TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Audit & Governance Committee Agenda

Date: Tuesday 21st July 2020 at 10.00am

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

Membership:
Councillor Matthew Storey (Chair, Middlesbrough Borough Council)
Councillor Brenda Harrison (Vice Chair, Hartlepool Borough Council)
Councillor Paul Crudass (Darlington Borough Council)
Councillor Sandra Smith (Redcar & Cleveland Borough Council)
Councillor Barry Woodhouse (Stockton-On-Tees Borough Council)
Paul Bury (Independent member)
Christopher White (Independent member)
Jonny Munby (Independent member)

AGENDA

1. **Apologies for Absence**

2. **Declarations of Interest**

3. **Minutes of meeting held on 28th May 2020**
   Attached

4. **Action Tracker**
   Attached

5. **Draft Annual Financial Statements**
   Attached

6. **Draft Procurement Strategy**
   Attached

7. **Corporate Risk Register**
   Attached

8. **Draft Internal Audit Plan 2020-21**
   Attached

9. **Internal Audit 2019-20 Action Tracker**
   Attached

10. **External Audit Update**
    Attached

12. Forward Plan and scheduling of future meetings
Attached

13. Date and Time of Next Meeting:
- Thursday 19th November 2020 at 10:00

Members of the Public - Rights to Attend Meeting

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

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Tees Valley Combined Authority (TVCA) Audit and Governance Committee

Thursday May 28th 2020 at 10.00am

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

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

Attendees

Members
Councillor Matthew Storey (Chair, Middlesbrough Borough Council)
Councillor Barry Woodhouse (Stockton Borough Council)
Councillor Brenda Harrison (Hartlepool Borough Council)
Paul Bury (Independent member)
Christopher White (Independent member)
Jonny Munby (Independent member)

Apologies for Absence
Councillor Peter Berry (Redcar & Cleveland Borough Council)

Officers
Gary Macdonald (Director of Finance & Resources, TVCA)
John Hart (Governance Manager, TVCA)
Geraldine Brown (Strategy, Policy and Intelligence Manager, TVCA)

Also in Attendance
Gareth Roberts (Mazars – External Auditors)
Philip Church (RSM – Internal Auditors)
Rob Barnett (RSM – Internal Auditors)

AGC 36/19	**APOLOGIES FOR ABSENCE** Apologies for absence were submitted as detailed above.
AGC 37/19	**DECLARATIONS OF INTEREST** No declarations of interest were received.

AGC 38/19	**MINUTES OF MEETING HELD ON JANUARY 23rd 2020** Gareth Roberts, External Auditor, requested minute 31/19 be amended to state that he had reported to members that no new matters had been reported in this Annual Audit Letter to members that had not been reported in the Audit Completion Report, received in June 2019, or the subsequent follow up letters, but that the document summarised the information following completion of the Audit of the Annual Financial Statements. Members agreed to this request. The amended minutes were agreed as a true record.
AGC 39/19	**ACTION TRACKER** John Hart, Governance Manager reported that all items on the Action Tracker were either completed or ongoing. Jonny Munby queried if committee members interest in examining the Combined Authority's draft Procurement Strategy, as recorded in the minutes to the January 23rd committee (AGC 33/19) should have been listed as an action. Gary Macdonald, Director of Finance and Resources, stated that this will be added to the Forward Plan for the Committee to be presented to a future meeting.
AGC 40/19	**DRAFT ANNUAL GOVERNANCE STATEMENT** Gary Macdonald introduced the Combined Authority's Draft Annual Governance Statement for 2019/20, drawing member's attention to the section on the impact of the COVID-19 outbreak, included in line with best practice recommendations from the Chartered Institute of Public Finance and Accountancy. Jonny Munby asked whether the statement should make reference to outstanding recommendations from Internal Auditors, such as those relating to cyber-security. Phillip Church (RSM) stated the view that as none of the recommendations was judged to be high risk, this was not necessary. The Chair requested that members receive updates on the impact of the COVID-19 outbreak on major Combined Authority Group projects such as Goosepool Ltd and the South Tees Development Corporation. Gary Macdonald undertook to investigate the most appropriate means of doing so. **RESOLVED that: Members approved the Combined Authority Annual Governance Statement 2019/20**
AGC 41/19	**DRAFT RISK FRAMEWORK** Gary Macdonald introduced the Combined Authority's revised Risk Framework, its structured process for identifying potential threats to

	organisational delivery and strategy for eliminating or minimising the impact of these risks. Paul Bury noted that Item 6 paragraph 5 states that the Framework is to be reviewed every year by the Audit and Risk Committee, with any observations or recommendations relating to it submitted to the TVCA Cabinet at its Annual Meeting. He requested that this item be included in the Committee Action Tracker. Members agreed to this request. **RESOLVED that: Members approved the revised Risk Framework.**
AGC 42/19	**CORPORATE RISK REGISTER** Consideration was given to the Corporate Risk Register. Gary Macdonald highlighted new entries on the register relating to the COVID-19 outbreak, reporting to members that members would receive a briefing on the Combined Authority's response to the outbreak under Any Other Business. The Chair requested that South Tees Development Corporation and Goosepool Ltd be added to the Forward Plan as standing items due to the scale of the projects and the significant impact the COVOD-19 outbreak could have on each. The Chair also requested regular reports on both South Tees Development Corporation and Goosepool Ltd be provided to the Chair and Vice Chair, so that matters of interest can be selected for discussion at a future Committee meeting as appropriate. Gary Macdonald confirmed he would investigate the most appropriate means of meeting these requests. **RESOLVED that: Members noted the Corporate Risk Register.**
AGC43/19	**INTERNAL AUDIT PROGRESS REPORT** Rob Barnett and Philip Church (RSM) introduced a series of internal audit reports, including the Annual Audit Opinion. Rob Barnett reported auditor's positive overall opinion of Combined Authority internal controls, nothing that with no individual audits concluding in a negative opinion, the Combined Authority was in the top quartile of overall ratings. He continued by stating that auditors were "very pleased" that all recommendations had been implemented or were close to implementation within agreed timescales. Phillip Church reported that all planned internal audit reviews had been completed by the year end, with four reviews completed since the last meeting of the committee. He highlighted the positive opinion auditors had concluded with regards to Governance and Project Management, and confirmed that all Key Performance Indicators had been achieved. **RESOLVED that: Members noted the reports.**

AGC 44/19	**INTERNAL AUDIT PLAN** Phillip Church verbally updated members on the Internal Audit Plan for the forthcoming year, currently under development. The Chair requested that a draft plan be shared with members for comment on completion.
AGC 45/19	**EXTERNAL AUDIT PLAN** Gareth Roberts (Mazars) introduced an External Audit Plan, previously circulated to members, noting that there were no changes in scope or audit code. He drew members attention to the Goodwill Assets were now recognised in the plan following the acquisition of Teesside International Airport in 2019 and confirmed that financial reporting timelines had been altered as a result of the COVID-19 outbreak, in line with formal guidance.
AGC 46/19	**FEE SCALE FOR AUDIT 2021/22** Members received notification from the Public Sector Audit Appointments of the Combined Authority's audit scale fee for the next financial year.
AGC 47/19	**ANY OTHER BUSINESS** Geraldine Brown, Strategy, Policy and Intelligence Manager entered the meeting to update members on the Combined Authority's planning for post-outbreak economic recovery, highlighting: • The Combined Authority's overall approach to recovery planning • The commissioning of independent economic analysis. • The surveying of over 1000 regional businesses • How interventions were now being developed in partnership with local authorities, business representative organisations and the Local Enterprise Partnership. The Chair asked if interventions would be broken down into individual thematic areas. Geraldine Brown stated that consideration would be given to general business support requirements, sector specific support requirements and employment, education and skills needs.
AGC 48/19	**FORWARD PLAN AND SCHEDULING OF FUTURE MEETINGS** John Hart drew members attention to the proposed rearrangement of the meeting scheduled for November 19th to October 13th 2020 to accommodate revised financial reporting deadlines necessitated by the COVID-19 outbreak.

AGC 49/19	**DATE OF NEXT MEETING** • Tuesday July 21st 2020

TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER –2019-20

Meeting	Item	Action	Owner	Target Date	Update
27th September 2018	Action Tracker	Committee requested that consideration be given of a formal introduction program for committee members, detailing TVCA audit framework.	TVCA	After July 2020 AGM	To be actioned now committee membership has been confirmed.
29th November 2018	Any Other Business	Committee be provided with briefing on TVCA Vision and Values exercise	TVCA		Added to Forward Plan
28th February 2019	Treasury Management Strategy	External advisors Arling Close to be invited to a future meeting of the committee to brief members on methodology used with regards to treasury management.	TVCA		Added to Forward Plan
15th October 2019	Annual Financial Statements	Members to hold conference call to discuss statements following approval from External Auditors	TVCA		**COMPLETE**
23rd January 2020	Corporate Risk Register	Members to be provided with briefing note on TVCA ask of government with regards to the UK Shared Prosperity Fund	TVCA		**COMPLETE**
23rd January 2020	Internal Audit Progress Report	Members to be provided with regular progress report on TVCA response to recommendations made by Internal Auditors	TVCA		**COMPLETE** Report from auditors to be presented at May meeting. Further updates to be presented by TVCA officers at future meetings of committee.
28th May 2020	Corporate Risk Register	Members to receive update on Impact of COVID-19 on Teesside International Airport and the South Tees Development Corporation	TVCA		Group Director of Finance & Resources investigating best means.
28th May 2020	Internal Audit Update	Members to receive draft Procurement Strategy for consideration at future committee meeting.	TVCA	28th July 2020	**COMPLETE**
28th May 2020	Internal Audit Plan	Members to receive draft Internal Audit Plan for forthcoming year for consideration.	TVCA	28th July 2020	**COMPLETE**

28th May 2020	Draft Risk Framework	Members to make annual review of Risk Management Framework, with recommendation for revision to be submitted to Cabinet.	TVCA	Summer 2021	Added to Forward Plan

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

AGENDA ITEM 5

REPORT TO THE TEES VALLEY AUDIT AND GOVERNANCE COMMITTEE

21st JULY 2020

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

ANNUAL FINANCIAL STATEMENTS 2019/20

SUMMARY

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

RECOMMENDATIONS

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

DETAIL

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

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

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

4. The draft Statement of Accounts for 2019/20 were originally due to be published by the 31st May with a period of public inspection following that date. However, due to the current Coronavirus crisis, the publication date for the draft Statement of Accounts, and the ensuing public inspection period, has been delayed by Government.

5. The new deadline for the publication of the draft Statement of Accounts is 31st August 2020; we will publish the draft Statement of Accounts by this date and will provide notification on the website of the public inspection period that will follow.

6. The publication date for final, audited, accounts has been moved from 31st July to 30th November 2020 for all local authority bodies.

FINANCIAL IMPLICATIONS

7. None

LEGAL IMPLICATIONS

8. None

CONSULTATION & COMMUNICATION

9. The draft accounts will be published on the Combined Authorities website by 31st August 2019. During this period the public can examine the accounts, question the auditor and to make objections.

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Narrative Report

Introduction

Welcome to the Tees Valley Combined Authority Group's Annual Statement of Accounts for 2019/20. The Statement of Accounts contains all the financial statements and disclosure notes required by statute. The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. These Annual Statement of Accounts incorporates Goosepool 2019 and South Tees Development Corporation as part of the group accounts.

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

Strategy and Priorities

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

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

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

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

Narrative Report

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

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

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

Achievements in Year

2019/20 was only the fourth operational year for TVCA and we have successfully built on the work undertaken in the previous years to prepare the organisation to undertake new devolved responsibilities. We have developed strategies and plans to shape future priorities and investments to meet our aims and objectives. We have continued to strive for further devolved powers whilst securing additional funding from Government to fund our investments. A summary of these can be found below:-

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

Narrative Report

Impact of Covid-19

Although the COVID-19 outbreak in March 2020 presented significant challenges to local government, the nature of work of the Combined Authority and robust pre-existing business continuity plans ensured it was possible to minimise the impact of the disruption on the delivery of services and finances. Any financial impact of COVID on the group will be reflected within 20/21 financial statements.

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

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

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

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

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

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

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

Looking Ahead Including Risks and Opportunities

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

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

Narrative Report

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

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

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

A business case has been submitted to Government which considers the development of partnership funding arrangements to support:

- the regeneration of the South Tees site through the creation of an investment fund to deliver remediation and infrastructure works across the whole site in the early-years which will facilitate development of the site by making it ready for private sector investment.
- demolition of all residual assets across the site as part of the site development requirements that will be critical to the achievement of the UK's Industrial Strategy, by the creation of a clean technology hub, amongst other innovative energy and green industrial initiatives.
- the transition of the South Tees Site Company (STSC) to STDC.

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

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

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

Key Sections Included in the Statement of Accounts

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

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

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

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

Narrative Report

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

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

Borrowing and Lending Arrangements

During 2019/20, the Combined Authority utilised its powers to borrow for investment for the first time (£30million) which was within the forecasts set out in the approved 10 year investment plan in order to deliver transformational change to the region.

The majority of the Authority's surplus cash is invested in short-term bank deposits, and money market funds. At the end of the financial year the Authority held investments totalling £61.5million. During the year the Authority has generated £470k in interest from Treasury management activities as a direct result of securing higher yielding investments in the year.

Retirement Benefits (IAS 19)

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

AON Hewitt, an independent firm of actuaries, has calculated the Authority's net liability position as £4.52million on the Local Government Pension Scheme as at 31st March 2020. Employer's contributions to the pension fund during 2019/20 were charged at 15.9% of total pensionable employee pay in line with actuarial advice. Further information on retirement benefits is available in Note 23 of the Notes to the Core Financial Statements.

Further Information

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

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

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

	General Fund Balance	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Combined Authority Reserves**	Authority Share of Subsidiaries Reserves	**Total Reserves attributable to the Authority**	Minority Interest	**Total Group Reserves**
	£000s	£000s	**£000s**	£000s	**£000s**	£000s	**£000s**	**£000s**	**£000s**
Movement in reserves during 2018/19									
Balance at 1 April 2018 brought forward	48,419	46,507	**94,926**	(2,270)	**92,656**	3,849	**96,505**	-	**96,505**
Balance at acquisition DTVA - 15 February 2019			**-**		**-**		**-**	1,907	**1,907**
Balance at share issue of Goosepool Group 15 March 2019			**-**		**-**	1,344	**1,344**	(1,344)	**-**
Total Comprehensive Income and Expenditure	(6,887)	-	**(6,887)**	282	**(6,605)**	(5,485)	**(12,090)**	(258)	**(12,348)**
Adjustments between accounting basis & funding basis under regulations	14,086	(13,591)	**495**	(495)	**-**	-	**-**	-	**-**
Increase/Decrease in Year	7,199	(13,591)	**(6,392)**	(213)	**(6,605)**	(4,141)	**(10,746)**	305	**(10,441)**
Balance at 31 March 2019 carried forward	55,618	32,916	**88,534**	(2,483)	**86,051**	(292)	**85,759**	305	**86,064**
Re-Allocation of Subsidiary Reserves	(2,333)	2,509	**176**	(468)	**(292)**	292	**-**	-	**-**
Group Reserves	**53,285**	35,425	**88,710**	(2,951)	**85,759**	-	**85,759**	305	**86,064**
General Fund analysed over:									
Amounts earmarked (Note 8)	52,001								
Amounts uncommitted	1,284								
Total General Fund Balance 31 March 2019	53,285								
Movement in reserves during 2019/20									
Balance at 1 April 2019 brought forward	53,285	35,425	**88,710**	(2,951)	**85,759**	-	**85,759**	305	**86,064**
Total Comprehensive Income and Expenditure	7,833	-	**7,833**	(827)	**7,006**	(7,775)	**(769)**	(1,583)	**(2,352)**
Adjustments between Group Accounts and authority accounts	8,516	-	**8,516**	-	**8,516**	-	**8,516**	-	**8,516**
Adjustments between accounting basis & funding basis under regulations	(7,411)	8,189	**778**	(778)	**-**		**-**	-	**-**
Increase/Decrease in Year	8,938	8,189	17,127	(1,605)	15,522	(7,775)	7,747	(1,583)	6,164
Balance at 31 March 2020 carried forward	62,223	43,614	**105,837**	(4,556)	**101,281**	(7,775)	**93,506**	**(1,278)**	**92,228**
Re-Allocation of Subsidiary Reserves	(9,448)	2,494	**(6,954)**	(821)	**(7,775)**	7,775	**-**	-	**-**
Group Reserves	**52,775**	46,108	**98,883**	(5,377)	**93,506**	-	**93,506**	(1,278)	**92,228**
General Fund analysed over:									
Amounts earmarked (Note 8)	51,395								
Amounts uncommitted	1,380								
Total General Fund Balance 31 March 2020	**52,775**								

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Movement in reserves during 2018/19						
Balance at 1 April 2018 brought forward	48,419	-	46,507	**94,926**	(2,270)	**92,656**
Total Comprehensive Income and Expenditure	(6,887)			**(6,887)**	282	**(6,605)**
Adjustments between accounting basis & funding basis under regulations	14,086		(13,591)	**495**	(495)	**-**
Increase/Decrease in Year	**7,199**		**(13,591)**	**(6,392)**	**(213)**	**(6,605)**
Balance at 31 March 2019 carried forward	**55,618**		**32,916**	**88,534**	**(2,483)**	**86,051**
Amounts earmarked (Note 8)	54,656					
Amounts uncommitted	962					
Total General Fund Balance at 31 March 2019	**55,618**					
Movement in reserves during 2019/20						
Balance at 1 April 2019 brought forward	55,618	-	32,916	**88,534**	(2,483)	**86,051**
Total Comprehensive Income and Expenditure	7,833	-	-	**7,833**	(827)	**7,006**
Adjustments between accounting basis & funding basis under regulations	(7,411)	-	8,189	**778**	(778)	**-**
Increase/Decrease in Year	**422**	**-**	**8,189**	**8,611**	**(1,605)**	**7,006**
Balance at 31 March 2020 carried forward	**56,040**	**-**	**41,105**	**97,145**	**(4,088)**	**93,057**
General Fund analysed over:						
Amounts earmarked (Note 8)	54,982					
Amounts uncommitted	1,058					
Total General Fund Balance at 31 March 2020	**56,040**					

