Tees Valley Combined Authority Cabinet
Agenda

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Date: Friday 27th July, 2018 at 10.00am

Venue: Cavendish House, Teesdale Business Park, Stockton-on-Tees, TS17 6QY

Membership:

Mayor Ben Houchen (Tees Valley Mayor)
Mayor David Budd (Mayor of Middlesbrough)
Councillor Bill Dixon (Leader of Darlington Borough Council)
Councillor Christopher Akers-Belcher (Leader of Hartlepool Borough Council)
Councillor Sue Jeffrey (Leader of Redcar and Cleveland Borough Council)
Councillor Bob Cook (Leader of Stockton-on-Tees Borough Council)
Paul Booth (Chair of Tees Valley Local Enterprise Partnership)

Associate Membership:

Darren Hankey (Member of Tees Valley Local Enterprise Partnership)
Professor Paul Croney (Member of Tees Valley Local Enterprise Partnership)
Jerry Hopkinson (Member of Tees Valley Local Enterprise Partnership)
Angela Howey (Member of Tees Valley Local Enterprise Partnership)
Mike Matthews (Member of Tees Valley Local Enterprise Partnership)
Mark South (Member of Tees Valley Local Enterprise Partnership)
Nigel Perry (Member of Tees Valley Local Enterprise Partnership)
David Soley (Member of Tees Valley Local Enterprise Partnership)
Albert Pattison (Member of Tees Valley Local Enterprise Partnership)
Graham Robb (Member of Tees Valley Local Enterprise Partnership)

AGENDA

1. **Apologies for absence**

2. **Declarations of Interest**

3. **Minutes**

   The minutes of the meeting held on 1st June 2018 for confirmation

4. **Announcements from the Chair**

5. **Governance and Appointments**

   Attached

6. **Interim Managing Director's Update**

   Attached

7. **Annual Financial Statements 17/18**

   Attached

8. **External Audit Completion Report**

   Attached

9. **Investment Plan Delivery Report**

   Attached

10. **Hartlepool Western Growth Corridor**

    Attached

11. **Date of next Meeting**

    28 September, 10.00am

FOR INFORMATION

12. **Delegated Decisions**

    Attached

Tees Valley Combined Authority Cabinet
Agenda

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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: Sarah Brackenborough, 01642 524423 or sarah.brackenborough@teesvalley-ca.gov.uk.

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TEES VALLEY COMBINED AUTHORITY

Tees Valley Combined Authority Declaration of Interests Procedures

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

Personal Interests

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

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

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

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

Declarations of interest relating to the Councils’ commercial role

4. The five Councils are constituent authorities of the Combined Authority, integrated within its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

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

Register of Interests

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

Declaration of Interests at Meetings

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

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

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

leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

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

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Minutes

TEES VALLEY COMBINED AUTHORITY CABINET

Cavendish House, Teesdale Business Park, Stockton-On-Tees at 12noon on Friday 1st June 2018

These minutes are in draft form until approved at the next Cabinet meeting and are therefore subject to amendments.

ATTENDEES	
Members	
Mayor Ben Houchen (Chair)	Tees Valley Mayor
Mayor David Budd	Mayor of Middlesbrough
Councillor Christopher Akers-Belcher	Leader, Hartlepool Borough Council
Councillor Bob Cook	Leader, Stockton-on-Tees Borough Council
Councillor Bill Dixon	Leader, Darlington Borough Council
Councillor Sue Jeffrey	Leader, Redcar and Cleveland Borough Council
Paul Booth	Chair, Tees Valley LEP
Associate Members	
Angela Howey	Member of Tees Valley LEP
Darren Hankey	Member of Tees Valley LEP
Professor Paul Croney	Member of Tees Valley LEP
Jerry Hopkinson	Member of Tees Valley LEP
Simon Hanson	Observer, Tees Valley LEP
Apologies for Absence	
David Soley	Member of Tees Valley LEP
Mike Matthews	Member of Tees Valley LEP
Graham Robb	Member of Tees Valley LEP
Nigel Perry	Member of Tees Valley LEP
Albert Pattison	Member of Tees Valley LEP
Siobhan McArdle	Member of Tees Valley LEP
Tony Parkinson	Chief Executive, Middlesbrough Borough Council
Officers	
Neil Schneider	Chief Executive, Stockton Borough Council
Amanda Skelton	Chief Executive, Redcar & Cleveland Borough Council
Gill Alexander	Chief Executive, Hartlepool Borough Council
Paul Wildsmith	Managing Director, Darlington Borough Council
Andrew Lewis	Managing Director, Tees Valley Combined Authority
Andrew Nixon	Monitoring Officer, Tees Valley Combined Authority
Sarah Brackenborough	Governance Manager, Tees Valley Combined Authority
Julie Gilhespie	Interim Managing Director, Tees Valley Combined Authority
Linda Edworthy	Strategy Director, Tees Valley Combined Authority
Shona Duncan	Head of Skills, Education and Employment, Tees Valley Combined Authority
Mark Wilson	Head of Transport, Tees Valley Combined Authority

Alison Fellows	Investment Director, Tees Valley Combined Authority
Lynsey Robinson	Director, Digital City
Cllr Norma Stephenson	Stockton Borough Council
Cllr Ian Haszeldine	Darlington Borough Council

