021

Signed 

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Mayor of the Tees Valley
Combined Authority

Julie Gilhespie
Group Chief Executive,
Tees Valley Combined
Authority

Siobhan McArdle
Chair of the Tees Valley
Local Enterprise Partnership
and Member of the Tees
Valley Combined Authority
Cabinet