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

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

2018/19				2019/20		
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
9,425	(4,461)	**4,964**	Business Growth	12,757	(10,108)	**2,649**
14,709	(14,166)	**543**	Research Development Innovation & Energy	2,649	(2,599)	**50**
5,347	(2,075)	**3,272**	Education Employment & Skills	22,139	(22,065)	**74**
4,626	(1,375)	**3,251**	Culture	2,260	(1,977)	**283**
28,617	(19,095)	**9,522**	Transport	38,591	(38,808)	**(217)**
4,823	(483)	**4,340**	Enabling Infrastructure	2,569	(2,057)	**512**
4,020	(1,468)	**2,552**	Project Development	691	(245)	**446**
7,852	(6,266)	**1,586**	Core Running Costs	14,849	(8,185)	**6,664**
16,756	(16,756)	**-**	Concessionary Fares	16,569	(16,636)	**(67)**
1,567	-	**1,567**	SSI Related Schemes Not in the Investment Plan	130	-	**130**
1,250	-	**1,250**	Place	-	-	**-**
-	(12,460)	**(12,460)**	Not Directly Attributable to Themes	273	(1,748)	**(1,475)**
98,992	**(78,605)**	**20,387**	**Cost Of Services**	**113,477**	**(104,428)**	**9,049**
			Financing and Investment Income and Expenditure:			
		-	Interest payable and similar charges	154	-	154
205	(160)	**45**	Net interest on the net defined benefit liability/asset	240	(190)	50
-	(760)	**(760)**	Interest receivable and similar income	-	(783)	(783)
		-	Income & costs and changes in fair value relating to investment properties	-	(1,587)	(1,587)
			Taxation and Non-Specific Grant Income:			
-	(119)	**(119)**	Taxation	-	-	-
-	-	**-**	Non-ringfenced government grants	-	-	-
-	(6,922)	**(6,922)**	Capital grants and contributions	-	(15,504)	(15,504)
99,197	**(86,566)**	**12,631**	**(Surplus) or Deficit on Provision of Services**	**113,871**	**(122,492)**	**(8,621)**
			(Surplus) or deficit on revaluation of non current assets			1,630
		(283)	Re-measurements of the defined benefit liability			827
		-	Other (gains) and losses			-
		(283)	**Other Comprehensive Income and Expenditure**			**2,457**
		12,348	**Total Comprehensive Income and Expenditure**			**(6,164)**
		258	*(Surplus) or Deficit on Provision of Services - minority interest share*			*1,705*

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

2018/19				2019/20		
£000s	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
9,425	(4,461)	**4,964**	Business Growth	12,757	(10,108)	**2,649**
14,709	(14,166)	**543**	Research Development Innovation & Energy	2,649	(2,599)	**50**
5,347	(2,075)	**3,272**	Education Employment & Skills	22,139	(22,065)	**74**
4,626	(1,375)	**3,251**	Culture	2,260	(1,977)	**283**
21,562	(18,116)	**3,446**	Transport	27,108	(24,867)	**2,241**
3,858	(10)	**3,848**	Enabling Infrastructure	-	-	**-**
3,893	(1,341)	**2,552**	Project Development	268	(245)	**23**
4,995	(4,396)	**599**	Core Running Costs	5,338	(1,765)	**3,573**
16,756	(16,756)	**-**	Concessionary Fares	16,569	(16,636)	**(67)**
1,567	-	**1,567**	SSI Related Schemes Not in the Investment Plan	130	-	**130**
1,250	-	**1,250**	Place	-	-	**-**
-	(12,460)	**(12,460)**	Not Directly Attributable to Themes	273	(1,748)	**(1,475)**
87,988	**(75,156)**	**12,832**	**Cost Of Services**	**89,491**	**(82,010)**	**7,481**
			Financing and Investment Income and Expenditure:			
-	-	-	Interest payable and similar charges	154	-	154
204	(158)	**46**	Net interest on the net defined benefit liability/asset	240	(190)	50
-	(1,015)	**(1,015)**	Interest receivable and similar income	-	(3,018)	(3,018)
			Taxation and Non-Specific Grant Income:			
-	-	**-**	Non-ringfenced government grants	-	-	-
-	(4,976)	**(4,976)**	Capital grants and contributions	-	(12,500)	(12,500)
88,192	**(81,305)**	**6,887**	**(Surplus) or Deficit on Provision of Services**	**89,885**	**(97,718)**	**(7,833)**
		(282)	Re-measurements of the defined benefit liability			827
		-	Other (gains) and losses			-
		(282)	**Other Comprehensive Income and Expenditure**			**827**
		6,605	**Total Comprehensive Income and Expenditure**			**(7,006)**

Group & TVCA Balance Sheet as at 31 March 2020

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

	Note	**Group**	**TVCA**	Group	TVCA
		31 March 2020 £000s	**31 March 2020 £000s**	31 March 2019 £000s	31 March 2019 £000s
Non-current assets					
Property, plant and equipment	6	27,078	-	27,310	-
Investment property	6	6,974	-	5,388	-
Intangible assets	6	16,898	-	19,388	-
Long Term Debtors	12	9,783	69,078	8,582	60,766
Total non-current assets		60,733	69,078	60,668	60,766
Current assets					
Short term investments		-	-	27,500	27,500
Inventories		193	-	196	-
Debtors	13	22,093	14,330	15,475	13,630
Cash and Cash Equivalents	14	74,778	62,006	5,034	1,657
Total current assets		97,064	76,336	48,205	42,787
Current liabilities					
Short Term Creditors	15	(28,904)	(19,277)	(15,845)	(15,172)
Total current liabilities		**(28,904)**	**(19,277)**	(15,845)	(15,172)
Long term liabilities					
Long Term Creditors	16	(1,020)	-	(2,512)	-
Long Term Borrowing	16	(29,143)	(29,143)	-	-
Other Long Term Liabilities	16 & 23	(4,515)	(3,937)	(2,512)	(2,330)
Provisions	16	(1,987)	-	(1,940)	
Total long term liabilities		**(36,665)**	**(33,080)**	(6,964)	(2,330)
Net Assets:		**92,228**	**93,057**	86,064	86,051
Reserves					
Usable reserves:					
General Fund Balance		1,380	1,058	1,284	962
P&L Reserve	8	(10,751)	-	(4,479)	-
Earmarked General Fund Reserves	8	62,146	54,982	56,480	54,656
Capital Grants Unapplied		46,108	41,105	35,425	32,916
		98,883	97,145	88,710	88,534
Unusable Reserves:					
Pensions Reserve	16 & 23	(4,515)	(3,937)	(2,512)	(2,330)
Minority Interest		(1,278)	-	305	-
Capital Adjustment Account	9	(695)	-	(273)	-
Accumulated Absences Account		(167)	(151)	(166)	(153)
		(6,655)	(4,088)	(2,646)	(2,483)
Total Reserves:		**92,228**	**93,057**	86,064	86,051

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

Chair Tees Valley Combined Authority Cabinet
Date

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

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

	Note	**Group 2019/20 £000s**	**TVCA 2019/20 £000s**	Group 2018/19 £000s	TVCA 2018/19 £000s
Net (surplus) or deficit on the provision of services		**(8,621)**	**(7,833)**	12,631	6,887
Adjustments to net surplus or deficit on the provision of services for non-cash movements:					
Depreciation, impairment and amortisation of non current assets		(2,508)	-	(5,653)	-
Revaluation Gains / (Losses)		1,617			
Pension Fund adjustments		(1,225)	(780)	(613)	(561)
Adjustment for balances at date of Acquisition			-	108	
Increase/(Decrease) in Inventories (Stock)		(3)	-	(37)	-
Increase/(Decrease) in Revenue Debtors	13	6,618	700	8,548	8,348
(Increase)/Decrease in Revenue Creditors	15	(13,059)	(4,105)	(8,411)	(9,797)
(Increase)/Decrease in Long Term Creditors		(27,651)	(29,143)	-	-
(Increase)/Decrease in Provisions		-	-	119	-
Increase/(Decrease) in Long Term Debtors	12	1,201	8,312	2,134	54,318
		(35,010)	**(25,016)**	(3,805)	52,308
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:					
Capital Grants credited to surplus or deficit on the provision of services		42,016	44,510	(18,695)	(17,111)
		42,016	**44,510**	(18,695)	(17,111)
Net cashflow from operating activities		**(1,615)**	**11,661**	**(9,869)**	**42,084**
Investing activities					
Purchase of short term and long term investments		161,500	161,500	55,000	55,000
Purchase of property, plant and equipment, investment property and intangibles		1,387	-	11,273	-
Purchase of Teesside Airport		-	-	39,793	
Proceeds from short term and long term investments		(189,000)	(189,000)	(92,500)	(92,500)
Other receipts from investing activities		(42,016)	(44,510)	18,695	17,111
Net cashflow from investing activities		**(68,129)**	**(72,010)**	32,261	(20,389)
Net (increase) or decrease in cash and cash equivalents		**(69,744)**	**(60,349)**	22,392	21,695
Cash and cash equivalents at the beginning of the reporting period		**(5,034)**	**(1,657)**	**(27,426)**	**(23,352)**
Cash and cash equivalents at the end of the reporting period	14	**(74,778)**	**(62,006)**	(5,034)	(1,657)
The cashflow for operating activities includes the following items:					
Interest received		**(549)**	**(547)**	**(687)**	**(687)**
Interest paid		**-**	**-**	**-**	**-**

Note 1: Group Structure

During 2019/20 there have been no changes to the group structure, the details of group entities are set out below.

South Tees Development Corporation ("STDC"):

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

South Tees Developments Limited ("STDL"):

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

Goosepool 2019 Limited

- On 31st January 2019 the Combined Authority formed a new 100% subsidiary company, Goosepool 2019 Limited. The purpose of setting up the Company was to support the purchase of Teesside Airport (Formerly Durham Tees Valley Airport).
- On 14th March 2019 the TVCA shareholding in the company reduced to 75% with 25% shareholding taken by Stobart Aviation. Following the change in the structure TVCA has maintained control over the organisation and will recognise the organisation as a subsidiary within the group financial statements.
- The financial statements of Goosepool 2019 Limited are prepared under FRS102 and are to the same financial year end date as the Combined Authority. Where relevant and material, accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Teesside International Airport Limited (TIAL)

- On the 15th February 2019 Goosepool 2019 Limited purchased 89% of the share capital of Teesside International Airport (Formerly Durham Tees Valley Airport Limited) for a consideration of £40m . This is the first acquisition made by the group.
- The vision for this purchase was to secure for Tees Valley an internationally connected airport and aviation orientated business park which will continue to support indigenous economic growth and act as a catalyst for enhanced inward investment and tourism activity.
- A 10 year business plan was developed which discussed the options relating to both the core functions of the airport - passenger numbers and logistical support - and the wider co-locational activities, relating to maximising the economic impact of the airports associated property offering.
- The 89% shareholding held by TVCA is a controlling share and thus will be recognised as a subsidiary.
- The financial statements of TIAL are prepared under FRS102 and are to the same financial year end date as the Combined Authority. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Note 2: Group Expenditure & Funding Analysis

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

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
4,514	450	**4,964**	Business Growth	5,330	(2,681)	**2,649**
454	89	**543**	Research Development Innovation & Energy	2,063	(2,013)	**50**
1,953	1,319	**3,272**	Education Employment & Skills	20,538	(20,464)	**74**
1,323	1,928	**3,251**	Culture	1,879	(1,596)	**283**
7,185	2,337	**9,522**	Transport	14,024	(14,241)	**(217)**
599	3,741	**4,340**	Enabling Infrastructure	1,763	(1,251)	**512**
5,637	(3,085)	**2,552**	Project Development	665	(219)	**446**
4,291	(2,705)	**1,586**	Core Running Costs	8,427	(1,763)	**6,664**
-	-	**-**	Concessionary Fares	-	(67)	**(67)**
-	1,567	**1,567**	SSI Related Schemes Not in the Investment Plan	-	130	**130**
-	1,250	**1,250**	Place	-	-	**-**
12,468	(24,928)	**(12,460)**	Not Directly Attributable to Themes	1,507	(2,982)	**(1,475)**
38,424	**(18,037)**	**20,387**	**Net Cost Of Services**	**56,196**	**(47,147)**	**9,049**
(38,675)	30,919	(7,756)	Other Income and Expenditure	(56,292)	38,622	(17,670)
(251)	**12,882**	**12,631**	Surplus or Deficit	**(96)**	**(8,525)**	**(8,621)**
1,033			**Opening General Fund Balance**	**1,284**		
251			Less/Plus Surplus or (Deficit)	**96**		
1,284			**Closing General Fund Balance at 31 March 2019**	**1,380**		

Note 2: Group Expenditure & Funding Analysis

Group Notes to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	2,256	23	(4,960)	**(2,681)**
Research Development Innovation & Energy	-	11	(2,024)	**(2,013)**
Education Employment & Skills	-	66	(20,530)	**(20,464)**
Culture	-	28	(1,624)	**(1,596)**
Transport	2,055	5	(16,301)	**(14,241)**
Enabling Infrastructure	510	-	(1,761)	**(1,251)**
Project Development	-	38	(257)	**(219)**
Core Running Costs	-	115	(1,878)	**(1,763)**
Concessionary Fares	-	-	(67)	**(67)**
SSI Related Schemes Not in the Investment Plan	-	-	130	**130**
Place	-	-	-	**-**
Not Directly Attributable to Themes	-	-	(2,982)	**(2,982)**
Net Cost Of Services	4,821	286	(52,254)	**(47,147)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(15,504)	50	54,076	**38,622**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(10,683)	336	1,822	**(8,525)**

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	1,692	9	(1,251)	450
Research Development Innovation & Energy	341	6	(258)	89
Education Employment & Skills	3,217	33	(1,931)	1,319
Culture	3,156	21	(1,249)	1,928
Transport	3,381	-	(1,044)	2,337
Enabling Infrastructure	3,843	-	(102)	3,741
Project Development	1,687	-	(4,772)	(3,085)
Core Running Costs	635	496	(3,836)	(2,705)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	3	1,564	1,567
Place	1,250	-	-	1,250
Not Directly Attributable to Themes	-	-	(24,928)	(24,928)
Net Cost Of Services `	**19,202**	**568**	**(37,807)**	**(18,037)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(6,922)	46	37,795	30,919
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**12,280**	**614**	**(12)**	**12,882**

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

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

Group Notes to the Expenditure and Funding Analysis:

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

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	Group	Group
	2019/20	2018/19
	£000s	£000s
Expenditure		
Employee benefits expenses	10,277	6,466
Other services expenses	103,200	92,526
Interest payments	394	205
Total Expenditure	**113,871**	99,197
Income		
Fees, charges and other service income	(11,229)	(1,547)
Interest and investment income	(973)	(920)
Government grants and contributions	(110,290)	(83,980)
Taxation	-	(119)
Total Income	**(122,492)**	(86,566)
(Surplus) or Deficit on the Provision of Services	**(8,621)**	12,631

Segmental Income

Income received on a segmental basis is analysed below:

	Group	Group
	2019/20	2019/20
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	-	-
Research Development Innovation & Energy	(26)	-
Education Employment & Skills	(6)	(3)
Culture	(1)	(16)
Transport	(5,508)	(982)
Enabling Infrastructure	-	-
Project Development	-	-
Core Running Costs	(5,688)	(546)
SSI Related Schemes Not in the Investment Plan	-	-
Place	-	-
Not Directly Attributable to Themes	-	-
Total income analysed on a segmental basis	**(11,229)**	(1,547)

Note 2: Expenditure & Funding Analysis TVCA

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

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
4,514	450	**4,964**	Business Growth	5,330	(2,681)	**2,649**
454	89	**543**	Research Development Innovation & Energy	2,063	(2,013)	**50**
1,953	1,319	**3,272**	Education Employment & Skills	20,538	(20,464)	**74**
1,323	1,928	**3,251**	Culture	1,879	(1,596)	**283**
1,109	2,337	**3,446**	Transport	7,966	(5,725)	**2,241**
10	3,838	**3,848**	Enabling Infrastructure	-	-	**-**
5,637	(3,085)	**2,552**	Project Development	665	(642)	**23**
2,607	(2,008)	**599**	Core Running Costs	4,545	(972)	**3,573**
-	-	**-**	Concessionary Fares	-	(67)	**(67)**
-	1,567	**1,567**	SSI Related Schemes Not in the Investment Plan	-	130	**130**
-	1,250	**1,250**	Place		-	**-**
12,468	(24,928)	**(12,460)**	Not Directly Attributable to Themes	1,507	(2,982)	**(1,475)**
30,075	**(17,243)**	**12,832**	**Net Cost Of Services**	**44,493**	**(37,012)**	**7,481**
(30,076)	24,131	(5,945)	Other Income and Expenditure	(44,589)	29,275	(15,314)
(1)	**6,888**	**6,887**	Surplus or Deficit	**(96)**	**(7,737)**	**(7,833)**
961			**Opening General Fund Balance**	**962**		
1			Less/Plus Surplus or (Deficit)	**96**		
962			**Closing General Fund Balance at 31 March 2019**	**1,058**		

Note 2: Expenditure & Funding Analysis TVCA

Notes to the Expenditure and Funding Analysis: TVCA

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	2,256	23	(4,960)	**(2,681)**
Research Development Innovation & Energy	-	11	(2,024)	**(2,013)**
Education Employment & Skills	-	66	(20,530)	**(20,464)**
Culture	-	28	(1,624)	**(1,596)**
Transport	2,055	5	(7,785)	**(5,725)**
Enabling Infrastructure	-	-	-	**-**
Project Development	-	38	(680)	**(642)**
Core Running Costs	-	559	(1,531)	**(972)**
Concessionary Fares	-	-	(67)	**(67)**
SSI Related Schemes Not in the Investment Plan	-	-	130	**130**
Place	-	-	-	**-**
Not Directly Attributable to Themes	-	-	(2,982)	**(2,982)**
Net Cost Of Services	4,311	730	(42,053)	**(37,012)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,500)	50	41,725	**29,275**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(8,189)	780	(328)	**(7,737)**

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	1,692	9	(1,251)	450
Research Development Innovation & Energy	341	6	(258)	89
Education Employment & Skills	3,217	33	(1,931)	1,319
Culture	3,156	21	(1,249)	1,928
Transport	3,381	-	(1,044)	2,337
Enabling Infrastructure	3,843	-	(5)	3,838
Project Development	1,687	-	(4,772)	(3,085)
Core Running Costs	-	442	(2,450)	(2,008)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	3	1,564	1,567
Place	1,250	-	-	1,250
Not Directly Attributable to Themes	-	-	(24,928)	(24,928)
Net Cost Of Services `	**18,567**	**514**	**(36,324)**	**(17,243)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,976)	46	29,061	24,131
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**13,591**	**560**	**(7,263)**	**6,888**

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

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

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

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	2019/20	2018/19
	£000s	£000s
Expenditure		
Employee benefits expenses	6,117	5,080
Other services expenses	83,374	82,908
Interest payments	394	204
Total Expenditure	**89,885**	88,192
Income		
Fees, charges and other service income	(129)	(50)
Interest and investment income	(3,208)	(1,173)
Government grants and contributions	(94,381)	(80,082)
Total Income	**(97,718)**	(81,305)
(Surplus) or Deficit on the Provision of Services	**(7,833)**	6,887

Segmental Income

Income received on a segmental basis is analysed below:

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

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

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

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

- IFRIC 23 Uncertainty over Income Tax Treatments -It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes

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

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

- The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities by other organisations in which the Council has an interest. The Combined Authority has considered its interests in this respect, both quantitatively and qualitatively, and has concluded that South Tees Development Corporation (STDC) and Goosepool 2019, are materially significant to the overall financial position of the Combined Authority and are therefore consolidated into the Group Financial Statements.
- The Group has applied its judgement in the classification of the assets of the Goosepool Group upon consolidation and conversion to the code. All assets that are intrinsic to the operations of the airport are classified as an infrastructure asset under the code and valued at historic cost. All other plant and Equipment is held as such and valued at historical cost. Any Goosepool asset which obtains rentals and is not used in any way to facilitate the delivery of services or is held for sale then it meets the definition of investment property and is held at fair value. Within the 817 acre site that the Airport sits on there is a large area of land which is not currently providing service potential for the Group and is therefore deemed a surplus asset and is valued at fair value under IFRS13. The hotel which resides on the airport land is currently mothballed and as such is held as a surplus asset and valued at fair value.