TVCA 1/18	**DECLARATIONS OF INTEREST** Declarations of interest were received from: • Item 3: Mayor Ben Houchen took no part in the decision to agree the Mayoral Allowance. • Item 6: Darren Hankey (Employee of Hartlepool College) Cllr Sue Jeffrey (Chair of Governing Body, Redcar & Cleveland College) • Item 7: Cllr Sue Jeffrey (Chair of Governing Body, Redcar & Cleveland College) Darren Hankey (Employee of Hartlepool College), Jerry Hopkinson (Trustee of High Tide Foundation) • Item 10: Cllr Sue Jeffrey (Chair of Governing Body, Redcar & Cleveland College) • Item 13: Angela Howey (Personal interest as employee of EE) • Item 16: Cllr Sue Jeffrey, Mayor David Budd, Paul Booth, (South Tees Site Company Board and South Tees Development Corporation Board) Mayor Ben Houchen (South Tees Development Corporation Board) Andrew Lewis, Amanda Skelton (STDC Associate Board Members) Jerry Hopkinson (employee of company operating on site).
TVCA 2/18	**ANNUAL MEETING BUSINESS** The Cabinet received a report detailing annual appointments for agreement and confirmation by Cabinet as part of its Annual General Meeting. Cllr Sue Jeffrey Members queried why Hartlepool Borough Council had not been able to achieve the political balance requirements, as set out in the Constitution, with regards to membership of Audit and Governance Committee. Cllr Akers-Belcher agreed to take the matter back to the council for further consideration. Cllr Jeffrey drew the Cabinet's attention to a lack of diversity in terms of female and BAME appointments to both the Combined Authority and the Local Enterprise Partnership. Members agreed to refer the matter to the Overview & Scrutiny Committee for investigation. Cabinet RESOLVED to: • Agree the appointments as set out in Appendix 1 of the report, with exception of referring the nomination of Hartlepool Borough Council for Audit and Governance Committee back to the council for further consideration in the light of the Combined Authority's political balance rules. • Agree that Member's Allowances are unaltered. • Agree the recommendations of the Independent Remuneration Panel relating to the Mayor's allowance. • Note that no substantive changes to the Constitution were proposed.

TVCA 3/18	**MINUTES OF PREVIOUS MEETING** Cabinet RESOLVED that the minutes of the meeting held 14th May 2018 be confirmed and signed as a correct record.
TVCA 4/18	**MANAGING DIRECTOR'S UPDATE** Cabinet received a report providing a general update on the key activities of the Combined Authority since the last Cabinet meeting not covered in other reports to the meeting. Mayor Ben Houchen noted that this Cabinet Meeting would be Andrew Lewis' last as Managing Director, prior to him leaving the Combined Authority to become Chief Executive of Cheshire West and Chester Council and thanked him on behalf of the Cabinet for his efforts before and after his election as Mayor of the Tees Valley and wished him all the best in his new role.
TVCA 5/18	**ADULT EDUCATION BUDGET PARLIAMENTARY ORDER** Shona Duncan, Head of Skills, Education and Employment for the Combined Authority presented Cabinet a report setting out the process required to confirm the devolution of the Adult Education Budget to the Tees Valley Combined Authority from academic year 2019/20. Cllr Akers-Belcher stated that both the involvement of all five Constituent Authorities and the development of robust governance arrangements were crucial to the success of this project. Mayor Ben Houchen thanked staff for their work on the project to date. Cabinet RESOLVED to: • Approve the laying of the Parliamentary Order for the devolution of the Adult Education Budget to Tees Valley Combined Authority; • Note that approval is also required from the individual constituent councils; • Note the progress being made for implementation of the devolved funding; • Note the intention to return to Cabinet in July with a proposal for effective and inclusive operational decision making; and • Delegate immediate operational arrangements to meet the Department of Education readiness conditions to the Combined Authority Managing Director and Finance Director, in consultation with the Elected Mayor and the Cabinet Portfolio Lead.
TVCA 6/18	**TEES VALLEY CAREERS AND ENTERPRISE INITIATIVE** Shona Duncan, Head of Skills, Education and Employment for the Combined Authority presented to Cabinet plans to implement a new approach to Careers Education in the Tees Valley from September 2018. Members welcomed the report, highlighting its importance in the success of the Combined Authority's Investment and Skills Strategies.

	Cllr Dixon queried why the report made no explicit reference to young people not in education, employment or training (NEETS). Shona Duncan stated that targeting these young people were fundamental to the Initiative and agreed to review the wording of materials associated with the Initiative. Simon Hanson stated that the importance of supporting an entrepreneurial culture and encouraging young people to consider starting their own businesses should be viewed as an important part of the Initiative. Cllr Akers-Belcher requested that the Education, Employment and Skills Board receive updates on the Initiative's progress between formal meetings. Shona Duncan agreed to investigate the establishment of such a mechanism. The Cabinet discussed that the remaining £0.3m would go back in to the Single Pot. Cabinet RESOLVED to: • Note the progress made on developing the Tees Valley Careers and Enterprise Initiative within the allocation of £3 million from the Investment Fund as indicated in the Education, Employment and Skills strategy launched in April 2018, • Approve the investment of this funding on the basis set out in this paper; subject to further development of specific items for delivery by a Careers work stream group whose membership will be Schools, Employers and Local Authorities. This group will report directly to the Education, Employment and Skills Partnership Board, and • Agree that the Operating Model for implementation will be reported to Cabinet at a future meeting.
TVCA 7/18	**OVERVIEW AND SCRUTINY COMMITTEE ANNUAL REPORT** Cllr Norma Stephenson (Chair) and Cllr Ian Haszeldine (Vice Chair) presented a report summarising the work of the Overview and Scrutiny Committee for the period of May 2017 to April 2018. Cllr Stephenson outlined the Committee's proposed investigation areas for the coming civic year, specifically: • The remuneration of Combined Authority Members. • Political and officer support provided to Combined Authority members. • Diversity in Combined Authority Cabinet and Committee membership. Cllr Haszeldine thanked staff for their work supporting the work of the committee. Cabinet RESOLVED to receive the report.
TVCA 8/18	**INVESTMENT PLAN DELIVERY REPORT** Alison Fellows, Investment Director, presented Cabinet with a report setting out progress made to date delivering the Tees Valley Combined Authority Investment Plan published in April 2017. Cabinet RESOLVED to note the position of the programme and project updates.