- The Group has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes, wider socio-economic reasons or are used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation. Where this is the case, these properties have been classed as Property, Plant and Equipment.
- IAS36 states that the useful life of an intangible asset is either finite or indefinite. Intangible assets with finite useful life (including those that are revalued) are amortised. Amortisation is carried out on a systematic basis over the useful lives of the intangible assets. Management has used its judgement in classifying the useful life of the Goodwill in Goosepool to be finite (10 years) based on the business plan to turn around the performance of the airport.

- The code of practice requires that annual impairment tests are carried out on the value of goodwill. Management have carried out the required assessments in year and in doing so have tested the assumptions set out in the business forecasts and have conducted appropriate sensitivity analysis that reflect the inherent risks at this stage of the plan.

Note 5: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (TVCA and Group)

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

The items in TVCA's and the Group Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

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

	Land & Buildings	Fixtures & Fittings	Assets Under Construction	Surplus Assets	TOTAL
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Cost					
As at 1 April 2019	12,273	149	1,831	13,649	**27,902**
Additions		129	1,102	155	**1,386**
Revaluation	(773)			(1,100)	**(1,873)**
Disposals		-			**-**
As at 31 March 2020	11,500	278	2,933	12,704	**27,415**
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	13,649	27,310
As at 31 March 2020	**11,500**	**260**	**2,614**	**12,704**	**27,078**

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

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

The assets of Goosepool Group are held based on continuing operations as an operational airport.
Surplus assets within Goosepool Group are the mothballed hotel and land which is not currently providing service potential for the Group, both of which are held at fair value.
The asset under construction relates to the Radar at the airport which is held at current value, determined as the amount the amount that would be paid for the asset in its existing use.

Note 6: Tangible Fixed Assets (Group) Investment Properties

	£000s
Cost	
As at 1 April 2019	5,388
Additions	1,586
Revaluation	-
Disposals	-
As at 31 March 2020	6,974
Depreciation	
As at 1 April 2019	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2020	-
Net Book Value	
As at 1 April 2019	5,388
As at 31 March 2020	**6,974**

Investment properties are those that do not in any way to facilitate the delivery of services or production of goods, are held for sale or form part of a wider regeneration programme. All the Investment Properties held by the group are assets of Goosepool Group and are not involved in the running of an operational airport and are revalued annually.

Note 6: Intangible Fixed Assets (Group)

	£000s
As at 1 April 2019	19,388
Additions	
Amortisation	
Impairment	(2,490)
As at 31 March 2020	**16,898**

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

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

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

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

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

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

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

Group

2019/20	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	(47)			47
Adjustments involving the Capital Grants Unapplied Account	(10,683)		10,683	-
Adjustments involving the Pensions Reserve	1,176			(1,176)
Adjustments involving the Accumulated Absences Adjustment Account	1			(1)
Total Adjustments	**(9,553)**	**-**	**10,683**	**(1,130)**

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

TVCA

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

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

Note 8: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

Group

Earmarked Reserves	**Balance at 31 March 2019 £000s**	**Transfers Out 2019/20 £000s**	**Transfers In 2019/20 £000s**	**Balance at 31 March 2020 £000s**
Revenue Reserves				
Development Pot	(1,030)	1,030		-
Investment Fund	(43,233)	3,443	(10,568)	(50,358)
SSI	(12,217)	563	(67)	(11,721)
Concessionary Fares	-	-	(67)	(67)
P&L Reserve	4,479	6,741		11,220
Total Revenue Reserves	**(52,001)**	**11,777**	**(10,702)**	**(50,926)**

Earmarked Reserves	**Balance at 1 April 2018 £000s**	**Transfers Out 2018/19 £000s**	**Transfers In 2018/19 £000s**	**Balance at 31 March 2019 £000s**
Revenue Reserves				
Development Pot	(1,939)	909	-	(1,030)
Investment Fund	(31,386)	1,308	(13,155)	(43,233)
SSI	(16,988)	4,771	-	(12,217)
P&L Reserve	-	4,479		4,479
Total Revenue Reserves	**(50,313)**	**11,467**	**(13,155)**	**(52,001)**

TVCA

Earmarked Reserves	**Balance at 1 April 2019 £000s**	**Transfers Out 2019/20 £000s**	**Transfers In 2019/20 £000s**	**Balance at 31 March 2020 £000s**
Revenue Reserves				
Development Pot	(1,031)	1,031	-	-
Investment Fund	(41,409)	266	(2,052)	(43,195)
SSI	(12,216)	563	(67)	(11,720)
Concessionary Fares	-	-	(67)	(67)
Total Revenue Reserves	**(54,656)**	**1,860**	**(2,186)**	**(54,982)**

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

Note 9: Capital Adjustment Account
Group and TVCA

GROUP

	2019/20 £000s	2018/19 £000s
Balance at 1 April 2019	273	-
Revaluation Losses on non current assets	530	273
Revenue expenditure funded from capital under statute	34,637	51,940
	35,167	52,213
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(29,807)	(30,716)
Application of grants to capital financing from the Capital Grants Unapplied Account	(4,821)	(18,929)
Statutory provision for the financing of capital investment charged against the General Fund	(108)	-
Capital expenditure charged against the General Fund balance	(9)	(2,295)
	(34,745)	(51,940)
Balance at 31 March 2020	**695**	**273**

TVCA

	2019/20 £000s	2018/19 £000s
Balance at 1 April 2019	-	-
Revenue expenditure funded from capital under statute	33,831	51,564
	33,831	51,564
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(29,511)	(30,702)
Application of grants to capital financing from the Capital Grants Unapplied Account	(4,311)	(18,567)
Capital expenditure charged against the General Fund balance	(9)	(2,295)
	(33,831)	(51,564)
Balance at 31 March 2020	**-**	**-**

Note 10: TVCA Members' Allowances

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

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

Note 11: Employee remuneration (TVCA)

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

Remuneration of Senior Employees 2019/20					
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Total Remuneration excluding pension contributions 2019/20 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2019/20 £**
Chief Executive	141,859	711	**142,570**	22,556	**165,125**
Strategy and Investment Planning Director	97,466	311	**97,777**	15,497	**113,274**
Commercial and Delivery Director	95,769	397	**96,166**	15,367	**111,533**
Director of Business and Skills	52,800	556	**53,356**	8,395	**61,751**
Director of Finance and Resources	57,475	-	**57,475**	-	**57,475**
Head of Comms & Marketing	78,537	746	**79,283**	12,487	**91,771**
TVCA TOTAL	**523,907**	**2,721**	**526,627**	**74,302**	**600,929**

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 which 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 11: Employee remuneration (TVCA)

Remuneration of Senior Employees 2018/19

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

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

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

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

Note 12: Long Term Debtors

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

Note 13: Debtors

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Central Government	3,794	2,316	6,233	6,016
Local Government	8,462	8,462	6,589	6,589
Other entities and individuals	9,837	3,552	2,653	1,025
	22,093	**14,330**	**15,475**	**13,630**

Note 14: Cash and Cash Equivalents

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Bank and Imprests	13,278	506	(1,966)	(5,343)
Cash Equivalents	61,500	61,500	7,000	7,000
	74,778	**62,006**	**5,034**	**1,657**

Note 15: Short Term Creditors

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Central Government	(9,932)	(9,853)	(6,138)	(6,062)
Local Government	(6,500)	(8,075)	(3,881)	(7,057)
Other entities and individuals	(12,472)	(1,349)	(5,826)	(2,053)
	(28,904)	**(19,277)**	**(15,845)**	**(15,172)**

Note 16: Other Long Term Liabilities

	Group 31 March 2020 £000s	TVCA 31 March 2020 £000s	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s
Net pensions liability	(4,515)	(3,937)	(2,512)	(2,330)
Long Term Creditors	(1,020)	-	(2,512)	-
Long Tem Borrowing	(29,143)	(29,143)	-	-
Deferred Tax Provision	(1,380)	-	(1,333)	-
Other Provisions	(607)	-	(607)	-
	(36,665)	**(33,080)**	**(6,964)**	**(2,330)**

Note 17: Related Party Transactions (Group)

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

TVCA Constituent Authorities

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

2019/20	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,512	8,172
Middlesbrough Borough Council	4,195	9,999
Redcar & Cleveland Borough Council	4,814	6,861
Hartlepool Borough Council	2,341	5,060
Darlington Borough Council	3,200	8,025
Total	**19,062**	**38,117**

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

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

2019/20	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Stockton On Tees Borough Council	-	357	339
Middlesbrough Borough Council	2,924	1,057	307
Redcar & Cleveland Borough Council	-	2,562	202
Hartlepool Borough Council	-	2,182	176
Darlington Borough Council	3,230	295	637
Total	**6,154**	**6,453**	**1,661**

As at 31 March 2018 the below balances were held in the groups balance sheet in respect of the constituent authorities.

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

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

Note 17: Related Party Transactions (TVCA)

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

Central Government

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

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 10. During 2019/20, there were no related party transactions between members and TVCA.

Entities Controlled or Significantly Influenced by the Authority

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

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

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

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

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

2019/20	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
South Tees Development Corporation Group	11,215	4,958	6,402
Goosepool 2019 Group	48,080	-	-
Total	**59,295**	**4,958**	**6,402**

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

TVCA Constituent Authorities

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

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

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

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

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

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

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Stockton On Tees Borough Council	-	369	752
Middlesbrough Borough Council	3,240	311	2,937
Redcar & Cleveland Borough Council	-	2,183	169
Hartlepool Borough Council	100	1,810	107
Darlington Borough Council	3,230	1,128	331
Total	**6,570**	**5,801**	**4,296**

Note 18: External Audit Costs (TVCA and Group)

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

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

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

Note 19: Leases (TVCA and Group)

Operating leases: TVCA as lessee

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

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

Within STDC Group there are leases which came with the purchase of land (both as lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets, e.g. pipework, the value of these leases is £194k.
At the end of 2019/20 Goosepool did not hold any leases.

Operating leases: Group lessors

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

Future minimum lease payments due	**2019/20 £000s**	2018/19 £000s
Not later than one year	391	445
Later than one year & not later than five years	687	516
Later than five years	815	857
	1,893	1,818

Within STDC Group there are leases which came with the purchase of land (both as lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets, e.g. pipework, the value of these leases is £254k.
At the end of 2019/20 TVCA did not grant any leases.

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

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

	GROUP	
	31 March 2020	31 March 2019 (Restated)
	£000s	£000s
Opening Capital Financing Requirement	**11,215**	**-**
Capital investment		
Plant, Property & Equipment	1,387	11,215
Revenue expenditure funded from capital under statute	34,637	51,940
Loans for Capital Investment	15,093	57,103
Sources of Finance		
Government grants and other contributions	(35,730)	(64,036)
Sums set aside from revenue:		
Direct revenue contributions	(1,809)	(45,007)
Minimum Revenue Provision (MRP)	(108)	0
Closing Capital Financing Requirement	**24,685**	**11,215**

	TVCA	
	31 March 2020	31 March 2019 (Restated)
	£000s	£000s
Opening Capital Financing Requirement	**-**	**-**
Capital investment		
Revenue expenditure funded from capital under statute	33,831	51,564
Loans for Capital Investment	15,093	57,103
Sources of Finance		
Government grants and other contributions		-
	(33,822)	(63,660)
Sums set aside from revenue:		
Direct revenue contributions	(1,524)	(45,007)
Closing Capital Financing Requirement	**13,578**	**-**

Note 21: Grant Income (TVCA and Group)

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

	Group	**TVCA**	Group	TVCA
	2019/20	**2019/20**	2018/19	2018/19
	£000s	**£000s**	£000s	£000s
Credited to Taxation and Non Specific Grant Income				
Local Growth Fund	234	234	-	-
Transforming Cities Fund	12,266	12,266	2,921	2,921
National Productivity Investment Fund	-	-	1,555	1,555
DfT Local Majors	-	-	500	500
South Tees Development Corporation Prairie Site	3,004	-	1,946	-
Total	**15,504**	**12,500**	6,922	4,976
Credited to Services				
Adult Education Budget	15,936	15,936	285	285
AGE	1	1	-	-
BEIS Local Energy Capacity Support	405	405	294	294
BEIS Growth Hub	246	246	246	246
BEIS Rural Community Energy Fund	123	123	-	-
DECC - City Deal / Carbon	-	-	33	33
Devolution	15,000	15,000	15,000	15,000
DfT Access Fund	1,022	1,022	1,109	1,109
DfT Local Majors	-			-
DWP Routes To Work	2,053	2,053	1,157	1,157
ERDF Business Compass	4,451	4,451	4,196	4,196
ESFA Apprenticeship	-	-	5	5
ESIF Technical Assistance	23	23	25	25
EU Exit Preparation Fund	104	104	-	-
Heat Network District Unit	147	147	70	70
HLF Great Places	460	460	521	521
Homeless Veterans Fund	91	91	-	-
LEP Core	500	500	500	500
Local Growth Fund	9,182	9,182	13,708	13,708
Local industrial Strategy	138	138	20	20
Local Transport Plan	13,930	13,930	13,943	13,943
Mayoral Capacity Funding	1,000	1,000	1,000	1,000
MCA Funding	-	-	199	199
National Productivity Investment Fund	5,050	5,050	1,719	1,719
Pothole Action Fund	534	534	253	253
Skills Analysis	25	25	-	-
South Tees Development Corporation OPEX	3,000	-	2,000	-
South Tees Development Corporation Prairie Site	296	-	14	-
Transforming Cities Fund	734	734	1,079	1,079
	74,451	**71,155**	57,376	55,362

Capital and Revenue Grants Receipts in Advance

	Group	**TVCA**	Group	TVCA
	2019/20	**2019/20**	2018/19	2018/19
	£000s	**£000s**	£000s	£000s
Adult Education Budget	2,642	2,642	18	18
BEIS Local Energy Capacity Support	1,113	1,113	933	933
DfT Access Fund	29	29	-	-
DWP Routes To Work	2,657	2,657	2,210	2,210
EU Exit Preparation Fund	250	250	91	91
Heat Network District Unit	44	44	191	191
Homeless Veterans Fund	-	-	91	91
Local Industrial Strategy	241	241	180	180
One Public Estates	136	136	136	136
Opportunity North East	4	4	-	-
Pothole Action Fund	-	-	534	534
Rural Community Energy Fund	1,560	1,560	1,500	1,500
Skills Analysis Panel	50	50	75	75
Total	**8,726**	**8,726**	5,959	5,959

Note 22: Financial Instruments (Group)

Categories of Financial Instruments

IFRS9 Financial Instruments is the new accounting standard for investments, borrowing, receivables and payables, which came into affect for all Local Authorities from the 2019/20 financial year.

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

Financial Assets

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

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

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

Financial Instruments

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

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

	Long Term		**Short Term**	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	9,783	8,582	95,791	46,360
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**9,783**	8,582	**95,791**	46,360

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

	Long Term		**Short Term**	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(30,410)	(1,000)	(28,544)	(15,271)
At Fair Value Through Other Comprehensive Income		-	-	-
At Fair Value Through Profit & Loss		-	-	-
Total financial liabilities	**(30,410)**	(1,000)	**(28,544)**	(15,271)

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

Note 22: Financial Instruments (Group)

Credit Risk: Treasury Investments

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

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

Liquidity Risk

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

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

As at 31 March 2020, all of the group's deposits were due to mature within 364 days.

Market Risk

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings

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

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

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

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

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

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

Note 22: Financial Instruments (TVCA)

Categories of Financial Instruments

IFRS9 Financial Instruments is the new accounting standard for investments, borrowing, receivables and payables, which came into affect for all Local Authorities from the 2019/20 financial year.

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

Financial Assets

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

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

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

Financial Instruments

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

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

	Long Term		Short Term	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	69,078	60,766	76,117	41,920
At Fair Value Through Other Comprehensive Income		-		-
At Fair Value Through Profit & Loss		-		-
Total financial assets	**69,078**	60,766	**76,117**	41,920

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

	Long Term		Short Term	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(29,143)	-	(19,010)	(14,916)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(29,143)**	-	**(19,010)**	(14,916)

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

Note 22: Financial Instruments (TVCA)

Credit Risk: Treasury Investments

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

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

Liquidity Risk

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

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

As at 31 March 2020, all of the Authority's deposits were due to mature within 364 days.

Market Risk

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings

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

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

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

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

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

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

Note 23: Defined Benefit Pension Schemes (Group)

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

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

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

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

Note 23: Defined Benefit Pension Schemes (Group)

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

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Note 23: Defined Benefit Pension Schemes (Group)

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

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

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

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

Local Government Pension Scheme assets comprised:

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

Basis for Estimating Assets and Liabilities

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

Note 23: Defined Benefit Pension Schemes (Group)

The principal assumptions used by the actuary have been:

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

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

Impact on the Defined Benefit Obligation in the Scheme	**Increase**	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (increase or decrease in 1 year)	9,758	9,459	9,162
Rate of increase in salaries (increase or decrease by 0.1%)	9,554	9,459	9,365
Rate of increase in pensions payment (increase or decrease by 0.1%)	9,910	9,459	9,310
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	9,218	9,459	9,706

Impact on the Groups Cash Flows

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

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

The Group anticipates to pay £0.834m contributions to the scheme in 2020/2021.

Note 23: Defined Benefit Pension Schemes (TVCA)

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

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

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

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

Note 23: Defined Benefit Pension Schemes (TVCA)

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

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Note 23: Defined Benefit Pension Schemes (TVCA)

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

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

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

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

Local Government Pension Scheme assets comprised:

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

Basis for Estimating Assets and Liabilities

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

Note 23: Defined Benefit Pension Schemes (TVCA)

The principal assumptions used by the actuary have been:

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

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (increase or decrease in 1 year)	9,607	9,314	9,023
Rate of increase in salaries (increase or decrease by 0.1%)	9,409	9,314	9,220
Rate of increase in pensions payment (increase or decrease by 0.1%)	9,460	9,314	9,170
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	9,078	9,314	9,556

Impact on the Authority's Cash Flows

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

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

The Authority anticipates to pay £0.609m contributions to the scheme in 2020/2021.

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

Note 24: Termination Benefits (TVCA and Group)

The Group terminated the contract of one employee in 2019/20, incurring liabilities of £10k.
The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2019/20	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
							£000s	£000s
£1 to £20,000	-	-	1	2	1	2	10	20
£20,001 to £40,000	-	-	-	1	-	1	-	30
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-		-	-	-	-
Total	**-**	-	**1**	3	**1**	3	**10**	50

TVCA did not terminate the contract of any employees in 2019/20.
The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2019/20	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
							£000s	£000s
£1 to £20,000	-	-	-	1	-	1	-	10
£20,001 to £40,000	-	-	-	1	-	1	-	30
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-		-	-	-	-
Total	**-**	-	**-**	2	**-**	2	**-**	40

Note 25: Provisions (TVCA and Group)

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

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

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

Note 26: Contingent Liabilities (TVCA and Group)

In 2007 Durham Tees Valley Airport Limited entered into an infrastructure agreement with English Partnerships and One North East (now the Homes and Communities Agency). Grant funding of £458,124 was received in connection with this agreement. However until all conditions attached to the agreement have been satisfied the amount received is repayable to the awarding body. Since all conditions have not currently been met the full amount of the grant received is included in Other creditors.

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

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

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

On the 29th April 2020 a Compulsory Purchase Order judgement found in favour of the South Tees Development Corporation. This will allow the corporation to acquire the land from the other main landowner plus any other remaining smaller landowners.

Note 28: Statement of Accounting Policies (Group)

General Principles
The Statement of Accounts summarises TVCA's and Group transactions for the 2018/19 financial year and its position at the year-end of 31 March 2020. They are required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Group Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).
Upon consolidation of the Group accounts all subsidiary accounting policies are aligned to those of the Authority.

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

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

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

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

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

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

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

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

Note 28: Statement of Accounting Policies (Group)

The Local Government Pension Scheme

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

- The liabilities of the Teesside Pension Fund attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the Aon Hewitt GBP Central AA Curve.

- The assets of the Teesside Pension Fund attributable to the Group are included in the Balance Sheet at their fair value:
  quoted securities – current bid price
  unquoted securities – professional estimate
  unitised securities – current bid price
  property – market value.

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

Service cost comprising:

- *current service cost:* the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- *past service cost* : the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

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

Remeasurements comprising:

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

Contributions paid to the Teesside Pension Fund:

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

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

Note 28: Statement of Accounting Policies (Group)

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

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

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

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

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

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

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

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

Amounts recognised as due to the Group are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Note 28: Statement of Accounting Policies (Group)

Intangible Assets

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

Inventories

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

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Leases

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

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

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

Operating Leases as Leasee

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

Operating Leases as Lessor

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

Overheads and Support Services

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

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

Note 28: Statement of Accounting Policies (Group)

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Note 28: Statement of Accounting Policies (Group)

Goodwill

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

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

Goodwill is measured as the difference between:

• the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and

• the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities & Contingent Assets

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

Note 28: Statement of Accounting Policies (Group)

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

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

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

When measuring the fair value of a non-financial asset, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 - quoted prices
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

Responsibilities for the Annual Financial Statements

The Authority and Group's Responsibilities

The Tees Valley Combined Authority Group is required to:

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

The Chief Financial Officers Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of Tees Valley Combined Authority Group Accounts at the accounting date and its income and expenditure for the year ended 31 March 2020.

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

These financial statements replace the unaudited financial statements certified by the Director of Finance on (insert date)

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

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

Appendix A

Glossary of Terms

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

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

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

Capital Expenditure

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

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

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

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

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

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

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

Fair Value

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

Glossary of Terms

Finance Lease

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

Going Concern

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

Government Grants

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

Inventories

Comprise the value of items held in the following categories:

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

Investments

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

Long Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Appendix A

Glossary of Terms

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

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

Operating Lease
A lease other than a finance lease.

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

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

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

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

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

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

AGENDA ITEM 6

REPORT TO THE
AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 21st JULY 2020

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

DRAFT TVCA GROUP PROCUREMENT STRATEGY

SUMMARY

This report presents to members the Tees Valley Combined Authority Group Procurement Strategy for consideration.

RECOMMENDATIONS

It is recommended that Members make comment on and endorse the draft Procurement Strategy.

DETAIL

1. The Tees Valley Combined Authority Group (TVCA Group) Procurement Strategy sets out a framework for committing spend and undertaking procurement activities.

2. The primary objective of the Strategy is to support the achievement of the TVCA Group strategic objectives (contained in the TVCA Strategic Economic Plan and Investment Plan) and set out the priorities for procurement, which include:

   - Value for money and efficiencies through economies of scale where appropriate
   - Compliance with the relevant regulatory/legal requirements including the TVCA constitution
   - Social Value to improve the economic, social and environmental well-being from contracts
   - Seek new ways to develop and create commercial opportunities through procurement and commissioning activities
   - Strategic supplier relationships through continuous engagement

4. The Strategy applies to all aspects of the TVCA Group and its programmes and will be applied through an implementation plan and any subsequent policies as appropriate.

FINANCIAL IMPLICATIONS

5. None directly from this report

LEGAL IMPLICATIONS

7. The Tees Valley Combined Authority (along with all other local authorities) is legally required to comply with procurement legislation in particular the Public Contract Regulations 2015 and the Public Utility Regulations 2016.

RISK ASSESSMENT

8. None directly from this report

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Tees Valley Combined Authority
Group Procurement Strategy 2020-29
May 2020

1. Purpose

1.1 The purpose of this strategy is to clearly set out a framework for committing spend and undertaking procurement activities by the Tees Valley Combined Authority Group (TVCA Group). This will be done by ensuring best value through that spend while reflecting and promoting the wider aims of TVCA's Strategic Economic Plan (SEP).

2. Introduction

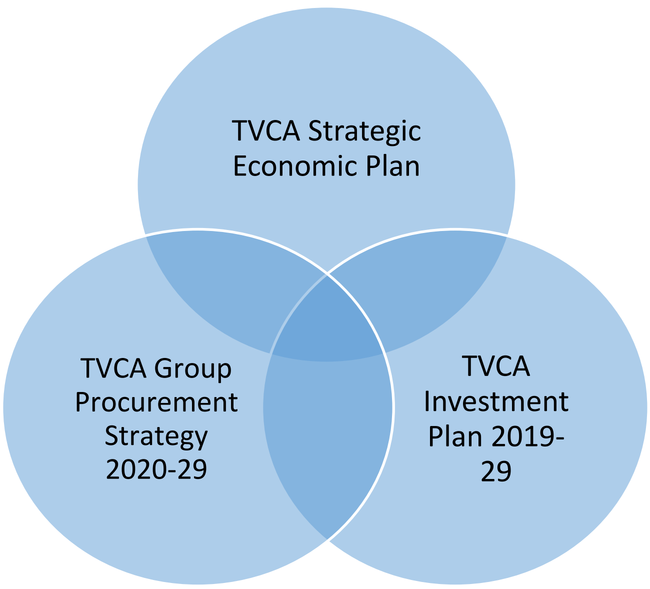
2.1 The key primary TVCA Group entities are Tees Valley Combined Authority (TVCA), South Tees Development Corporation (STDC), South Tees Site Company (STSC) and Teesside International Airport Limited (TIAL) with, where applicable, different business organisations or combinations reporting through them into the overall TVCA Group structure. The Group entities may also have equity or contractual investments in other public/private joint venture arrangements.

2.2 This strategy is intended to provide a high-level statement about our direction of travel and the principles that we will follow. There will be a TVCA Group Procurement Policy which will provide the common policy provisions for the Group with annexes for entity specific policies that will reflect the organisational objectives and type of commission required to deliver such objectives.

2.3 The TVCA Group and this Strategy

2.3.1 A summary of the TVCA Group structure is shown at **Appendix 1**. The TVCA Group structures have developed to reflect the complex range of commissioning and delivery activities undertaken to achieve our strategic objectives. This TVCA Group Procurement Strategy 2020-29 ("the strategy") is fully aligned with and underpins the TVCA Investment Plan 2019-29 and ultimately the SEP. A visual representation is provided at **Figure 1**.

Figure 1



2.3.2 The strategy builds on the Group's collective and individual achievements to date. While we operate in a challenging environment, in which efficiencies will always be a factor for consideration, we need a strategy which also focuses on achieving additional outcomes from our procurement activity. By leveraging our procurement expenditure and engaging with suppliers, we can help the Group enhance the benefits for our Tees Valley communities through increased social value.

3. Background

3.1 TVCA Tees Valley Combined Authority (TVCA)

TVCA was created in April 2016. Its purpose is to drive economic growth and job creation in the area. It is a partnership of five authorities: Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees, working closely with the Local Enterprise Partnership, wider business community and other partners to make local decisions to support the growth of our economy. Under the devolution deal with Government, it took on responsibilities previously held by Westminster and Whitehall: for transport, infrastructure, skills, business investment and culture & tourism. On the 4th May 2017 the people of the Tees Valley elected their first Tees Valley Mayor who chairs the Combined Authority. TVCA is effectively treated as a local authority for the purposes of The Public Contracts Regulations 2015 (PCR 2015). It therefore needs to comply with PCR 2015 and other relevant 'Managing Public Money' regulations (as well as its own internal financial regulations) when awarding contracts to purchase Works, Goods or Services. Where TVCA funds other parties via grants of public money, their funded procurement activities may also need to comply with PCR 2015, where this happens, TVCA has a framework by which these activities are monitored.

3.2 STDC South Tees Development Corporation (STDC)

STDC was the first Mayoral Development Corporation outside London. It was established to promote the economic growth and commercial development of Tees Valley by converting assets in the South Tees area into opportunities for business investment and economic growth. The STDC area covers approximately 4,500 acres of land to the south of the River Tees in the Borough of Redcar and Cleveland, and includes the former SSI steelworks site as well as other industrial assets. The area benefits from river access and includes the deep-water port of Teesport, England's largest exporting port. The purpose of STDC is to further the economic development of the area through physical regeneration, social regeneration and environmental regeneration so that it becomes a major contributor to the Tees Valley economy, bringing the SSI site and other underutilised land in the area back in to economic use. By attracting private sector investment STDC will secure additional, high quality jobs for the people of Tees Valley and provide a safe environment for the workforce. STDC is developing and delivering the vision for redevelopment of 2,300 acres of the STDC area, to secure up to 20,000 new jobs and £1B GVA per annum from the completed development. It is a statutory corporation and is subject to PCR 2015 in its own right when buying Works, Goods or Services. Where STDC funds other parties via grants of public money, their funded procurement activities may also need to comply with the General Regulations.

STDC is a major infrastructure programme and as such will be delivering some very complex construction projects throughout the lifetime of its 25 year programme.

3.3 STSC South Tees Site Company (STSC)

STSC , currently a wholly owned subsidiary of BEIS, with 120 technical staff, was established to perform Keep Safe Activities on behalf of the Official Receiver following the closure of the

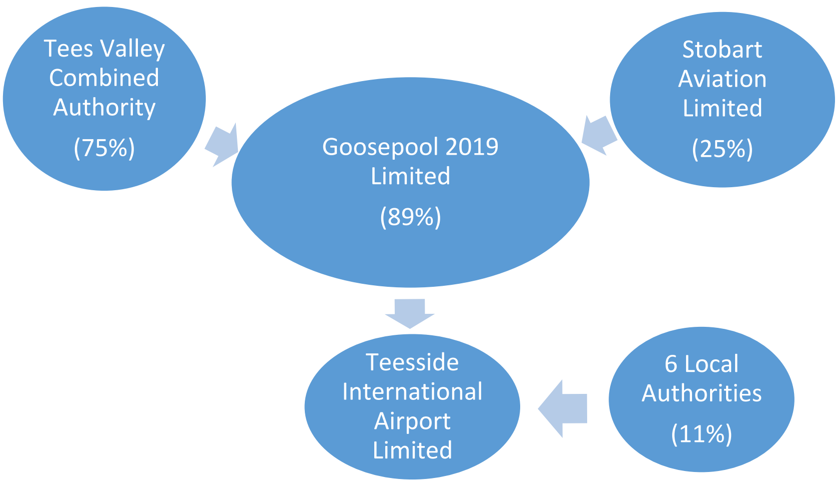
SSI Steelworks. The role of STSC is to ensure the safe and secure operations of the South Tees site's land and assets, pending redevelopment, and deliver a large-scale decontamination project. All activities are performed ensuring that STSC's financial resources are being spent in line with PCR 2015, Managing Public Money guidance and in accordance with the budget as allocated or with identified cost savings agreed with BEIS.

During the financial year 2020/2021, TVCA will plan to transition STSC from a BEIS owned entity and will bring the site in to the TVCA Group, it will then be governed by the same local procedures as TVCA and the other group entities.

3.4 Teesside international Airport Limited (TIAL)

TIAL was formerly called Durham Tees Valley Airport, before the 89% shareholding formerly owned by Peel Holdings was acquired by Goosepool 2019 Limited in early 2019. 25% of the shares of Goosepool 2019 Limited are now held by Stobart Aviation, with 75% held by TVCA. The balance of 11% of the shares in TIAL remains in the ownership of 6 Local Authorities. A diagram showing the ownership of TIAL is set out below in **Figure 2.**

Figure 2



TIAL is developing an ambitious business plan to drive activity and growth at the Airport, as well as developing its substantial land assets. The airport procurement activity of TIAL is governed by The Utilities Contracts Regulations 2016 (UCR 2016), which are similar to those of the PCR 2015 but are different in some respects to allow for the higher value and more specialised service requirements.

4. Scope

4.1 The TVCA Group has an average annual income of around £227,210,674 of which approximately £150,740,275 can be identified as procurement spend. This is broken down into the different group entities, as depicted in Table 1.

Table 1

Group Entity	Average Annual Expenditure (£m)	Procurement Expenditure (£m)	% Procurement Spend
TVCA	148	84	57%
STDC/DL	68	63	93%
TIAL	11	4	36%
TOTAL	**227**	**151**	**66%**

4.2 The income will vary over the lifetime of this strategy depending on changes to grant income and funding from central Government. As such it is important that any approach to procurement can be both reactive and flexible where needed.

4.3 The procurement processes in scope of the strategy are summarised at **Appendix 2** and demonstrate that the commercial activities undertaken by the TVCA Group extend beyond just the purchase of works, goods and services to ensure that TVCA secures the best value for money.

4.4 All parts of the TVCA Group depend on external organisations to provide works, goods and services. It is therefore important for the Group to maintain a clear strategy for selecting, contracting with and managing its suppliers.

4.5 This can be achieved via a procurement function which has an involvement in the whole process, spanning the cycle from identification of needs, assisting with making sure the specification is clear and unambiguous, appraising options, identifying correct appropriate procurement procedures, market engagement, via the actual procurement and then through to the end of the contract or life of the asset.

4.6 This strategy also reflects TVCA's ambitions as outlined in its SEP, which are focused around six thematic building blocks:

- Business Growth
- Research, Development, Innovation & Energy
- Education, Employment & Skills
- Place
- Culture
- Transport.

4.7 This strategy has been developed with consideration to a number regulatory requirements to ensure compliance when carrying out procurement, these include but are not limited to:

- Freedom of Information Act 2000
- Environmental Information Regulations 2004
- Social Value Act 2012
- Public Contract Regulations 2015
- Modern Slavery Act 2015
- Utilities Contract Regulations 2016

- Concession Contract Regulations 2016
- Data Protection Act 2018

4.8 Where appropriate policies will be developed across the group structure to ensure these regulatory requirements are adhered to.

5. Procurement Function Structure

5.1. The procurement team sits within the Finance & Resources Directorate of TVCA. The team is currently under restructure. Moving forward the team will be led by the Group Head of Legal, Governance & Procurement, the post is currently out to advert and once appointed that person will be responsible for ensuring there is sufficient resilience to meet the demands of delivering this strategy.

5.2 The procurement function also works closely with the Group's business units, especially Finance to guarantee a compliant end-to-end procurement service. Close links will also be maintained with other teams in all the Group organisations to fully understand their needs and requirements.

6. Procurement Team's Responsibilities

6.1 For procurement exercises to be successful and achieve their goals, active and positive participation of key stakeholders is essential. A clear definition of the procurement team's role and how it links with the various business areas is detailed below:

6.2 The role of the Procurement Team is to:

- Provide the Group and its organisations with a coherent direction of travel in terms of an agreed corporate approach to procurement;
- Support major procurement exercises facilitating the pre-selection of suppliers, tendering, the evaluation of returned bids and awarding contracts;
- Undertake market analysis to understand the capacity & capability within a particular sector ensuring local markets within the Tees Valley are part of the undertaking;
- Advise on the best procurement method and documentation to satisfy a requirement;
- Ensure that the organisation achieves value for money in relation to purchases made through tenders, quotes and framework arrangements;
- Ensure all procurement activities comply with public sector, UK and European regulations and the Group organisations' own Constitution/financial regulations;
- Provide a systematic approach to contract and supplier management, helping the Group and its constituent organisations to achieve consistency in their relationships with contractors and service providers;
- Identify potential savings that can be gained by following good procurement techniques such as consolidation of requirements or focused negotiation;
- Monitor procurement performance and activity, including savings and benefits tracking;
- Liaise with external partners around collaboration and any other initiatives;
- Provide training and support to the organisations' staff on procurement planning, development and delivery, contract management and other related matters;

- Manage contracts and frameworks that it/they have in place; Carry out spend analysis to minimise rogue spend;

- Carry out thorough vetting of potential suppliers and contractors;
- Ensure that information provided by suppliers / contractors is up to date;
- Ensure Social Value is obtained through the commitment of public funds;
- Ensure that adequate authorisation levels have been applied and are being adhered to so that decisions are made on accurate information; and
- Ensure that transparency requirements are met.

6.3 The role of individual business areas within the Group and its organisations is to:

- Comply with the policies and strategies of the Group/organisation and comply with wider legislation and/or other applicable requirements;
- Work collaboratively with the Procurement Team to develop strategic sourcing and procurement initiatives;
- As part of the business planning process, develop and maintain a forward pipeline of anticipated procurements;
- Prepare (with the assistance of the Procurement Team where needed) specifications, drawings and other documentation required to form tender packages;
- Obtain quotations where appropriate; and
- Manage contracts and ensure that every contract has a dedicated contract manager.