TVCA 9/18	**IT INFRASTRUCTURE AT REDCAR & CLEVELAND COLLEGE** Cabinet received a report detailing a proposal by Stockton Riverside College to invest in improvements to IT Infrastructure at Redcar and Cleveland College site as part of the planned merger of the two colleges, and seeking approval for Combined Authority investment in the project. Cabinet RESOLVED to approve the investment as set out in the report, subject to due diligence.
TVCA 10/18	**ACTION PLAN TO DELIVER EUROPEAN STRUCTURAL INVESTMENT FUNDS** Linda Edworthy, Strategy Director, introduced a report setting out the Tees Valley Combined Authority's approach for ensuring remaining ESIF Programme resources are maximised. Members noted the importance of lobbying the government to ensure that the Tees Valley retains the level of resources currently received through its Transition Region status. Cabinet RESOLVED to note the report and agree the actions proposed.
TVCA 11/18	**DARLINGTON STATION 2025** Mark Wilson, Head of Transport, introduced a report updating Cabinet on the joint proposal by the Combined Authority, Network Rail and Darlington Borough Council to bring forward a Business Case for the Darlington 2025 project for submission to Department for Transport's Rail Network Enhancements Pipeline. The report requested Combined Authority funding for the development of the project. Members welcomed the report, noting the importance of Darlington Station to the Tees Valley's local economy. Cabinet RESOLVED to: • Note progress of the project to date • Make investment of up to £3 million of Combined Authority grant funding available to the project, subject to due diligence. • Delegate finalisation of funding and associated contractual arrangements to the Managing Director and the Finance Director.
TVCA 12/18	**SECTOR ACTION PLAN - DIGITAL** Lynsey Robinson, Director of Digital City, presented the Combined Authority's Sector Action Plan for digital industries, including proposals for the Tees Valley to apply to participate in in the government's 5G Urban Connected Communities project. Darren Hankey commended the report, but highlighted the importance of the Further Education Sector in the development of digital skills in the Tees Valley. Cabinet resolved to:

	• Approve the findings of the report. • Approve submission of an Expression of Interest for the 5G Urban Connected Communities Project, and to delegate the Expression of Interest to the Mayor, the Cabinet Portfolio holder and the Managing Director.
TVCA 13/18	**ANNUAL FINANCIAL DRAFT STATEMENTS** The Cabinet were presented with the Tees Valley Combined Authority draft Financial Statements for 2017/18, prior to their auditing. Presenting the report, Julie Gilhespie, Finance Director and Interim Managing Director thanked officers from Stockton Borough Council for their role in the production of the statements. Cabinet RESOLVED to note the draft Financial Statements.
TVCA 14/18	**TRANSFORMING CITIES FUND** Mark Wilson, Head of Transport, outlined a report detailing the funding profile of the allocation provided to the Combined Authority as part of the fund and outlined proposals for the establishment of a delivery plan for the fund. Cllr Sue Jeffrey highlighted the importance of bus travel in improving regional transport connectivity. The Tees Valley Mayor highlighted the need to demonstrate a significant local contribution to Darlington station, of around £25 million, in order to unlock funds of at least £75 million from government. He made clear his support for a commitment of this scale, and for this to be confirmed by Cabinet when a further update in brought back for consideration. Cabinet RESOLVED to note the report
TVCA 15/18	**SOUTH TEES DEVELOPMENT CORPORATION – STSC TRANSITION PLAN** The Mayor proposed and Cabinet agreed to pass a resolution to exclude the press and public for the duration of the first item of business, under paragraph 3 of part 1of schedule 12a of the Local Government Act 1972, in order to allow Cabinet to consider matters of a commercially confidential nature. This report detailed the progress of work to transfer the long term responsibility for operation and development of the South Tees Development Corporation Site to local ownership, via a Transition Group, and the development of a draft Transition Plan. Cabinet RESOLVED to approve the draft Transition Plan as a basis to move Transition forward.
TVCA 16/18	**DATE OF NEXT MEETING** Friday 27th July 2018

AGENDA ITEM 5

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

27 JULY 2018

REPORT OF THE INTERIM MANAGING DIRECTOR

GOVERNANCE AND APPOINTMENTS

SUMMARY

This report requests that Cabinet ratify appointments made to the positions of Chair and Vice Chair of the Combined Authority Overview and Scrutiny Committee and the Audit and Governance Committee, and one outstanding appointment to the Audit and Governance Committee. The appointments to the Audit and Governance Committee will be updated verbally at the meeting due to the timing of that meeting.

RECOMMENDATIONS

i. Approves the appointments set out in this report.
ii. Notes Overview and Scrutiny Committee's intention to conduct a study into the diversity of membership of the Tees Valley Combined Authority, as previously requested by Cabinet.

DETAIL

1. Councillor Bill Dixon will step down as Leader of Darlington Borough Council at their next Council meeting on Thursday 19th July. The new Leader of Darlington Borough Council will be appointed at the same meeting. According to the Combined Authority's Constitution, the new Leader will become Cabinet member and Deputy Mayor of the Combined Authority. Due to the timing of Darlington's Council meeting and the statutory deadline for the publication of the Combined Authority Cabinet papers, the appointment will be made verbally at the Cabinet meeting.

2. The Chair of the Local Enterprise Partnership has received notification of the resignation of Siobhan McArdle as a LEP member. This leaves a vacancy on the associate membership of the Cabinet. A recruitment campaign for LEP members, focusing on addressing diversity of the membership, is due to commence shortly.

3. At its meeting on Thursday June 7th 2018 the Tees Valley Combined Authority Overview and Scrutiny Committee unanimously elected the following:

    - Councillor Norma Stephenson OBE as Chair for the civic year 2018/19.
    - Councillor Ian Haszeldine as Vice-Chair for the civic year 2018/19.

4. As part of its work programme for the forthcoming year the Committee has also agreed to undertake a scrutiny study into the diversity of membership of the Tees Valley Combined Authority, as requested by Cabinet at its June 1st 2018 meeting. It plans to bring a report on the matter, including recommendations, before Cabinet before the commencement of the pre-election period for the council elections of May 2019.

5. At its meeting on Thursday June 21st 2018 Hartlepool Borough Council nominated Councillor Anne Marshall to be its representative on the Combined Authority's Audit and Governance Committee for the Civic Year 2018/19.

6. Audit and Governance Committee will meet to elect its Chair and Vice-Chair for the coming civic year on July 25th 2018 and Cabinet will receive a verbal update on the outcome of this meeting.