7. **Strategic Context**

7.1 This strategy sets out the Group's priorities for procurement and draws together many elements, including:

- **Value for money and efficiency**. We will:
    - ask "why?" and challenge whether procurements align with the Group's vision and ambitions;
    - seek to ensure the Group gets maximum value from every pound that is spent through best value and innovative procurement practice; and
    - adopt a consistent corporate approach to procurement and commissioning.
- **Governance**. We will ensure compliance with the relevant set of Financial Regulations, the respective organisations' constitutions and public procurement law in order to manage procurement risk and comply with legal requirements and best practice.
- **Social Value** : we will seek to improve economic, social and environmental wellbeing from our contracts, over and above the delivery of the services directly required, and at no extra cost.
- **Foundation Living Wage**: The Group is committed to promoting the Real Living Wage across the region and aims to lead by example and use its influence to demonstrate how this could benefit businesses in the region. To this end we will seek to develop a procurement policy that explicitly encourages businesses to pay the Real Living Wage to all their employees as a minimum.

- **Commercial opportunities and innovation**: we will seek new ways to develop and create commercial opportunities through procurement and commissioning activities, not just by promoting cost saving and narrowly defined value for money, but by looking at how we engage with and influence the marketplace and potential suppliers/providers in order to drive innovation and develop new ideas around service delivery.
- **Strategic supplier engagement and contract management**: we will manage our strategic supplier relationships through continuous engagement. We will also ensure effective management of all contracts from beginning to end in order to control costs, obtain the quality outcomes and performance levels set out in the contract and minimise the level of risk to the Group.

7.2 The strategy should also be viewed in the context of the TVCA Group governance arrangements and systems of internal control as detailed in **Appendix 3.**

8. Aims of the Strategy

8.1 The Government recognises procurement as a key area for efficiency gains. Public sector organisations are therefore expected to develop and maintain these gains through improved practices. These are referred to in the National Procurement Strategy 2014 and the updated National Procurement Strategy published in 2018. This strategy is aimed at promoting effective and efficient procurement across the Group. An implementation plan is currently under development that will set out specific targets and objectives covering the period of this strategy. Appreciating that the Group, its organisations and the procurement function needs to react to the businesses' changing requirements, this strategy must not only embed the procurement function within the Group and its constituent organisations but also allow for it to take account of the ever-changing needs of the businesses.

8.2 Undertake Efficient and Effective Procurements

8.2.1 A priority will be to ensure that all procurements are undertaken in an efficient and effective way to ensure value for money is obtained and benefits the local economy. The Procurement Function also needs to be embedded within the Group/organisations. Key activities will be:

- Forward pipeline planning within organisations and business units to plan resources and activities accordingly;
- Update existing templates and where needed create templates to form a standard set of procurement documents across the TVCA Group;
- Undertake spend analysis to highlight common areas of spend and any contract leakage;
- Increase use of OJEU compliant frameworks where value for money has already been secured in order to introduce efficiencies to the process;
- Develop and implement an appropriate TVCA Group Procurement Decision Tree to allow for the most suitable procurement route to be selected;
- Ensure effort is focused on pre-market engagement and contract management as part of the procurement cycle;

- Ensure that local businesses are always considered when carrying out procurement activities; and
- Use of the Social Value Act to improve economic, social and environmental well-being through procurement.

8.3 Create Social Value from Procurement

8.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

8.3.2 The Group is committed to a performance and evidence-based approach to Social Value and will be working with the Social Value Portal (SVP), a market leader in social value measurement in order to achieve this. National Themes, Outcomes and Measures (TOMs) have been developed by SVP, which have been adapted to reflect the specific needs of TVCA and its Group and which cover the following themes:

- Jobs - Promote Local Skills and Employment;
- Growth - Supporting Growth of Responsible Regional Business;
- Environment; and
- Innovation - Promoting Social Innovation.

8.3.3 Measuring and reporting on Social Value is a developing field and the Group recognises that there needs to be flexibility and a collaborative approach working with stakeholders to adapt and refine the measures as required in order to ensure that Tees Valley achieves the key outcomes of:

- More local people in employment;
- More opportunities for disadvantaged people;
- Improved skills for local people;
- Improved employability of young people;
- More opportunities for SMEs and VCSEs and local companies;
- Improving staff wellbeing;
- A workforce and culture that reflect the diversity of the local community;
- Social Value embedded in the supply chain;
- More working with the Community;
- Air pollution is reduced;
- Better places to live; and
- Sustainable Procurement is promoted.

8.3.4 Dealing with the effects of Covid-19 will place a huge pressure on communities and businesses which will require both immediate and longer-term responses, therefore a review of the SVP's 'Plug-in' to help mitigate the effects of the crisis will be undertaken and new TOMs measures will be applied where appropriate in the applicable contracts.

8.3.5 Where appropriate there will be a mandatory weighting for social value contribution for all tenders over £100,000. This will consider a minimum of 10% to establish supplier responses with an ambition to increase the weighting going forward to ensure that Social Value becomes embedded in the procurement process. The procurement policy will detail the principles for applying weightings for social value.

8.4 Environmental and Sustainability

8.4.1 Procuring sustainably means considering the environmental, social and economic impacts of the works, product or service over its lifetime, such as: design, use of non-renewable materials, methods of manufacture and production, logistics, operation, maintenance, reuse, recycling options and disposal; plus the supplier's capability to address these impacts throughout the supply chain.

8.4.2 The Group recognises it and its constituent organisations must drive sustainable development, through our procurement of works, goods and services. We will contract manage all suppliers to meet the many challenges of delivering sustainable procurement and we will address changes required to meet our own corporate sustainability objectives throughout our tendering activity. Our aim is to deliver sustainability through procurement by making sure value for money works, products and services contracts are awarded in all cases, combined with a balanced consideration of social, ethical, environmental and economic impacts.

8.4.3 How we will do this:

- We will challenge our clients and suppliers to make sure sustainable solutions are at the forefront of the entire supply chain;
- We will promote client engagement with our supply chain to address risks or concerns about new innovative approaches;
- We will consider life cycle or whole life costing within our evaluation criteria;
- We will maximise the use of recycled products and products derived from reclaimed materials;
- We will select fair or ethically sourced and produced goods and services;
- We will work with suppliers and other local agencies to maximise the opportunities available to SMEs and local enterprises to encourage bidding for our tenders or sub contracts; and
- We will maximise the opportunities for GVA by inviting employment and economic gain initiatives with social value clauses in all applicable tender documents.

8.4.4 Consideration will also be given to 'Public Procurement for a Circular Economy', a publication from the European Commission. (https://ec.europa.eu/environment)Circular procurement is the consideration of a product from design stage through to disposal. Circular procurement encourages procurement professionals to consider not just the Take: Make: Dispose linear economy, it enables us to consider how we can maximise the lifespan of the product through repair and reuse, and how we re-use or recycle products once they reach their end of life stage, so ensuring we don't always look to consume finite resources.

8.5 **Improve Transparency**

8.5.1 The Group aims to be transparent in all areas, and in line with the Department for Communities and Local Government Transparency Code, updated in 2015, the following information will be publically available in relation to its expenditure and contracting activities:

- Publishing a pipeline of expected procurements to allow the market to prepare for tenders;
- Publishing all spend over £500;
- Publishing a contract register of all contracts over £5,000.

8.6 Increase Procurement Awareness & Training

8.6.1 Upskilling of both suppliers and staff will be required for the strategy to be successful. Any emerging policy or government changes should also be accounted for. This will involve:

- Training for staff who are budget holders and budget controllers. This will ensure compliance to regulations and awareness of key policies impacting on procurements.
- Training for suppliers (where appropriate) to ensure they can successfully bid for the organisations' tenders and understand the key policy points that the organisations require.
- Training for procurement staff to ensure updates with recent case law and sector thinking. Procurement staff will also be encouraged to engage with industry bodies such as the Chartered Institute of Procurement and Supply (CIPS) and Society of Procurement Officers (SOPO).
- Update information online regularly, both internally via the corporate intranet, and externally on the corporate web site so common queries can be answered and basic information and updates shared.
- Ensure a watching brief on BREXIT and the possible impact on the organisations' current supply chains.

8.7 Introduce a Standard Approach to Contract Management

8.7.1 There is currently no standard approach to contract management across the Group and its organisations and no common KPIs being used. This will have significant impact when trying to embed social value and monitor its success. This strategy needs to embed contract management and contract monitoring across the organisations. This will include:

- Creation and implementation of a contract management toolkit to allow for a standard approach;
- Introduction of standing corporate wide KPIs to allow for benchmarking and common monitoring of key suppliers and providers;
- Work with the SVP to help develop and influence the system for contract monitoring and reporting performance of the TOMs indicators; and
- Implementation of a Contract Management system to automate creation of key management information.

8.8 Further Promote Collaborative Procurement

8.8.1 Promote the benefits of collaborative procurement in the Tees Valley and the wider region to achieve efficiencies and greater value for money. Key activities will include:

- Closer working with Tees Valley Local Authorities to embed further Social Value, encouraging a consistent approach to procurement that benefits the whole of the Tees Valley;
- Working with Public Buying Organisations such as North East Procurement Organisation and Crown Commercial Services to understand and influence new frameworks and procurement solutions;
- Strong links to be developed with key procurement framework owners that are critical to the implementation of the organisations' objectives;
- Creating links with the region's anchor organisations such as key employers, wider government organisations within the region and the further and higher education sectors; and
- Improved links to other Combined Authorities, especially those with devolution agreements to learn from their experiences.

8.9 Increase the Number of Contracts Awarded to Local Businesses

8.9.1 Making sure where possible contracts are awarded to Tees Valley businesses is an important factor in improving economic growth of the area and the TVCA Group has a responsibility to use the tools at its disposal to do so. Actions to be carried out to achieve this will include:

- Benchmark the Group's current position in terms of the % of locally awarded contracts against those awarded regionally and nationally;
- Set targets to increase the number of local businesses being awarded contracts;
- Use the SVP to deliver the objectives of the Social Value Act;
- Ensure the procurement policy allows for local businesses to be the first choice (where legally possible and appropriate); and
- Establish a list of Tees Valley businesses by category area with planned targeting when opportunities arise.

8.9.2 It should be noted that there are constraints around local procurement in European derived procurement legislation, which the Group will continue to monitor and comply with, while seeking to maximise its local spend in line with the law.

8.10 Ensure Compliance to Local Government Association (LGA) National Procurement Strategy

8.10.1 The LGA's wide ranging remit includes procurement policy guidance, best practice and training, led by its National Advisory Group (NAG) for local government procurement. A key output is the National Procurement Strategy. The National Procurement Strategy 2017 focuses on three themes:

- Showing leadership;
- Behaving commercially; and
- Achieving community benefits.

8.10.2 The themes are broken down into key areas with enablers identified. A toolkit has been developed to support the strategy, which allows organisations to set objectives in relation to the maturity levels in each of the key areas. The main activities will be:

- Review of the key areas in order to prioritise these for the Group;

- Use the toolkit to set objectives and to assess progress; and
- Further outputs from the LGA are reviewed with plans amended where needed.

8.11 Carry out Market Engagement & Analysis

8.11.1 Market Engagement & Analysis leads to an understanding of how the market works, the direction in which it is going, the competitiveness and the key suppliers within the market. The results of this analysis can help the TVCA Group to improve and inform the tendering process and align behaviours in order achieve better value for money, reduced prices or an improved service.

8.11.2 Early engagement with the market should be considered for high value procurements or for procurements where the specification needs input from the market, for instance to understand industry standards or regulatory requirements, making use of the various tools and techniques to meet the required objectives of the engagement.

8.12 Managing Conflicts of Interest

8.12.1 Regulation 24 of the Public Contract Regulations requires Organisations to take appropriate measures to effectively prevent, identify and remedy conflicts of interest arising in the conduct of procurement procedures so as to avoid any distortion of competition and to ensure equal treatment of all economic operators.

8.12.2 This Regulation refers specifically to any situation where "relevant staff members" have a direct or indirect financial, economic or other personal interest which might be perceived to compromise their impartiality and independence in the procurement process.

8.12.3 A bidder may be excluded where a conflict of interest within the meaning of Regulation 24 cannot be effectively remedied by other means.

8.12.4 How conflicts of interest will be managed from within the TVCA Group and from a supplier perspective will be detailed in the procurement policy.

9. Procurement Policy and Implementation Plan

9.1 A procurement policy and implementation plan will be developed to support the Group's procurement strategy.

9.2 The policy will detail how procurement should be conducted and will be specific to the various group entities. All Group entities will be expected to comply with the TVCA Group Procurement Policy and all other Group policy provisions, including the associated entity specific annexes, where applicable.

9.3 The implementation plan will detail the short term and long term plans for delivery of the strategy. The plan will be reviewed annually to ensure it remains fit for purpose.

10. Procurement Strategy Review

10.1 We will review and amend this Strategy as required (and at least once each calendar year) to ensure a consistent approach to procurement which has the flexibility to meet the needs of the whole of the TVCA Group and its constituent organisations.

Appendix 1 – THE TVCA GROUP

Tees Valley Mayor

TVCA Group Executive Team

Group Chief Executive Officer – Julie Gilhespie
Group Finance Director and s73 Officer _ Gary Macdonald
Group Commercial Director – Alison Fellows

Business & Skills Directorate	Commercial and Delivery Directorate	Commercial Team	Site Development Team	Site Management	Operations	Commercial	Resources
Chris Beck	**Alison Fellows**	**South Tees Enterprises Ltd** (JV partner and STDC reps)	**South Tees Enterprises Ltd** (JV partner and STDC reps)	**South Tees Site Company**	**Shaun Woods**	**Phil Forster**	**Martin Perks**
Inward Investment Business Growth Innovation Education, Employment & Skills	Transport Culture Infrastructure Commercial Investment	Investor Negotiations Commercial/Contracts	Site preparation Construction	Site Security Site Safety	Day to day airport ops Security	Airline Development In Terminal Commercial activities	Finance Northside Southside – relationship with JV

Group Support Services

Strategy & Policy
Comms and Marketing
Procurement
Finance
Legal, Governance and HR
IT and admin

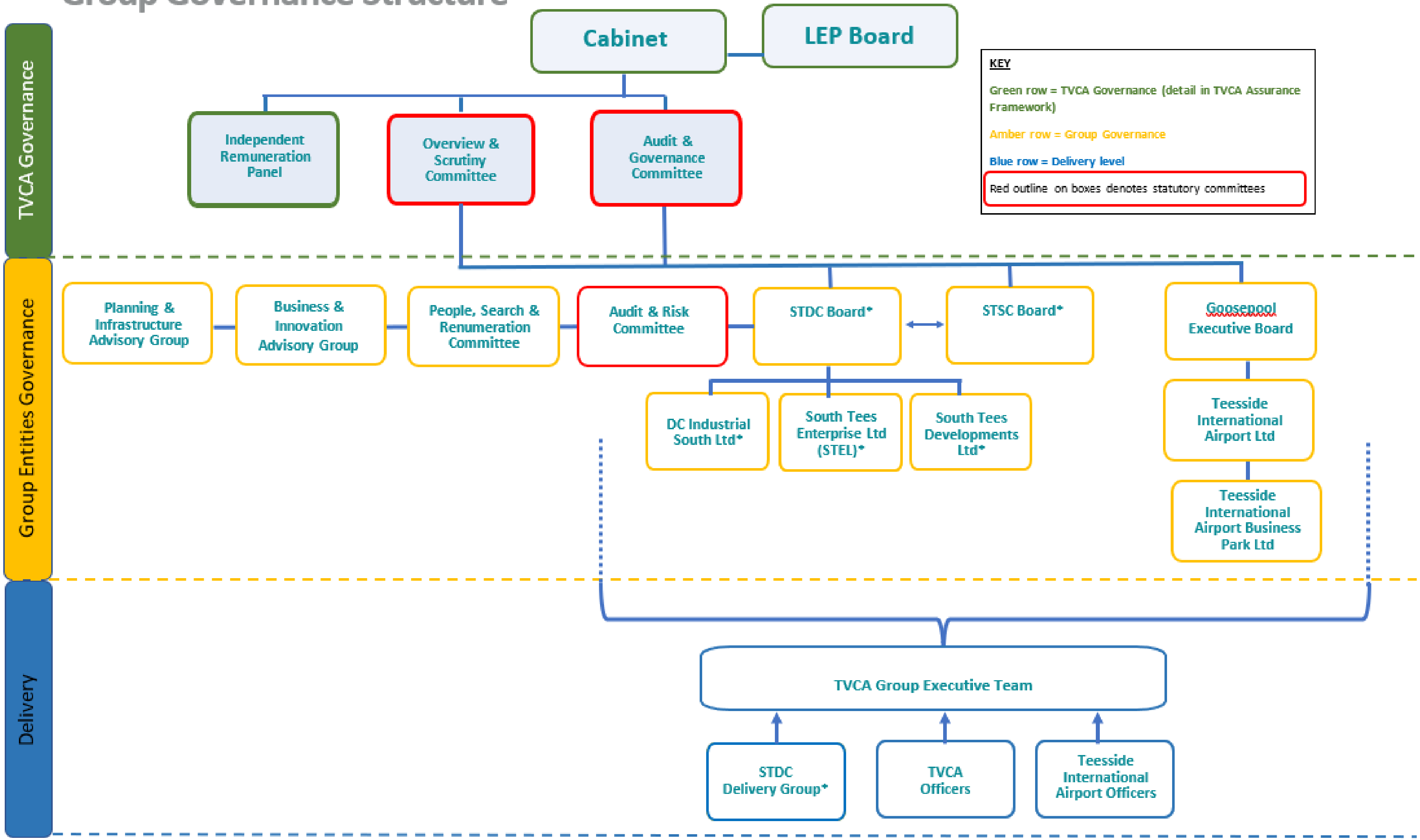
Appendix 2

Procurement Process

Project Phases	Define	Procure			Deliver / Manage	
Commercial Life Cycle	Preparation and Planning	Publication	Selection	Evaluation and Award	Contract Implementation	Delivery and Management
Typical Commercial Activities	• Develop a clear definition of the business need • Define Project Team, including any external resource requirements • Assess the market • Develop Procurement Strategy	• Draft specification • Prepare procurement documentation • Advertise the opportunity • Supplier engagement	• Use standard selection questionnaire to apply exclusion grounds and select suitable suppliers	• Evaluate tenders • Award and sign the contract • Notify tenders and publish award	• Manage and monitor implementation	• Receive goods/services and issue payments in line with monitoring procedures • Deal with modifications • Complete delivery and hand over

Appendix 3

Tees Valley Combined Authority Group Governance Structure



AGENDA ITEM 7

REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE

21ST JULY 2020

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

CORPORATE RISK REGISTER

SUMMARY

This report presents the Tees Valley Combined Authority Corporate Risk Register as at July 2020. The risk register is reviewed on a regular basis by senior management and sets out the key corporate risks that have been identified.