FINANCIAL IMPLICATIONS

7. Support for the governance of the Tees Valley Combined Authority is provided from within the Authority's core budget, as agreed by Cabinet through the annual budget process, and funded through resources devolved from central government.

LEGAL IMPLICATIONS

8. The report relates to the Constitution for the Combined Authority which sets out the appropriate statutory framework. The Constitution came in to effect on 8th May 2017 and is legally binding.

RISK ASSESSMENT

9. This report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

10. Appointments are made in accordance with the Combined Authority Constitution and the processes governing each Local Authority.

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AGENDA ITEM 6

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

27 JULY 2018

REPORT OF THE INTERIM MANAGING DIRECTOR

INTERIM MANAGING DIRECTOR'S UPDATE

SUMMARY

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

RECOMMENDATIONS

For information.

DETAIL

Darlington Northern Link Road

1. Work is continuing to progress towards the development of a new strategic highway linking the A66 and the A1, north of Darlington.

2. At December's Cabinet meeting members endorsed plans for the construction of a road connecting Junction 59 of the A1 to the A66 Great Burdon Roundabout as the preferred option for scheme.

3. Discussions are continuing with Department for Transport about the development of a Business Case for the project and the Tees Valley Combined Authority has recently provided an update on the scheme's progress to them. We are in the process of exploring the potential for the Department of Transport to make a financial contribution towards the development of this business case with confirmation expected this Autumn. Work on the project continues using the local resources identified by the Combined Authority at December's Cabinet Meeting.

Youth Employment Initiative (YEI)

4. The Youth Employment Initiative is a government scheme which aims to support young people aged 15-29 who are unemployed and/or not in education, employment or training

5. The Department of Work and Pension has requested existing providers to submit growth bids for an extension in time and funding of the programme. The two providers that this affects are New College Durham and Hartlepool Council. Both are consortium programmes that work with a range of partners to assist people aged up to 29 to move towards employment and gain work. The current programme would end in July if no extension was enabled. Both providers have submitted growth bids.

6. In Oct 2016 Cabinet agreed £2.06m from the Investment Fund would be allocated to extending the YEI programme. This funding was not required at the time and therefore is now being allocated to provide the match funding required for each growth bid. Hartlepool have requested £1,447,000 and New College Durham £300,000. The remaining £313 000 will be re-allocated to the single pot.

Readiness conditions for devolution of Adult Education Budget

7. The Department of Education have now confirmed that the Combined Authority has a robust plan in place to be ready for devolution of the Adult Education Budget in 2019.

8. This was the result of a significant assessment process where a Department of Education panel assessed a detailed submission. The feedback was extremely positive with the only recommendation that we ensure an equality policy is developed as part of the programme implementation.

New Tees Crossing

9. Work is continuing on the development of a new strategic road crossing for the Tees designed to reduce congestion and journey times on the A19 by providing additional road capacity of up to 72,000 vehicles per day and allow continued traffic flow in the event of an incident on the A19 or A66.

10. December's Cabinet endorsed the Tees Viaduct Option, adjacent to the A19 Flyover, as the preferred site for the crossing.

11. We are continuing to work with the Department for Transport to develop a Business Case for the project and have recently formally updated them on the scheme's progress. We are exploring the potential for the Department of Transport to also make a financial contribution towards the development of this business case with confirmation expected this Autumn. Work on the project continues using the local resources as agreed by Cabinet in December.

Middlesbrough District Energy Network

12. Work is progressing on the creation of a District Energy Network, designed to provide major buildings in Middlesbrough with a low carbon energy source, generated by the burning non-recyclable rubbish.

13. We have reached an outline agreement with South Tees NHS Trust that will see it being both the most significant offtaker (taking more than half of all output), and potentially an equity investor. The details of this will be agreed in the next few weeks, and discussions with Teesside University and MBC about offtake contracts run in parallel.

14. When this agreement is reached a commercialisation phase will commence, prior to procurement of a detailed design and the construction and operation of the system.

City Of Culture 2025 Bid Preparation

15. The City of Culture bidding process and designation has the potential to be a vehicle for transformational change in the Tees Valley. It is an opportunity for our communities to gain richer, more nourishing life experiences and to connect with their place in inspiring new ways; for our businesses to champion their skills through new platforms and attract new talent to the area; and for our visitors to enjoy a deeper understanding of the strengths, talents and contributions that define the Tees Valley.

16. Several strategic discussions and workshops have already taken place, establishing the commitment and support of the Local Authorities, key stakeholders represented through the Culture Thematic Group, and leaders in the cultural sector.

17. We are now opening this conversation up to our communities encouraging them to lead our thinking around the purpose, nature and power of our City of Culture journey.

18. The following workshops have taken place so far to help develop the City of Culture bid:
    - Workshops with Culture Leads and the Culture Officers group.
    - Several workshops with the Culture sector who will help us deliver the community engagement.
    - A visit to Stoke-on-Trent on 14 June by seven members of our culture leads and Thematic Group to learn from the Culture Group that led the bid (unsuccessful) for Stoke-on-Trent to be City of Culture in 2021.
    - 21 June – Bloomberg Harvard Leadership Initiative (involving representatives from business, education and communities, developing a shared narrative around City of Culture)
19. An engagement programme will be delivered over 18 - 24 months, with each stage of the process informing the next. It places culture at its heart - commissioning creative talents to produce engagements which are welcoming, revealing, enjoyable and inspiring - and seeks to engage thousands of people from across the Tees Valley, reaching into every community, every school, and connecting with our workforce. This work will begin with pilot engagement events over summer 2018 testing the

ways of stimulating conversations and responses before the broader engagement begins.

20. The bid will be put in in April 2021, shortlisting of places takes place in September 2021, and the winner will be announced in December 2021.

FINANCIAL IMPLICATIONS

21. There are no financial implications to this report.

LEGAL IMPLICATIONS

22. There are no legal implications to this report.

RISK ASSESSMENT

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

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TEES VALLEY COMBINED AUTHORITY

AGENDA ITEM 7

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

27 JULY 2018

REPORT OF THE INTERIM MANAGING DIRECTOR

ANNUAL FINANCIAL STATEMENTS 17/18

SUMMARY

To present to Members of the Cabinet the Financial Statements incorporating the annual Governance Statement and the Annual Report for 2017/18

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority Cabinet approve the Financial Statements, Annual Governance Statement and Annual Report.