RECOMMENDATIONS

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

DETAIL

1. This report presents the Tees Valley Combined Authority Corporate Risk Register as at July 2020. The risk register is prepared in accordance with the Combined Authority Risk Management Framework and is reviewed on a regular basis by senior management. The risk register sets out the:

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

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

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

CONSULTATION

5. None required.

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Email: gary.macdonald@teesvalley-ca.gov.uk
Telephone Number: 01642 527707

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score: Impact (1-5)	Net Risk Score: Probability (1-5)	Net Risk Score: Score (1-25)	Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
C01	Failure to secure agreement on new future investment priorities. (INVESTMENT PLANNING)	• Delay in agreeing and approving projects to go into Investment Programme, potentially affecting spend • Impacts TVCA's reporting on progress to Government • Adverse effect on 5 year Government funding conversation and ability to bid successfully for other funding for projects • Failure to achieve SEP targets and outcomes • Reputational damage	Group Commercial Director/ Group Chief Executive	•TVCA Cabinet has overall responsibility for developing & delivery of SEP, Investment decisions and allocation of resources. • Proposals developed at early stage with Leaders & Mayor, LEP members, chief officers, partners and Government departments • Agreement to Investment Plan • Investment report on every Cabinet agenda as standing item • Additional EOIs reviewed as received • Oversight by TV Management Group • Quarterly performance reporting being developed • Ten Year Investment Plan 2019-29 agreed by Cabinet Jan19 • Assurance Framework agreed by Cabinet and submitted to Government - now adopted • New processes and delegations agreed and implemented • Investment Plan Review agreed at Cabinet January 2020	5	2	10			On-going dialogue with Mayor and Leaders on the Investment Plan review. Process under discussion for agreeing Culture programme, with a view to a report coming to Cabinet in November 2020.		•New Assurance Framework approved by Cabinet in March, along with Investment Plan Q3 Update.	Jul-20
C02	Impact of EU Exit including financial uncertainty and economic instability that affects national policy in relation to devolution and impact on ability to progress TVCA devolution strategy; in particular uncertainty on UK successor regime to ESIF funding (UKSPF) and the loss of Local Growth Funding. (FINANCIAL)	• Loss of funding for Tees Valley compared to previous ESIF position • Failure to maximise opportunities for funding for Tees Valley under replacement arrangements •Increased funding to address economic shocks • Need to mobilise support to businesses and communities •Reduced Inward Investment activity •Loss of key businesses •Loss of jobs • Increased deprivation	Group Chief Executive/Group Commercial Director	• Ongoing engagement with Leaders & Mayor, Chief Officers and Government departments • Continuation of focus on TVCA delivery of objectives and SEP • Secured ESIF guarantee from Government • Engagement with Government on future funding plans post Brexit, including tracking progress with development of proposed UK Shared Prosperity Fund • Action plan agreed for utilising remainder of ESIF funding • Working with partners on proposals for current open call (closing Aug19) •EU Exit Action Plan being prepared •Funding to support businesses being developed •Potential impacts being monitored •Joint LA and partner EU Exit group established •LEP/Growth Hub business intelligence gathering and business engagement being undertaken	4	3	12	↓8		• Liaison with other CAs/LEPs	Ongoing	Regular liaison with Government on progress with UK Shared Prosperity Fund. Internal process for external bid information recently strengthened and now subject to regular review by Directors. Checking central process for reallocation of ESIF funding taken back centrally by Government (July 2020).	Jul-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score: Impact (1-5)	Net Risk Score: Probability (1-5)	Net Risk Score: Score (1-25)	Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
C03	Failure to secure sufficient additional resources to fund proposed activity. (FINANCIAL)	• Impacts ability to deliver SEP targets and outcomes • Reputational damage	Group Commercial Director/ Group Finance & Resources Director/Chief Executive	• Robust Budget,Investment Plan and Medium Term Financial Plan, Treasury Management Strategy 2020/21 to TVCA Cabinet March 2020 • Submission of high calibre bids for external funding • Identifying opportunities for efficiency and greater impact • Ongoing review of EZ income potential • Ongoing review of commercial potential of individual projects and TVCA borrowing potential/limits • Ten Year Investment Plan 2019-29 agreed (including funding plan) • Regular meetings between Mayor and Government Ministers • Progress with external funding bids reported quarterly to TVMG	4	3	12			• Investments identified in Local Industrial Strategy need to feed into Investment Plan and other external sources • Tightening up bidding process - approval to bid and actual bid sign off •Business Case development and submissions to Government • Funding bids to Government as part of economic recovery and levelling gup agenda •SQW gateway review for Devolution funding - comprehensive programme of activity and evidence available.		•TVCA bids submitted to ERDF Open Calls •Ongoing discussions with Government on specific projects and funding requirements •TVCA Directors met with Chief Secretary to the Treasury- Rishi Sunak, now Chancellor of the Exchequer, and Senior Govt Officials to discuss funding on 17th Jan 2020. •Internal process for external bid information recently strengthened and now subject to regular review by Directors. •Business Case and associated requested material submitted to Government for Offshore Wind	Jul-20
C04	Transport specific funding secured from government is not sufficient to meet TVCA programme aspirations eg significant local contributions sought that are not affordable and/or TCF not awarded on ongoing annual basis. (FINANCIAL)	• Not all planned transport projects can be delivered • Harder to leverage other funding • Reputational damage	Group Commercial Director/ Head of Transport	• Transport programme approved by Cabinet January 2020 • Programme shared with DfT • Reporting to DfT on progress with TCF spending/delivery • Ongoing liaison with DfT re specific projects eg New Tees Crossing, Darlington Northern Link Road, Darlington Station, Middlesbrough Station • Ongoing discussions with key partners eg Northern Rail, Train Operators, TfN & Highways England • Annual conversation with government • Briefing The Mayor to lobby Government - discussions ongoing on specific project funding requirements • Transport Investment Prospectus approved by Cabinet 29/05/20	4	3	12	-				•Discussions ongoing on specific project funding requirements. DfT funding for further development of Darlington (£8.7m) and Middlesbrough (£2.45m) station projects secured June 2020. • Outline Business Case for new Tees Crossing submitted to Govt and working with Highways England on a transition plan • Outline Business Case for Darlington Northern Link Road being developed for Jan 2021	Jul-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score Impact (1-5)	Probability (1-5)	Score (1-25)	Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
C05	Failure to secure appropriate funding from Government for the operation of the South Tees Development Corporation. (FINANCIAL)	• Delay to delivery of STDC planned development • Potential effect on TVCA's other funding priorities • TVCA cannot itself meet funding requirements • Loss of potential inward investment into Tees Valley, and other opportunities to meet SEP objectives • Reputational damage	Chief Executive/ Group Director of Finance & Resources	• STDC established as legal entity 1st Aug 2017 • Official launch 23rd August 2017 • STDC Constitution requires significant financial matters to be referred to TVCA Cabinet • TVCA FD is also FD of STDC • STDC Board meeting regularly • Continued dialogue with Government • £123m funding secured in 2017 Budget • £14m in 2018 budget • CSR Business Case to HMG 2019 • New Chief Exec of STDC recruited •New STDC structure proposals to enhance operational capacity/capability •Joint venture private sector partners in place •Establishment of STDC Delivery Group with Joint Venture partners to support focused delivery •TVCA Assurance framework confirmed as overall local assurance processes	4	3	12			•Detailed STDC Area assessments and statutory studies required to inform longer term funding requirements •Funding flexibility sought from Government to enable effective local control	31/12/20	• Secured £71m Government funding from Treasury, supported by MHCLG/BEIS. Successful negotiations with SSI regarding CPO Objections • Full Business Case submitted to Government for South Tees Regeneration (STDC)	Jul-20
C06	Obligations undertaken by STDC have potential financial impact on TVCA	• Strain on TVCA funding availability • Potential effect on other TVCA funding programmes • Reputational damage	Group Director of Finance & Resources	• STDC Constitution requires significant financial matters to be referred to TVCA Cabinet • TVCA FD is also FD of STDC •Development of a STDC programme management structures • Aligning STDC reporting updates with TVCA •New STDC structure proposals to enhance operational capacity/capability	4	2	8			Securing successful CPO to consolidate land ownership and support comprehensive regeneration Manage any Judicial review submissions effectively with specialist legal advice (Both CPO confirmation stage and General vesting declaration stage)	Oct-20	Secured £71m Government funding from Treasury, supported by MHCLG/BEIS. Successful negotiations with SSI regarding CPO Objections CPO confirmed as successful in April 2020. Planning Inspector ruled final decision in STDC favour at CPO without any modifications. CPO confirmation notices made and first general vesting declaration for SSI land/assets issued. SSI / Thai Banks failed to meet deadline set for ratification of agreement. CPO continues as originally planned.	Jul-20
C07	Failure to provide sufficient capacity to deliver TVCA functions. (DELIVERY)	• Delays in terms of TVCA business being transacted, decisions being made and funding being defrayed • Potential loss of investment into Tees Valley • Delays in achieving SEP and Investment Plan outputs and outcomes • Potential effect on ability to bid credibly for additional funding • Key staff may decide to leave organisation • Reputational damage	Group Chief Executive	• Oversight by Senior Management Team •Reviews being implemented •Recruitment under way in key areas (eg AEB devolution) •Further reviews as part of annual medium term financial plan to go to January Cabinet •Implementation of reviews under way	4	3	12	-					Jul-20

TVCA Corporate Risk 2019/20 - Q1

					Net Risk Score								
Ref	**Risk description/ Category**	**Consequences**	**Owner**	**Current Controls**	**Impact (1-5)**	**Probability (1-5)**	**Score (1-25)**	**Change since last Q**	**Reasons for change since last quarter**	**Further Controls Required**	**Deadline**	**Comments**	**Review Date**
C09	Failure to build and maintain relationships with key partners. (REPUTATIONAL)	• Potential impact on LEP and its operation • More difficult to maximise opportunities to access significant external funding which requires a partnering approach • Delays to agreement and delivery of Investment Programme • Risk to achievement of SEP targets and outcomes • Reputational damage	Group Chief Executive/ Senior Leadership Team	• Regular Cabinet meetings (including LEP Board members) •Regular portfolio holders meetings and briefings • Directors/Heads meeting LA officers regularly • MOU agreed with Teesside University • Regular liaison with other key partners eg. CPI, MPI, TWI, Digital City • Regular liaison with other key government agencies (and others) eg. Homes England, Highways England, HLF, Arts Council, BLF, TfN etc • Perception study undertaken •Work closely with M9, NP11 and other groupings	4	2	8	-					Jul-20
C10	Uncertainty within the economy and/or the political environment (DELIVERY)	• Potential delay to agreement of TVCA priorities and approval of any additional funding • Potential delay in delivering SEP targets and outcomes • Reputational damage	Group Chief Executive	• Engagement with local MPs • Engagement with local authorities	4	3	12	-		• Engagement with national parties •Develop relationships with new MPs and Ministers	Ongoing	Ongoing discussions between Mayor and Government Departments	Jul-20
C11	Failure to pass the first Gateway Review. (FINANCIAL) See sub risks A & B below	• Inability to deliver Ten Year Investment Plan and strategic investments and achieve SEP outcomes • Increased workload/resources required to address issues • Risk to future funding of organisation • Significant reputational damage	Group Finance & Resources Director	• Bi-monthly meeting with Government officials and on-going dialogue • Assurance framework (monthly conversation with BEIS) • Internal Audit arrangements • Annual conversations with Government • Mayor meets with Government Ministers • Funding cannot progress to final approval unless it meets the Assurance Framework process. • Staff trained on the Assurance Framework to ensure it is being adhered to • Tees Valley baseline prepared by SQW • Evaluation plan agreed between SQW, Tees Valley & government •Internal Audit reviewing processes over last 12 months	5	2	10			• Quarterly reporting to Cabinet on Investment outputs and outcomes to be introduced • Annual Review to be undertaken •End to End process presentations to more teams in diary	Oct-19 Mar-20	Awaiting SQW "One Year Out" report	Jul-20

TVCA Corporate Risk 2019/20 - Q1

					Net Risk Score								
Ref	Risk description/ Category	Consequences	Owner	Current Controls	Impact (1-5)	Probability (1-5)	Score (1-25)	Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
C11-A	• Failure to deliver the existing pipeline of funding commitments and achieve targeted spend. (DELIVERY)	• Impacts TVCA's reporting on progress to Government • Adverse effect on 5 year Government conversation & ability to bid successfully for other funding • Failure to achieve SEP targets and outcomes • Reputational damage	Group Commercial Director/Group Finance & Resources Director	• Creation and utilisation of Advanced Funding to provide upfront investment in feasibility work • Programme monitoring and review • Assurance Process in place • Investment Plan Risk Register operational • Regular Investment Panel meetings • Regular liaison with BEIS • Monthly spend reviews in place • Ten Year Investment Plan 2019-29 agreed by Cabinet Jan19 • Revised Assurance Framework in place • Quarterly review of progress against internal business plan targets • Investment Plan delivery progress reported to Cabinet quarterly •Investment Plan Review was agreed at Cabinet January 2020. •Investment Plan Performance Report going to March 2020 Cabinet	5	2	10	-		Deliver TVCA Group structure implementation activity Deliver TVCA Group Business Intelligence procurement and implementation Deliver STDC Delivery Group Governance in line with Full Business Case Deliver TVCA Group monthly Performance Management reviews with Executive Team		Business planning process being strengthened, including regular in depth reviews by Directors of each team's performance against plan. Group Structure proposals for Senior Executive team approved by TVCA Cabinet Business Intelligence procurement in progress and scheduled to complete August 2020 with implementation Q3-Q4 STDC Delivery Group established and operational. Additional material and requirements post FBC submission currently being implemented. Performance dashboards in development on legacy systems for Q1 reporting to Executive Team. Migration to Business Intelligence solution Q3-Q4	Jul-20
C11-B	Failure to manage funding in order to deliver maximum value for money. (FINANCIAL)		Group Director of Finance & Resources	• Revised Assurance Framework approved by Cabinet on 13th March prior to submission to Government	4	2	8	-		• Review to ensure appropriate development, appraisal and assurance processes are operating effectively and efficiently • Staff briefing sessions on the whole process •Develop Governance toolkit for TVCA Group - single source of truth for staff	Sep-20	Business Intelligence procurement in progress and scheduled to complete August 2020 with implementation Q3-Q4 Governance Toolkit development commenced with implementation for Q3	Jul-20
C12	Failure to detect fraud. (FINANCIAL)	• Loss of funds that cannot be recovered and applied to required spend objectives • Staff resources required to manage any instances • Reputational damage	Group Director of Finance & Resources	• Internal audit arrangements • External audit arrangements • Internal expenditure approvals process • Assurance Framework for Investment • Review of internal expenditure process undertaken • Staff induction process	5	2	10	-		Deliver TVCA Group Business Intelligence procurement and implementation	Ongoing	Regular monitoring of claims via Finance and Resources team each month currently. Risk based monitoring activity to be introduced to maximise effort on those areas of risk	Jul-20

TVCA Corporate Risk 2019/20 - Q1

					Net Risk Score								
Ref	**Risk description/ Category**	**Consequences**	**Owner**	**Current Controls**	**Impact (1-5)**	**Probability (1-5)**	**Score (1-25)**	**Change since last Q**	**Reasons for change since last quarter**	**Further Controls Required**	**Deadline**	**Comments**	**Review Date**
C13	Failure to properly manage AEB Budget	• Reduction in availability of skills training in the region. •Financial impact on FE priorities •COVID impact on delivery and potential to deliver in the future	Director of Business & Skills	• TVCA Cabinet approves annual allocation • Monthly submissions by providers are monitored • Regular meetings with providers • Regular update to directors, Management Group & Cabinet •AEB now in second year - full monitoring and management in place •Rapid response to COIVD, suppliers paid on profile (not delivery - to ensure their survival) •Ensuring future delivery is against robust agreed plans	4	2	8	-			Ongoing		Jul-20
C14	Failure to adequately communicate and explain the TVCA and Mayor functions and role may mean expectations are not managed. (REPUTATIONAL)	• Confusion is possible in terms of relations with partners, businesses and residents • Reputational damage	Head of Communications & Marketing	• Communications plan in place • Regular liaison with Mayor's office on Comms issues & opportunities • Communications Strategy agreed •Working with SBC and other Local Authorities to promote the Mayoral election to drive up voter registration and awareness •A marketing agency to augment and support this work could be appointed for the 2021 election	3	3	9	-				Mayoral election postponed until May 2021 as a result of COVID-19 outbreak	May-21
C15	Senior Officers leave the organisation. (DELIVERY)	• Insufficient senior resource to lead and manage the workload over a critical period • Delays to delivery of Investment Programme • Risk of not delivering against SEP targets and outcomes • Loss of confidence by Government funding departments • Resource not available to lead on funding bids • Reputational damage • Reduction in TVCA team morale	Chief Executive	• Regular SLT meetings • Regular management one to ones •Director of Finance & Resources appointed • Director Business & Skills appointed	2	4	8	-					Jul-20