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 2017/18 financial statements will, for the first time, incorporate the South Tees Development Corporation to form group accounts for the Combined Authority.

3. 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.

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

5. The attached Statement of accounts at **Appendix 1** have been audited by Mazars LLP and the findings are contained within the external audit completion report at agenda item 8.

6. A requirement of the regulations state that the Governance Statement should be signed by a minimum of the Managing Director and the Mayor, following approval by Cabinet. A key objective of this signing off process is to secure corporate ownership

of the statement's contents. It the Authority's intention that this year's Annual Governance Report also be signed by the Chair of the Local Enterprise Partnership, in line with best practice recommendations made by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their 2016/17 review of Annual Governance Statements.

7. The Annual Governance Statement includes an acknowledgement of responsibility for ensuring that proper arrangements are in place around the governance of its affairs and an indication of the level of assurance that the system provides. The statement also includes a description of the key elements forming the governance framework, a description of the process applied in reviewing the effectiveness of this framework, including the system of internal control, and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.

8. The Combined Authority's draft Annual Governance Statement for 2017/18 is attached at **Appendix 2**.

9. The Combined Authority has created its first Annual Report. The report is designed to act as a public record of the organisation's collective achievements and key areas of work. It contains a financial report for 2017-2018 and summarises the Combined Authority's future direction and priorities to stakeholders and the wider public.

10. It will be distributed to local authorities, stakeholders and the Tees Valley business community. The report is part of a drive towards a more corporate style of communications and will also be available to download from the Combined Authority's new website.

FINANCIAL IMPLICATIONS

11. None

LEGAL IMPLICATIONS

12. Regulation 9(1) of the Accounts and Audit Regulations 2015 requires the Authority's Chief Finance Officer to sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the Authority. Regulation 9(2) requires the Statement of Accounts to be approved by members prior to publication. Regulation 10(1) requires the publication of the approved, audited Statement of Accounts by 31st July 2018

RISK ASSESSMENT

13. None

CONSULTATION

14. The draft accounts were published on the Combined Authority's website for a period of 30 days that includes the first 10 working days of June. During this period the public can examine the accounts, question the auditor and to make objections.

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Tees Valley Combined Authority - Annual Financial Statements 2017/18

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Introduction

Welcome to the Tees Valley Combined Authority's Annual Statement of Accounts for 2017/18. 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 2017/18. This Annual Statement of Accounts will, for the first time, be group accounts incorporating Tees Valley Combined Authority and South Tees Development Corporation.

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 and 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.

Under new legal powers available to TVCA the South Tees Development Corporation (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.

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 increases in 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 and 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. For the first time, the Tees Valley was able to bring together multiple government funding sources, previously determined in Westminster and Whitehall, into a "single pot" for local decision-making. The Investment Plan described how £464 million of investment was being invested through a 5 year programme from 2016-2021. The Investment Plan also demonstrated how the Combined Authority would:

- actively support project development;
- respond flexibly to opportunities;
- build an asset base to be used for future re-investment;

- seek innovative partnership and commercial funding models;
- continue to secure further resources into the local fund;
- explore borrowing powers and take a commercial approach to assessing and managing risks;
- invest in strong proposals for the best value for money; and
- work to the agreed Assurance Framework.

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. 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 via the website (www.southteesdc.com).

Achievements in Year

2017/18 was only the second year of operations for TVCA and we have successfully built on the work undertaken in the first year 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. Spend has been accelerated to start to deliver on a number of projects and programmes whilst also committing to new projects which match our ambitious plans. 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:-

- In August 2017 we established the first Mayoral Development Corporation to be set up outside of Greater London with the Masterplan for the site being launched in October.
- A draft Strategic Transport Plan has been developed to address transport issues in the Tees Valley and present a vision for the future
- Our "Inspiring our Future" strategy was launched to transform education, employment and skills and increase residents access to the planned 133,000 jobs available in Tees Valley by 2024
- A move to low-carbon, clean energy offers a remarkable economic opportunity for our area and during the year we were recognised by Energy Minister Claire Perry as the leading area for Carbon, Capture and Storage through the Teesside Collective
- In March we launched "Enjoy Tees Valley" – a new destination marketing initiative that will promote local culture and attractions, and includes a new website.
- We have continued to support business growth with more than 1,000 businesses engaging with Business Compass this year, and 672 companies electing to receive intensive face-to-face support.
- During the year we have invested £51million on programmes, projects, grant schemes and development funding for future projects.
- In the past year we have secured £67million in Government funding for a much-needed overhaul to our road and rail network, and we will continue to deliver our transformative vision for the future of transport in our area.
- We have secured funding to enable a new £7.5million 'Routes to Work' scheme to help 2,500 long-term unemployed back to work.
- We commenced the Great Place programme to strengthen cultural capacity and activity, creating stronger engagement in Tees Valley supported by £1.5million funding secured from Heritage Lottery Fund.

Narrative Report

Looking Ahead Including Risks and Opportunities

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

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

The STDC masterplan is an opportunity to enhance the local area through the creation of high quality jobs in industries which are resilient to future change and should create 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 of unforeseen issues when redeveloping the site, principally these would be ground conditions but there could also be a similarly small risk of items identified whilst demolition of current structures takes place.

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. But there are also opportunities to develop new methods of funding, which could mean that Brexit actually improves the impact of regional economic development funding for areas such as ours. We will continue to engage with Government on future funding plans post Brexit.

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

Key Sections Included in the Statement of Accounts

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

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

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

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

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

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

Narrative Report

Borrowing and Lending Arrangements

During 2017/18, the Combined Authority had no powers to borrow for investment and therefore has no loans.
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 £91m. The average rate of return on investments was 0.37% and this has generated £395k in interest in the year.
The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
In terms of investment strategy, given the increasing risk and falling returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2018/19.

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.

Further Information

Further information about our finances is available from the Combined Authority's website, https://teesvalley-ca.gov.uk or from the Chief Financial Officer, 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 2018

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 Provision of Services 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 Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Transfer from Stockton Borough Council	35,121			35,121		35,121
Movement in reserves during 2016/17						
Total Comprehensive Income and Expenditure	52,028			52,028	(1,723)	50,305
Adjustments between accounting basis & funding basis under regulations (Note 5)	(40,403)		40,570	167	(167)	**-**
Increase/Decrease in Year	11,625		40,570	52,195	(1,890)	50,305
Balance at 31 March 2017 carried forward	46,746		40,570	87,316	(1,890)	85,426
Movement in reserves during 2017/18						
Balance at 31 March 2017 brought forward	46,746	-	40,570	**87,316**	(1,890)	**85,426**
Total Comprehensive Income and Expenditure	11,031	-	-	**11,031**	48	**11,079**
Adjustments between accounting basis & funding basis under regulations (Note 5)	(6,431)	-	6,862	**431**	(431)	**-**
Increase/Decrease in Year	**4,600**	**-**	**6,862**	**11,462**	**(383)**	**11,079**
Balance at 31 March 2018 carried forward	**51,346**	**-**	**47,432**	**98,778**	**(2,273)**	**96,505**
General Fund analysed over:						
Amounts earmarked (Note 6)	50,313					
Amounts uncommitted	1,033					
Total General Fund Balance at 31 March 2018	**51,346**					

TVCA Movement in Reserves Statement for the year ended 31 March 2018

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Transfer from Stockton Borough Council	35,121			35,121		35,121
Movement in reserves during 2016/17						
Total Comprehensive Income and Expenditure	52,028			52,028	(1,723)	50,305
Adjustments between accounting basis & funding basis under regulations (Note 5)	(40,403)		40,570	167	(167)	**-**
Increase/Decrease in Year	11,625		40,570	52,195	(1,890)	50,305
Balance at 31 March 2017 carried forward	46,746		40,570	87,316	(1,890)	85,426
Movement in reserves during 2017/18						
Balance at 31 March 2017 brought forward	46,746	-	40,570	**87,316**	(1,890)	**85,426**
Total Comprehensive Income and Expenditure	7,181	-	-	**7,181**	49	**7,230**
Adjustments between accounting basis & funding basis under regulations (Note 5)	(5,508)	-	5,937	**429**	(429)	**-**
Increase/Decrease in Year	**1,673**	**-**	**5,937**	**7,610**	**(380)**	**7,230**
Balance at 31 March 2018 carried forward	**48,419**	**-**	**46,507**	**94,926**	**(2,270)**	**92,656**
General Fund analysed over:						
Amounts earmarked (Note 6)	47,458					
Amounts uncommitted	961					
Total General Fund Balance at 31 March 2018	**48,419**					

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

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

2016/17				2017/18		
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
6,108	(10,112)	**(4,004)**	Business Growth	3,130	(1,541)	**1,589**
1,631	(4,378)	**(2,747)**	Research Development Innovation & Energy	3,937	(67)	**3,870**
4,558	(6,827)	**(2,269)**	Education Employment & Skills	6,382	(1,216)	**5,166**
25	-	**25**	Culture	685	(474)	**211**
20,602	(20,863)	**(261)**	Transport	23,338	(19,361)	**3,977**
58	(6,679)	**(6,621)**	Enabling Infrastructure	10,706	(3,593)	**7,113**
1,258	(1,258)	**-**	Project Development	1,006	(1,176)	**(170)**
2,227	(7,028)	**(4,801)**	Core Running Costs	4,492	(5,583)	**(1,091)**
16,505	(16,505)	**-**	Concessionary Fares	16,628	(16,628)	**-**
8,259	1,485	**9,744**	SSI Related Schemes Not in the Investment Plan	5,152	50	**5,202**
1,309	(1,237)	**72**	Not Directly Attributable to Themes	1,411	(9,898)	**(8,487)**
62,540	**(73,402)**	**(10,862)**	**Cost Of Services**	**76,867**	**(59,487)**	**17,380**
			Financing and Investment Income and Expenditure:			
160	(130)	**30**	Net interest on the net defined benefit liability/asset	176	(136)	40
	(253)	**(253)**	Interest receivable and similar income		(462)	(462)
			Taxation and Non-Specific Grant Income:			
-	(373)	**(373)**	Non-ringfenced government grants	-	-	-
-	(40,570)	**(40,570)**	Capital grants and contributions	-	(27,989)	(27,989)
62,700	**(114,728)**	**(52,028)**	**(Surplus) or Deficit on Provision of Services**	**77,043**	**(88,074)**	**(11,031)**
		1,723	Re-measurements of the defined benefit liability			(48)
		-	Other (gains) and losses			-
		1,723	**Other Comprehensive Income and Expenditure**			**(48)**
		(50,305)	**Total Comprehensive Income and Expenditure**			**(11,079)**

TVCA Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

2016/17				2017/18		
£000s	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
6,108	(10,112)	**(4,004)**	Business Growth	3,130	(1,541)	**1,589**
1,631	(4,378)	**(2,747)**	Research Development Innovation & Energy	3,937	(67)	**3,870**
4,558	(6,827)	**(2,269)**	Education Employment & Skills	6,382	(1,216)	**5,166**
25	-	**25**	Culture	685	(474)	**211**
20,602	(20,863)	**(261)**	Transport	23,338	(19,361)	**3,977**
58	(6,679)	**(6,621)**	Enabling Infrastructure	11,631	(3,593)	**8,038**
1,258	(1,258)	**-**	Project Development	4,130	(3,550)	**580**
2,227	(7,028)	**(4,801)**	Core Running Costs	4,283	(3,199)	**1,084**
16,505	(16,505)	**-**	Concessionary Fares	16,628	(16,628)	**-**
8,259	1,485	**9,744**	SSI Related Schemes Not in the Investment Plan	5,152	50	**5,202**
1,309	(1,237)	**72**	Not Directly Attributable to Themes	1,411	(9,898)	**(8,487)**
62,540	**(73,402)**	**(10,862)**	**Cost Of Services**	**80,707**	**(59,477)**	**21,230**
			Financing and Investment Income and Expenditure:			
160	(130)	**30**	Net interest on the net defined benefit liability/asset	176	(136)	40
	(253)	**(253)**	Interest receivable and similar income		(462)	(462)
			Taxation and Non-Specific Grant Income:			
-	(373)	**(373)**	Non-ringfenced government grants	-	-	-
-	(40,570)	**(40,570)**	Capital grants and contributions	-	(27,989)	(27,989)
62,700	**(114,728)**	**(52,028)**	**(Surplus) or Deficit on Provision of Services**	**80,883**	**(88,064)**	**(7,181)**
		1,723	Re-measurements of the defined benefit liability			(49)
		-	Other (gains) and losses			-
		1,723	**Other Comprehensive Income and Expenditure**			**(49)**
		(50,305)	**Total Comprehensive Income and Expenditure**			**(7,230)**