TVCA Corporate Risk 2019/20 - Q1

					Net Risk Score								
Ref	Risk description/ Category	Consequences	Owner	Current Controls	Impact (1-5)	Probability (1-5)	Score (1-25)	Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
C16	Failure to agree a Local Industrial Strategy with Government. (REPUTATIONAL)	• Failure or delay causes reputational damage • Potential impact on ability to bid for national funding • Potential impact on regeneration of STDC site • Potential impact on SEP delivery as a consequence	Group Chief Executive	• Detailed timetable in place for the Local Industrial Strategy is being undertaken • Partners to support development of Local Industrial Strategy identified • Engagement events held with key sectors in Jan19 • Thematic engagement events Feb19 • Workshops with LEP and Leaders May19 •Ongoing dialogue with Government on final draft with a view to publish before the national Budget.	4	3	12			Deliver TVCA Group monthly Performance Management reviews with Executive Team			Jul-20
C17	Failure to operate within TVCA constitution. (LEGAL)	• TVCA decisions are ultra vires • Risk of legal challenge, leading to delay to delivery of TVCA programme(s) and costs • Reputational damage	Group Chief Executive/ Monitoring Officer	• Updates and reports to TVCA Cabinet • Briefing and engagement with Constituent Authorities' members • Public Consultation undertaken • A&G Committee in place and meeting regularly • O&S Committee in place and meeting regularly • Additional independent members recruited to A&G Committee • Involvement of Monitoring Officer at Cabinet and in review of papers/decisions • Legal & Commercial Manager has left TVCA	5	1	5	-				Temporary legal support in place. Directors reviewing legal capacity requirements for TVCA and associated group. Recruitment of new Head of Legal under way July 2020.	Jul-20
C18	Failure to maximise influence at regional/national level. (REPUTATIONAL)	• Missed opportunities to influence national and regional agendas to benefit Tees Valley • Potential impact on ability to bid for and get additional funding • Potential impact on delivery of SEP	Chief Executive/Director of Business & Skills	• LEP Meetings • LEP Network representation • Mayoral role • Membership of Transport for the North • Membership of NP11 • Maintaining key relationships (see C09 above) • MCA network influencing Government	2	2	4	-					Jul-20
C19	Failure to operate DTVA successfully and turn around operation. (DELIVERY)	• Reputational damage • Increased financial liabilities (see C17) • Impact on economic growth potential	Chief Executive/Group Commercial Director	• Strategic partnership joint venture with Stobart Aviation • 5 year Business Plan agreed annually • Agreed governance arrangements • Monitoring & reporting to DTVAL & Goosepool ltd Boards • TVCA oversight and Scrutiny via Cabinet and Overview & Scrutiny •Goosepool Executive Director overseeing TVCA investment	4	2	8	-					Jul-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score: Impact (1-5)	Net Risk Score: Probability (1-5)	Net Risk Score: Score (1-25)	Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
C20	More TVCA investment required for DTVAL than is foreseen in Business Plan. (FINANCIAL)	• Increased financial liabilities • Impact on other projects/programmes	Chief Executive/Group Finance & Resources Director	• Strategic partnership joint venture with Stobart Aviation • 5 year Business Plan agreed annually • Agreed governance arrangements including Executive Meetings • Monitoring & reporting to DTVAL & Goosepool ltd Boards • TVCA oversight and Scrutiny via Cabinet and Overview & Scrutiny • Goosepool Executive Director overseeing TVCA investment	4	2	8	-		• Review of TIAL Business Plan 2020-21 in light of the impact of Covid-19 • Business Plan shared and developed with Directors •Business Plan parameters remain as existing Business Case values approved by Cabinet •Development of Southside proposals to support overall Airport Business Plans		•Business Plan under review •Development of Southside proposals to complement overall Airport infrastructure and to provide additional returns to support the Business Plan - deal completing July 2020. Covid 19 plan for reopening airport agreed and operational late June 2020.	Jul-20
C21	Pandemic Illness Outbreak: Impact on delivery	Widespread national disruption and economic impact inhibits organisational ability to deliver on key projects and outcomes	Chief Executive/Senior Leadership Team	Existing Business Continuity Plans -including use of Microsoft Teams and secure tablets for all staff - were designed to address prolonged inaccessibility of Cavendish House, facilitate prolonged periods of home-working and to manage absence of senior staff members and high levels of staff absenteeism. Weekly SLT meetings to manage organisational impact of outbreak and to deploy/redeploy resources where required. Response to current situation includes: Establishment of 24/7 Business Support Helpline. Launch of Buy Local Tees Valley website to connect local people with businesses and tradespeople that have remained open, or are operating differently, during the outbreak. Survey of 900 businesses to increase understanding of effects the pandemic and short, medium and long-term support required. Established project management process ensures progress of strategic projects.	5	5	25	+25	Outbreak of COVID-19	Regular liaison with government. As we move towards the recovery phase, the Combined Authority is now developing approaches to support recovery and longer-term resilience of the Tees Valley economy and working with our partners to develop a package of targeted measures to help businesses impacted by the pandemic to recover quickly, to be resilient to future shocks and to help them grow.	Ongoing	TVCA has operated entirely remotely since late March 2020. Business Continuity Plans have proved robust and effective and the impact of the disruption on the operation of the organisation has been minimised, with staff rapidly adapting to new ways of working. Covid 19 plan for reopening airport agreed and operational late June 2020. Commissioned economic modelling work through VIVID to developed a economic model to understand effect specifically in the Tees Valley economy and to model the impact of any potential interventions Developing economic stimulus packages through VIVID work. Launch support for apprenticeships, SME's, Culture and have new funds coming on line for SME support in July. Planning for growth, secured funds to increase SME intervention rate for SME growth from 33% to 50%, Work up inward investment proposals to continue regeneration - especially around offshore wind energy, SSI, life science etc. Ensure the TV bid into all relevant government growth incentives	Jul-20

TEES VALLEY COMBINED AUTHORITY

Internal Audit Strategy 2020/2021 - 2022/2023 (including the 2020/21 Internal Audit Plan)

Presented at the Audit and Governance Committee meeting of: 21 July 2020

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EXECUTIVE SUMMARY

Our Internal Audit Plan for 2020/2021 is presented for consideration by the Audit and Governance Committee. As the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile, we will work closely with management to deliver an internal audit programme which remains flexible and agile to ensure it meets your needs in the current circumstances.

The key points to note from our plan are:

2020/2021 internal audit priorities: internal audit activity for 2020/2021 is based on analysing your corporate risk register and assurance framework, as well as other factors affecting you in the year ahead. Our detailed plan for 2020/2021 is included at section two.

The internal audit priorities have been discussed and agreed with the following individuals of the organisation:

- Group Director of Finance and Resources;
- Managing Director, Goosepool; and
- Finance Manager.

Core assurance: the key priorities and changes within the organisation during the period have been reflected within the proposed audit coverage for 2020/2021 and beyond. During the development of the internal audit plan the following key areas / documents were discussed/reviewed:

- Corporate Risk Register;
- Investment Plan, 2019/2029;
- Assurance Framework;
- Revised Group structure and interdependencies; and
- The impact of Brexit on European Funding.

CONTENTS

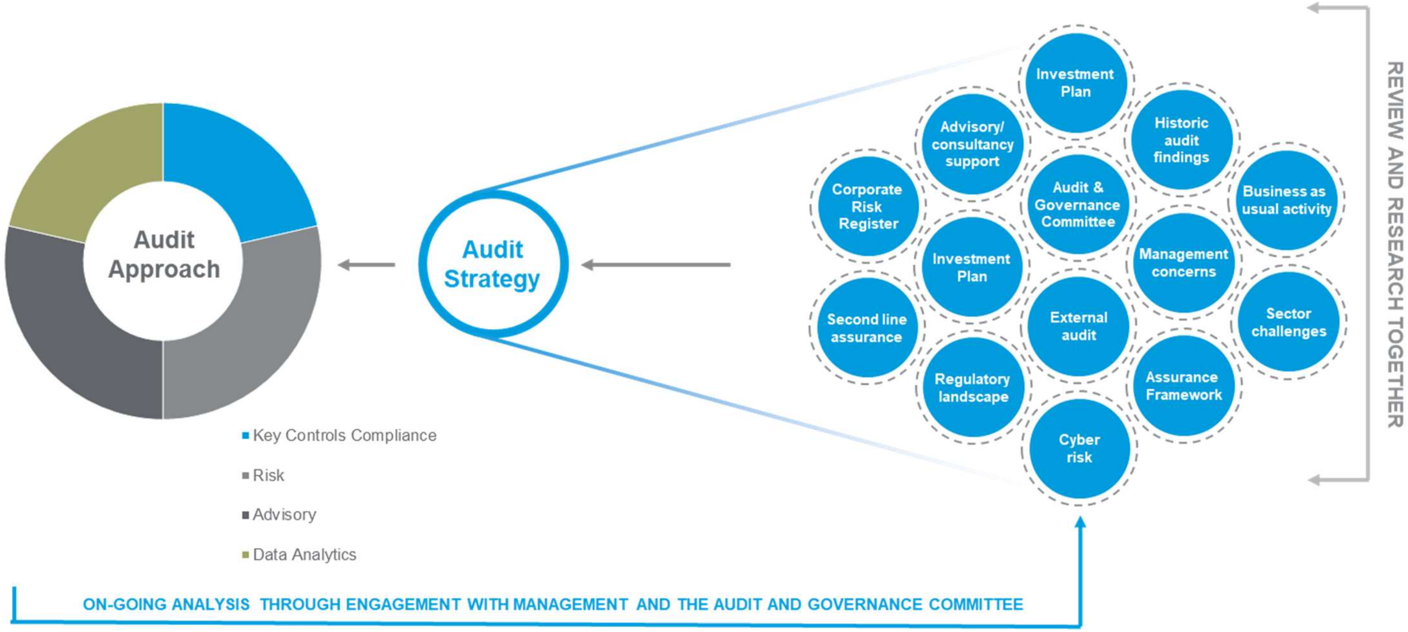
1. YOUR INTERNAL AUDIT PLAN

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting Tees Valley Combined Authority in the year ahead, including changes within the sector.

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with senior management and the Audit and Governance Committee.

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2020/2021

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2020/2021. The table details the strategic risks which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: time for tracking the implementation of actions and an audit management allocation.

Objective of the review	Days / fee	Proposed timing	Proposed Audit and Governance Committee
Strategic Risks			
C01: Failure to secure agreement on the future investment priorities. **Project / Programme Activity** We will review the monitoring and recording of pipeline activity to ensure the Authority is on target to achieve its milestones as detailed in the Investment Plan.	£2,904	Week commencing 5 October 2020	November 2020
C07: Failure to provide sufficient capacity to deliver TVCA functions. **HR: Recruitment and Selection** The Authority is in the process of transferring its HR function back in-house from Xentrall. We will consider the appropriateness and adherence to the newly established framework.	£2,904	Week commencing 18 January 2021	March 2021
C06: Obligations undertaken by STDC have potential financial impact on TVCA. **Project Management Assurance** Review of how the Authority receives assurance from South Tees Development Corporation against its project management framework.	£5,808	Week commencing 30 November 2020	March 2021
Core Assurance			
South Tees Site Company An initial position statement will be undertaken of actions / recommendations made to the Site Company from BEIS. Following this review, a more in-depth / prioritised review will be undertaken following consultation with management.	£2,420	Week commencing 9 November 2020	March 2021
Group Strategic Procurement Review of arrangements from a Group prospective focussing on the implementation and dissemination of a procurement strategy.	£3,872	Week commencing 21 September 2020	November 2020

Governance Review of the Group's revised governance structure and the interdependencies between the entities. We will also consider the actions agreed as part of the Annual Governance Statements (per entity) have been implemented.	£3,872	Week commencing 7 December 2020	March 2021
Goosepool – Financial Controls Following the transition of financial activity from the previous operator (Peel), we will review the financial controls in place at Goosepool. The exact nature will be agreed with management during the course of the year but will likely focus on one of the following areas: • Completeness of Income; • Procurement; • Creditors; or • Payroll.	£2,904	Week commencing 5 October 2020	November 2020
Directorate: Risk Management Review of the Authority's risk management arrangements at a directorate level and consider if practices are embedded and ownership for the process is taken.	£2,904	Week commencing 10 August 2020	November 2020
Other Internal Audit Activity			
Follow Up of Previous Internal Audit Management Actions To meet internal auditing standards and to provide assurance on action taken to address recommendations previously agreed by management.	£1,936	Week commencing 14 December 2020	March 2021
Management This will include: • Annual planning; • Preparation for, and attendance at, Audit and Governance Committee; • Regular liaison and progress updates; • Liaison with external audit and other assurance providers; and • Preparation of the annual opinion.	£2,904	Throughout the year	-
Total	£32,428		

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Audit and Governance Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Rob Barnett as your Head of Internal Audit supported by Philip Church as your Client Manager.

Core team

The delivery of the 2020/2021 audit plan will be based around a core team.

Conformance with internal auditing standards

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

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that ""there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers." RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

APPENDIX B: INTERNAL AUDIT STRATEGY 2020 / 2023

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. The risks detailed below are taken from the organisation's Corporate Risk Register as presented to the Audit and Governance Committee meeting on 28 May 2020. We have highlighted (in bold) those risks that internal audit will not be covering over the three-year strategy and the Audit and Governance Committee should seek alternative assurances.

Assurance Provided	
Red	Red - Minimal Assurance / Poor Progress
Amber/red	Amber/red - Partial Assurance / Little Progress
Amber/green	Amber/green - Reasonable Assurance / Reasonable Progress
Green	Green - Substantial Assurance / Good Progress
Grey	Advisory / AUP
Teal	IDEA

Audit Area	Internal Audit – Third Line of Assurance (Independent review / assurance) 2019/2020	2020/2021	2022/2022	2022/2023
Strategic risks				
C01: Failure to secure agreement on the future investment priorities.	Programme / Project Delivery	✓ (Programme / Project Activity)	✓ (Programme / Project Activity)	✓ (Programme / Project Activity)
C02: Impact of EU Exit including financial uncertainty and economic instability that affects national policy in relation to devolution and impact on ability to progress TVCA devolution strategy; in particular uncertainty on UK successor regime to ESIF funding (UKSPF) and the loss of Local Growth Funding.			✓ (ESIF Funding)	
C03: Failure to secure sufficient additional resources to fund proposed activity.				
C04: Transport specific funding secured from Government is not sufficient to meet TVCA programme aspirations e.g.				

Assurance Provided	
Red	Red - Minimal Assurance / Poor Progress
Amber/red	Amber/red - Partial Assurance / Little Progress
Amber/green	Amber/green - Reasonable Assurance / Reasonable Progress
Green	Green - Substantial Assurance / Good Progress
Grey	Advisory / AUP
Teal	IDEA

Audit Area	Internal Audit – Third Line of Assurance (Independent review / assurance) 2019/2020	2020/2021	2022/2022	2022/2023
significant local contributions sought that are not affordable and / or TCF not awarded on an on-going basis.				
C05: Failure to secure appropriate funding from Government for the operation of South Tees Development Corporation (STDC).				
C06: Obligations undertaken by STDC have potential financial impact on TVCA.		✓ (Project Management Assurance)	✓	✓
C07: Failure to provide sufficient capacity to deliver TVCA functions.		✓ (HR: Recruitment and Selection)		✓
C09: Failure to build and maintain relationships with key partners.				✓ (Communication / Marketing)
C10: Uncertainty within the economy and/or the political environment.				

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

	Internal Audit – Third Line of Assurance (Independent review / assurance)			
	2019/2020	2020/2021	2022/2022	2022/2023
Audit Area				
C11: Failure to pass the first Gateway Review.			✓ (Gateway Follow Up Review)	
C11 – A: Failure to deliver the existing pipeline of funding commitments and achieve targeted spend.				
C11 – B: Failure to manage funding in order to deliver maximum value for money.				
C12: Failure to detect fraud.				✓ (Fraud Assessment)
C13: Failure to properly manage AEB Budget.			✓ (AEB Funding)	
C14: Failure to adequately communicate and explain the TVCA and Mayor functions and role may mean expectations are not managed.				
C15: Senior Officers leave the organisation.			✓ (Succession Planning)	

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

	Internal Audit – Third Line of Assurance (Independent review / assurance)			
	2019/2020	2020/2021	2022/2022	2022/2023
Audit Area				
C16: Failure to agree a Local Industrial Strategy with Government.				
C17: Failure to operate within TVCA constitution.	Aspects of TVCA's constitution will be reviewed annually through individual assignments e.g. declaration of interests.			
C18: Failure to maximise influence at regional/national level.				
C19: Failure to operate DTVA successfully and turn around operation.				
C20: More TVCA investment required for DTVAL than is foreseen in Business Plan.				
C22: Pandemic Illness Outbreak Impact on organisation				
C23: Pandemic Illness Outbreak: Impact on delivery				
Core Assurance				
Risk Management	Strategic: Risk Management	✓ (Directorate: Risk Management)		
Governance		✓		✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

	Internal Audit – Third Line of Assurance (Independent review / assurance)			
	2019/2020	2020/2021	2022/2022	2022/2023
Audit Area				
ICT	Cyber Risk Management		✓	✓
Governance				
Key Financial Controls	Procurement	✓ (Group Strategic Procurement)	✓	✓
Declaration of Interests				
GDPR				
Subsidiary reviews		✓ (South Tees Site Company)	✓	✓
		✓ (Goosepool – Financial Controls)		
Other Internal Audit Activity				

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

	Internal Audit – Third Line of Assurance (Independent review / assurance)			
	2019/2020	2020/2021	2022/2022	2022/2023
Audit Area				
Follow Up of Previous Internal Audit Management Actions		✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Tees Valley Combined Authority. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit and Governance Committee.

The internal audit service is provided by RSM Risk Assurance Services LLP ("RSM").

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to Rob Barnett (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to the Group Director of Finance and Resources.

The Head of Internal Audit has unrestricted access to the Chair of the Audit and Governance committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Tees Valley Combined Authority. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit and Governance Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit and Governance Committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit and Governance Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit and Governance Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit and Governance Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Senior management - who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

- Board - The highest level governing body charged with the responsibility to direct and/or oversee the organisation’s activities and hold organisational management accountable. Furthermore, “board” may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an audit committee).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Sharefile.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit and Governance Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit and Governance Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit and Governance Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Audit and Governance Committee.