Group & TVCA Balance Sheet as at 31 March 2018

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Group is 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**	TVCA and Group
		31 March 2018 £000s	**31 March 2018 £000s**	31 March 2017 £000s
Non-current assets				
Long Term Debtors		6,448	6,448	5,013
Total non-current assets		6,448	6,448	5,013
Current assets				
Short term investments		65,000	65,000	50,056
Debtors	10	5,060	5,282	5,966
Cash and Cash Equivalents	11	30,074	26,000	28,002
Total current assets		100,134	96,282	84,024
Current liabilities				
Cash and Cash Equivalents	11	(2,648)	(2,648)	
Short Term Creditors	12	(5,378)	(5,375)	(1,897)
Total current liabilities		**(8,026)**	**(8,023)**	(1,897)
Long term liabilities				
Long Term Creditors		-	-	
Other Long Term Liabilities	13 & 20	(2,051)	(2,051)	(1,714)
Total long term liabilities		**(2,051)**	**(2,051)**	(1,714)
Net Assets:		**96,505**	**92,656**	85,426
Reserves				
Usable reserves:				
General Fund Balance	1	1,033	961	668
Earmarked General Fund Reserves	6	50,313	47,458	46,078
Capital Grants Unapplied		47,432	46,507	40,570
		98,778	94,926	87,316
Unusable Reserves:				
Pensions Reserve	13 & 20	(2,051)	(2,051)	(1,714)
Accumulated Absences Account	5	(222)	(219)	(176)
		(2,273)	(2,270)	(1,890)
Total Reserves:		**96,505**	**92,656**	85,426

Mayor Ben Houchen ....

Chair Tees Valley Combined Authority Cabinet
27th July 2018

Group & TVCA Cash Flow Statement For The Year Ended 31 March 2018

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

	Note	Group 2017/18 £000s	TVCA 2017/18 £000s	TVCA and Group 2016/17 £000s
Net (surplus) or deficit on the provision of services		**(11,031)**	**(7,181)**	(52,028)
Adjustments to net surplus or deficit on the provision of services for non-cash movements:				
Pension Fund adjustments		(385)	(386)	9
Transfer of reserves from Stockton-on-Tees Borough Council		-	-	(35,121)
Increase/(Decrease) in Revenue Debtors	10	(906)	(684)	5,966
(Increase)/Decrease in Revenue Creditors	12	(3,481)	(3,478)	(1,897)
Increase/(Decrease) in Long Term Debtors		1,435	1,435	5,013
		(3,337)	**(3,113)**	(26,030)
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		28,084	27,989	40,570
		28,084	**27,989**	40,570
Net cashflow from operating activities		**13,716**	**17,695**	(37,488)
Investing activities				
Purchase of short term and long term investments		71,000	71,000	50,056
Proceeds from short term and long term investments		(56,056)	(56,056)	-
Other receipts from investing activities		(28,084)	(27,989)	(40,570)
Net cashflow from investing activities		**(13,140)**	**(13,045)**	9,486
Net (increase) or decrease in cash and cash equivalents		**576**	**4,650**	(28,002)
Cash and cash equivalents at the beginning of the reporting period		**(28,002)**	**(28,002)**	**-**
Cash and cash equivalents at the end of the reporting period	11	**(27,426)**	**(23,352)**	(28,002)
The cashflow for operating activities includes the following items:				
Interest received		**(375)**	**(375)**	(191)
Interest paid		**-**	**-**	**-**

Note 1: 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.

2016/17				2017/18		
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**
43	(4,047)	**(4,004)**	Business Growth	1,540	49	**1,589**
45	(2,792)	**(2,747)**	Research Development Innovation & Energy	7	3,863	**3,870**
21	(2,290)	**(2,269)**	Education Employment & Skills	1,173	3,993	**5,166**
24	1	**25**	Culture	467	(256)	**211**
30	(291)	**(261)**	Transport	1,182	2,795	**3,977**
-	(6,621)	**(6,621)**	Enabling Infrastructure	872	6,241	**7,113**
-	-	**-**	Project Development	3,350	(3,520)	**(170)**
(276)	(4,525)	**(4,801)**	Core Running Costs	1,000	(2,091)	**(1,091)**
-	-	**-**	Concessionary Fares	-	-	**-**
(1)	9,745	**9,744**	SSI Related Schemes Not in the Investment Plan	-	5,202	**5,202**
72	-	**72**	Not Directly Attributable to Themes	12,130	(20,617)	**(8,487)**
(42)	**(10,820)**	**(10,862)**	**Net Cost Of Services**	**21,721**	**(4,341)**	**17,380**
(626)	(40,540)	(41,166)	Other Income and Expenditure	(22,086)	(6,325)	(28,411)
(668)	**(51,360)**	**(52,028)**	Surplus or Deficit	**(365)**	**(10,666)**	**(11,031)**
-			**Opening General Fund Balance**	**668**		
668			Less/Plus Surplus or (Deficit)	**365**		
668			**Closing General Fund Balance at 31 March 2017**	**1,033**		