Fraud

The Audit and Governance Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit and Governance Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit and Governance Committee is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

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Audit & Governance Committee Internal Audit Action Tracker – July 2020

No.	Audit report	Management action	Priority	Implementation Date	Responsible Owner	Status
	Risk Management	The Authority is committed to reviewing the Risk Management Strategy and this will be undertaken once the directorate restructure has been fully implemented including reporting to Audit and Governance Committee in line with the terms of reference of this Committee.	Medium	January 31st	Director of Finance and Resources	**COMPLETE - Revised Risk Management Strategy approved by Directors and Audit & Governance Committee**
	Risk Management	The revision of the Risk Management Strategy and the development of risk management to reflect the directorate structure will incorporate current and target risks and explanations for changes in risk scores will be articulated in future updates to Audit and Governance Committee.	Low	January 31st	Director of Finance and Resources to lead the strategy review. Relevant director owners for their respective risk scores and explanations.	**COMPLETE – Revised Risk Management Strategy contains Cabinet-level Risk Appetite Statement, to be approved annually at TVCA AGM.**
	Risk Management	The Authority will consider any opportunities that may be identified as part of the risk management process as part of directorate level risk review activity.	Low	January 31st	Relevant Director owners for their respective risk scores and explanations.	**COMPLETE – see above**
	Risk Management	The risk management processes will be reviewed as part of the strategy refresh and amended to reflect the new directorate structure. This will include factors such as frequency of review depending on the rating of the risks recorded.	Low	January 31st	Director of Finance and Resources	**COMPLETE – see above**
	Risk Management	The Authority will ensure guidance is provided to external applicants as to the detail required in the risk register.	Low	January 31st	Commercial and Delivery Director	**COMPLETE - Project risk registers approach and communication to articulate evidence**
	Risk Management	The Authority will develop a roll out plan for the review and adoption of risk registers and risk management processes to the new directorate structure. This will include clear processes for risk escalation.	Medium	January 31st	Director of Finance and Resources	**COMPLETE**

	Risk Management	The Authority will ensure that, through a review of its operational processes, areas of assurance are considered and identified at each interval.	Medium	January 31st	Workstream – Finance Manager, Investment Planning Manager and Project Development Manager	**COMPLETE – Diagram available**
	Risk Management	The Authority has established governance arrangements for its controlling interest in other entities. The lead TVCA officers on the entities boards / committees have the responsibility for reporting back to the Group via SLT and / or TVCA / AGC where applicable.	Low	January 31st	Director of Finance and Resources and Goosepool Executive Director	**COMPLETE – Diagram available**
	GDPR	The Authority will update the Information Asset Register to include the number of records within information asset.	-	October 31st	DPO	**COMPLETE**
	GDPR	The Authority will introduce a data sharing agreement register which will detail all the agreements in place and be used to track the compliance of agreements.	-	October 31st	DPO	**COMPLETE**
	GDPR	The Authority will put in place training for data owners, so they are aware of their specific responsibilities.	-	October 31st	DPO	**COMPLETE**
	GDPR	The Authority will work with the IR provider to change the Password Policy so password requires changing every 90 days.	-	October 31st	DPO	**COMPLETE/SUPERCEDED - Advice received from Xentrall that the current policy of a complex password being changed annually was more in line with industry best practice than the recommendation.**
	GDPR	The retention schedule will be updated and include any information reference in the Stockton Borough Council's retention and disposal schedule as appropriate. The Authority will put in place a DPIA template, completed is as required and have in place a register to store them centrally.	-	October 31st	DPO	**COMPLETE**
	GDPR	The Authority will create posters and other forms of communication to distribute around the premises to help develop more awareness of GDPR.	-	October 31st	DPO	**ONGOING - Previous DPO considered this unnecessary given low level of personal data held by organisation. This will be reviewed when a new DPO is in post.** **Mandatory training given to staff on data protection in June 2020.**

		Staff will be required to sign to confirm they have read and understood the Authority's Employee Guide to Data Protection.				
	GDPR	The Authority will update a job description of the DPO to include more information on the responsibilities of the DPO and also allow them to report directly to Cabinet on issues relating to GDPR. The DPO will attend a relevant GDPR course. The Authority will ensure that a Cabinet member has sufficient experience and skills relating to GDPR.	-	October 31st	DPO	**ONGOING/COMPLETE - The job description for the incoming DPO will include this information.** **Training has been commissioned for additional officer, meaning two staff members are qualified to support organisation. The new DPO will be provided with this training should they not already have received it.** **An associate Cabinet member -Angela Howey – has been identified as having sufficient skills in this area. Further training for an elected Cabinet member is not considered necessary given low level of personal data held by the Combined Authority.**
	GDPR	The Authority will produce a privacy notice for each individual area of consent. The Authority will update the Data Protection Policy to include information about how they will comply with subject access requests.	-	October 31st	DPO	**Individual privacy notices are not considered necessary given low level of personal data held. TVCA has a generic privacy notice is perceived to be appropriate for all areas.** **COMPLETE - Data Protection Policy updated**
	GDPR	The Authority will work with the HR provider and have the contract updated to reflect GDPR requirements.	-	October 31st	DPO	**COMPLETE**
	GDPR	The Authority will update the procedure to ensure it includes information about what to do in the event of a third-party data breach. The Authority will also produce a data breach register which will list: • Reference; • Date report; • Details; • Where; • Category of information; • Risk; • Reported to ICO; and • Breach found by.	-	October 31st	DPO	**COMPLETE**

	Declarations of Interest	The Monitoring Officer will introduce a formal escalation process where members have not submitted their declaration of interests within the defined 28 days of appointment, ensuring the matter is brought to the attention of an appropriately senior member of management.	Medium	March 31st	Authority Monitoring Officer	**COMPLETE - A revised Declaration of Interest Policy introducing this process has been drafted and agreed between the Monitoring Officer and the Governance Manager. This policy will require Cabinet approval, which will be sought at the AGM.**
	Declarations of Interest	The Monitoring Officer will update the whistleblowing procedure, ensuring that the contact details reflect the recent change in personnel.	Low	March 31st	Authority Monitoring Officer	**COMPLETE.**
	Declarations of Interest	The Authority Monitoring Officer will introduce a single register containing the results of all declarations of interest made. This will enhance overview from a group perspective and help clarify where potential conflicts may arise.	Medium	March 31st	Authority Monitoring Officer	**COMPLETE**
	Cyber Risk Management	The Authority will ensure that training is undertaken to raise cyber security awareness for all staff. This could be achieved through: • Online training modules; • Posters; • Emails; and • Staffing briefings and meetings.	Low	TBC	Director of Finance and Resources	**COMPLETE – emails from the Chief Executive to all staff outlining employee obligations relating to cyber security were sent in February 2020.**
	Cyber Risk Management	The Authority will ensure that a formally documented information Security Policy is produced and disseminated to all staff for acceptance and signing. The policy will include key IT related roles, responsibilities and points of contact, password policy and IT acceptable use. The policy will also inform all users of the potential risks of misuse of IT, and consequences of breach of the policy by employees.	Medium	30th September	Director of Finance and Resources	**ONGOING - A policy is currently in use but was last reviewed in 2015.** **Staff are in the process of developing a more current and relevant policy, which will be circulated to all staff on approval.**
	Cyber Risk Management	The Authority will establish a formal process whereby operational MI is produced by Xentrall for TVCA management on a periodic basis.	Medium	30th June	Director of Finance and Resources	**ONGOING – A list of requirements has been submitted to Xentrall and draft MI report is expected imminently.**
	Cyber Risk Management	The Authority will ensure that all staff complete their mandatory information security training.	Low	30th June	Director of Finance and Resources	**COMPLETE**

	Cyber Risk Management	The Authority's IT team will work together with Xentrall to consider the costs and benefits of implementing a STEM solution to collate all security log information, which can be reviewed regularly to identify security threats to the network.	Low	TBC	Director of Finance and Resources	**ONGOING – options appraisal being developed by Xentrall.**

Audit progress report

Tees Valley Combined Authority (and Group)

July 2020

MAZARS

CONTENTS

MAZARS

1. AUDIT PROGRESS

Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors.

Changes in accounts and audit timetable

In April 2020 The Ministry of Housing, Communities and Local Government (MHLCG) confirmed that a statutory instrument (SI) amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The new effects of the amendments to the regulations are to change the dates that local bodies are required to publish draft and final accounts, and to remove the 'common' period during which local electors can inspect and object to local authority accounts.

The key changes for publication of draft and final accounts are as follows:

• The date for authorities to publish draft financial statements moves from 31 May to **31 August 2020**.

• The date for publication of final (audited) financial statements moves from 31 July to **30 November 2020**.

The requirement for a 'common' inspection period has been removed. The requirement to hold a 30-working-day inspection period remains, but for 2019-20 authorities can commence the inspection period at any time, except it must commence **no later than 1 September 2020**. This will allow authorities to produce their draft accounts and commence their inspection periods as soon as they are able.

Audit progress

Since the Committee last met we have:

- continued to liaise with relevant staff at the Authority in respect of our 2019/20 year end audit work including agreeing an updated year end timetable to reflect the changes to the national timetable for 2020. This will see our work commence at the end July 2020, and we plan to report our findings to the Audit and Governance Committee in October 2020, before Cabinet consider the final statements in November 2020; and

- continued to liaise with the component auditor for Goosepool and Teesside International Airport (TIA), which form a component in the Authority Group (the other component being South Tees Development Group, which we are also the auditor). We are aware that the Goosepool and TIA audits are being undertaken to a later timetable than originally envisaged, however, they are still expected to be completed ahead of the stage we would need to review the work; and

- continued to liaise with management and review key Cabinet and Committee papers to inform our ongoing risk assessment for our VFM conclusion.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

1. AUDIT PROGRESS

Mazars response to the COVID-19 pandemic

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

Ensuring resilience and maintaining the level and quality of client service

- Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption.
- Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm.
- In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.
- All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with regular economic briefings.

https://www.mazars.co.uk/

Responding to changes – working with the Authority

All Mazars' staff moved to remote working from the 16th March 2020. We are committed to supporting the Authority as best we can, recognising first and foremost, the need to be flexible as the current environment changes and also potential pressures on the finance team of the Authority. We have maintained open communication throughout this period and will continue to do so.

We are able to carry out the audit remotely and will put in place arrangements to allow this; for example, regular video conference calls, and a shared site for secure transfer of data if required. We have previously undertaken the vast majority of our work off site in prior years, and as such this should not be a significant change for the Authority. We will maintain communication via e-mail, and regular telephone and video conferencing calls.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points
Financial Reporting Council and other regulators		
1.	**Statement in respect of current situation**	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
2.	**CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, 30 April 2020**	This is technical guidance for those preparing financial statements.
National Audit Office (NA0)		
3.	**Overview of the UK government's response to the COVID-19 pandemic, 21 May 2020**	NAO's first publication considering the Government response to COVID-19.
4.	**Code of Audit Practice**	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit year and beyond.
Public Sector Audit Appointments (PSAA)		
5.	**PSAA Publishes Findings of Audit Survey, 7 May 2020**	PSAA client survey. We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.
6.	**News release: Q&As, 9 April 2020**	PSAA seeks to answer questions raised in the 2020/21 scale fee process.
7.	**2020/21 audit fee scale, 31 March 2020**	Scale fees set for 2020/21 at same level as 2019/20, but PSAA indicates likely upward pressure on audit fees for both years.
8.	**Independent review of the sustainability of the local government audit market, 4 March 2020**	PSAA publishes an independent review.

2. NATIONAL PUBLICATIONS

1. Statement on Covid-19, *Financial Reporting Council and other Regulators*, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

"*"Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.*

Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information"

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra

2. CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, *Chartered Institute of Public Finance and Accountancy*, 30 April 2020

This is technical guidance for those preparing financial statements. It covers emerging or urgent accounting issues. The bulletin for the 2019/20 financial statements includes guidance on accounting for issues relating to the COVID-19 pandemic.

https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements

3. Overview of the UK government's response to the COVID-19 pandemic, *National Audit Office*, 21 May 2020

Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government's response is unprecedented in recent history.

This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government's response to COVID-19.

https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/

2. NATIONAL PUBLICATIONS

4. Code of Audit Practice, *National Audit Office,* March 2020

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies. Schedule 6 of the Act extends this requirement to include NHS Foundation Trusts.

Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

The final draft of the latest Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). NAO plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Committee on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

Audit of the financial statements

Auditors must still comply with underlying auditing standards.

Value for money arrangements

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria:
  - Financial sustainability
  - Governance
  - Improving the 3Es – economy, efficiency and effectiveness
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

Auditor reporting

- Auditor's Annual Report introduced:
  - Replaces Annual Audit Letter
  - Includes enhanced commentary against each of the specified VFM reporting criteria
  - To be issued in line with the audit report on the financial statements

https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/

2. NATIONAL PUBLICATIONS

5. PSAA Publishes Findings of Audit Survey, *Public Sector Audit Appointments*, 7 May 2020

PSAA has published the findings of a survey of audited bodies' feedback on their audits of 2018/19 accounts.

In the past, surveys have been undertaken by the audit firms themselves and have sought the responses of client Chief Finance Officers (CFOs) to a relatively small number of high level questions.

This year, coinciding with the first audits under Appointing Person arrangements, PSAA has introduced a new approach which incorporates a number of important changes.

To assure independence and confidentiality, it has commissioned the LGA's Research & Information team to administer the survey centrally. The views of both CFOs and Audit Committee Chairs have been sought recognising the importance of the auditor's relationships with both Management and Those Charged With Governance. A longer list of survey questions has also been developed to probe more deeply into respondents' experience of different aspects of the audit and the auditor's performance.

PSAA hopes that audited bodies will find the survey results interesting and helpful in terms of stimulating discussion about their audit, identifying areas in which it went well or might have been improved. PSAA is encouraged by the volume of data which its new survey has generated and the opportunity it provides to identify good practice and/or discuss specific areas for improvement with individual audit firms.

We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.

https://www.psaa.co.uk/2020/05/psaa-publishes-findings-of-audit-survey/

6. News release: Q&As, Public Sector Audit Appointments, 9 April 2020

PSAA consulted on the 2020/21 scale fees earlier this year and published the 2020/21 scale fees on 31 March 2020. Not surprisingly in these turbulent times for audit the consultation responses contained many questions. PSAA have published a 'Q&A', setting out their answers to them.

https://www.psaa.co.uk/2020/04/news-release-qas/

2. NATIONAL PUBLICATIONS

7. 2020/21 audit fee scale, *Public Sector Audit Appointments*, 31 March 2020

The consultation set out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at bodies that have opted into PSAA's national auditor appointment scheme. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantity at this stage. They include:

- issues which have given rise to additional audit work in relation to the 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews being undertaken and referred to in this progress report (see item 7 above); and
- the introduction of the new NAO Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

The expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits, with a specific aim also to look ahead to identify any implications for 2020/21. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process.

Link to the PSAA consultation is set out below:

https://www.psaa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/

PSAA published its scale fees for 20202/21 on 31 March 2021, and concluded that:

"In current circumstances we do not have sufficient reliable information that would enable us to adjust the scale of fees for 2020/21, and so have maintained the scale fee at the level set for 2019/20 before audit work had started. In practice we recognise that in the event, with so much turbulence and change in the environment, additional fees variations are likely to arise for many bodies."

https://www.psaa.co.uk/audit-fees/2020-21-audit-fee-scale/

8. Independent review of the sustainability of the local government audit market, *Public Sector Audit Appointments*, 4 March 2020

PSAA has recently commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard (TR).

The TR report draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31st July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams.

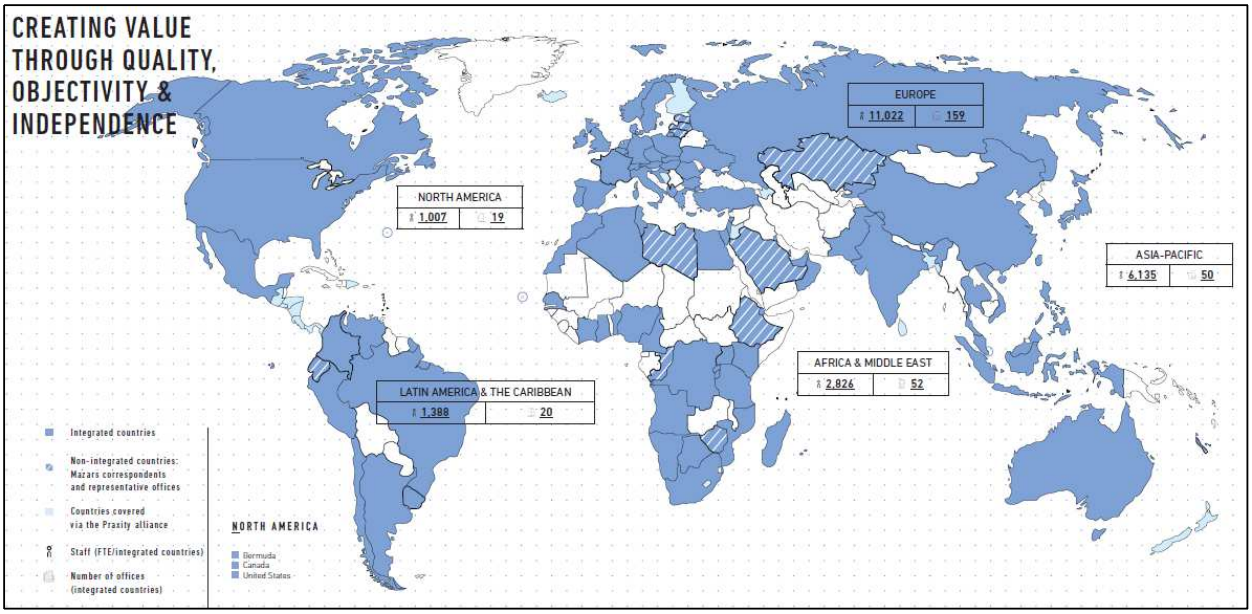
https://www.psaa.co.uk/2020/03/news-item-independent-review-of-the-sustainability-of-the-local-government-audit-market/

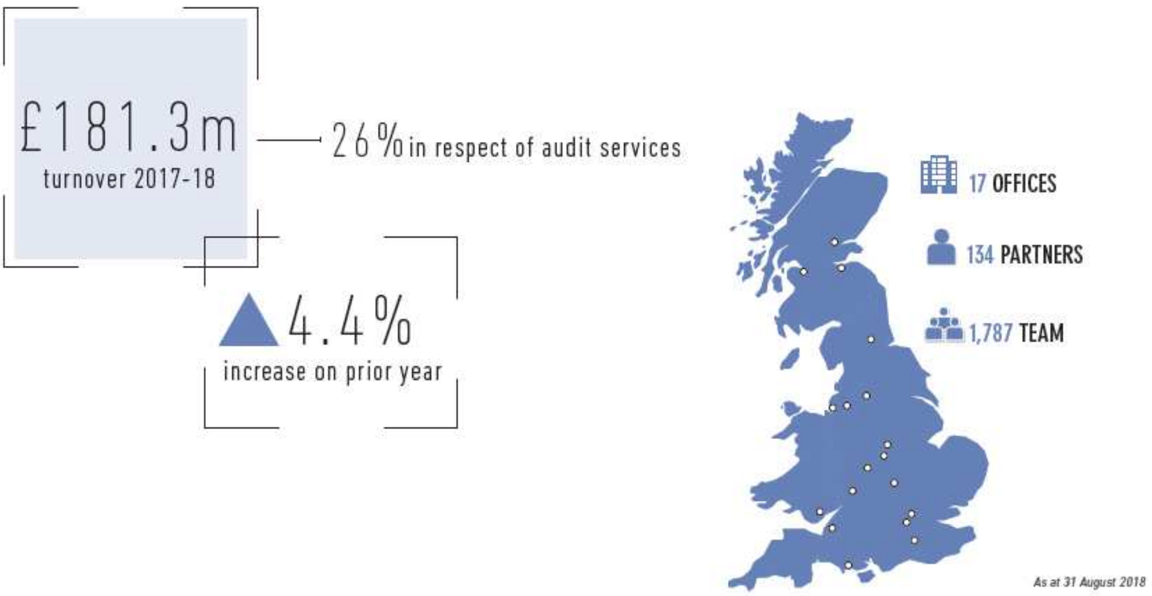
MAZARS AT A GLANCE

Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally





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MAZARS

TEES VALLEY COMBINED AUTHORITY | TEES VALLEY MAYOR

Audit & Governance Committee Forward Plan 2019/20

Standing Items

- Minutes from the Previous Meeting/Action Tracker
- Forward Plan
- Date and Venue of the Next Meeting

Date	Venue	Item
Tuesday 21st July 2020	Cavendish House	Draft Annual Financial Statements. Corporate Risk Register Internal Audit Progress Tracker External Audit Update Draft Procurement Strategy Draft internal Audit Plan
Thursday 19th November 2020	Cavendish House	Annual Financial Statements External Audit Completion Report and Value for Money Statement Annual Financial Statements Mid-Year Review Treasury Management Strategy Corporate Risk Register Internal Audit Progress Report

To be arranged	Treasury Management Advisors Update on GDPR Risk Management Strategy Annual Review