Note 1: Group Expenditure & Funding Analysis

Group Notes to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis 2017/18				
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	1,394	9	(1,354)	**49**
Research Development Innovation & Energy	3,327	-	536	**3,863**
Education Employment & Skills	4,886	14	(907)	**3,993**
Culture	201	7	(464)	**(256)**
Transport	3,908	-	(1,113)	**2,795**
Enabling Infrastructure	6,875	3	(637)	**6,241**
Project Development	536	-	(4,056)	**(3,520)**
Core Running Costs	-	301	(2,392)	**(2,091)**
Concessionary Fares	-	-	-	**-**
SSI Related Schemes Not in the Investment Plan	-	13	5,189	**5,202**
Not Directly Attributable to Themes	-	-	(20,617)	**(20,617)**
Net Cost Of Services	21,127	347	(25,815)	**(4,341)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,989)	40	21,624	**(6,325)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(6,862)	387	(4,191)	**(10,666)**

Adjustments between Funding and Accounting Basis 2016/17				
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)	(4,045)	(4,047)
Research Development Innovation & Energy	-	-	(2,792)	(2,792)
Education Employment & Skills	-	(1)	(2,289)	(2,290)
Culture	-	(1)	2	1
Transport	-	-	(291)	(291)
Enabling Infrastructure	-	-	(6,621)	(6,621)
Project Development	-	-	-	-
Core Running Costs	-	(33)	(4,492)	(4,525)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	(2)	9,747	9,745
Not Directly Attributable to Themes	-	-	-	-
Net Cost Of Services `	**-**	**(39)**	**(10,781)**	**(10,820)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(40,570)	30	-	(40,540)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**(40,570)**	**(9)**	**(10,781)**	**(51,360)**

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 ie 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**	**TVCA**	TVCA and Group
	2017/18	**2017/18**	2016/17
	£000s	**£000s**	£000s
Expenditure			
Employee benefits expenses	3,694	3,579	2,476
Other services expenses	73,173	77,128	60,065
Interest payments	176	176	160
Total Expenditure	**77,043**	**80,883**	62,701
Income			
Fees, charges and other service income	(108)	(98)	(691)
Interest and investment income	(598)	(598)	(383)
Government grants and contributions	(87,368)	(87,368)	(113,655)
Total Income	**(88,074)**	**(88,064)**	(114,729)
(Surplus) or Deficit on the Provision of Services	**(11,031)**	**(7,181)**	(52,028)

Segmental Income

Income received on a segmental basis is analysed below:	**Group**	**TVCA**	TVCA and Group
	2017/18	**2017/18**	2016/17
	£000s	**£000s**	£000s
Services	**Income from Services**	**Income from Services**	Income from Services
Business Growth	-	0	0
Research Development Innovation & Energy	-	0	0
Education Employment & Skills	(7)	(7)	0
Culture	-	0	0
Transport	-	0	0
Enabling Infrastructure	-	0	0
Project Development	-	0	0
Core Running Costs	(94)	(84)	(275)
SSI Related Schemes Not in the Investment Plan	(7)	(7)	(416)
Total income analysed on a segmental basis	**(108)**	**(98)**	(691)

Note 1: Expenditure & Funding Analysis TVCA

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

2016/17				2017/18		
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**
43	(4,047)	**(4,004)**	Business Growth	1,541	48	**1,589**
45	(2,792)	**(2,747)**	Research Development Innovation & Energy	7	3,863	**3,870**
21	(2,290)	**(2,269)**	Education Employment & Skills	1,173	3,993	**5,166**
24	1	**25**	Culture	467	(256)	**211**
30	(291)	**(261)**	Transport	1,183	2,794	**3,977**
-	(6,621)	**(6,621)**	Enabling Infrastructure	872	7,166	**8,038**
-	-	**-**	Project Development	3,349	(2,769)	**580**
(276)	(4,525)	**(4,801)**	Core Running Costs	1,072	12	**1,084**
-	-	**-**	Concessionary Fares	-	-	**-**
(1)	9,745	**9,744**	SSI Related Schemes Not in the Investment Plan	-	5,202	**5,202**
72	-	**72**	Not Directly Attributable to Themes	12,129	(20,616)	**(8,487)**
(42)	**(10,820)**	**(10,862)**	**Net Cost Of Services**	**21,793**	**(563)**	**21,230**
(626)	(40,540)	(41,166)	Other Income and Expenditure	(22,086)	(6,325)	(28,411)
(668)	**(51,360)**	**(52,028)**	Surplus or Deficit	**(293)**	**(6,888)**	**(7,181)**
-			**Opening General Fund Balance**	**668**		
668			Less/Plus Surplus or (Deficit)	**293**		
668			**Closing General Fund Balance at 31 March 2017**	**961**		

Note 1: Expenditure & Funding Analysis TVCA

Notes to the Expenditure and Funding Analysis: TVCA

Adjustments between Funding and Accounting Basis 2017/18				
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	1,394	9	(1,355)	**48**
Research Development Innovation & Energy	3,327	-	536	**3,863**
Education Employment & Skills	4,886	14	(907)	**3,993**
Culture	201	7	(464)	**(256)**
Transport	3,908	-	(1,114)	**2,794**
Enabling Infrastructure	7,800	3	(637)	**7,166**
Project Development	536	-	(3,305)	**(2,769)**
Core Running Costs	-	300	(288)	**12**
Concessionary Fares	-	-	-	**-**
SSI Related Schemes Not in the Investment Plan	-	13	5,189	**5,202**
Not Directly Attributable to Themes	-	-	(20,616)	**(20,616)**
Net Cost Of Services	22,052	346	(22,961)	**(563)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,989)	40	21,624	**(6,325)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(5,937)	386	(1,337)	**(6,888)**

Adjustments between Funding and Accounting Basis 2016/17				
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)	(4,045)	(4,047)
Research Development Innovation & Energy	-	-	(2,792)	(2,792)
Education Employment & Skills	-	(1)	(2,289)	(2,290)
Culture	-	(1)	2	1
Transport	-	-	(291)	(291)
Enabling Infrastructure	-	-	(6,621)	(6,621)
Project Development	-	-	-	-
Core Running Costs	-	(33)	(4,492)	(4,525)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	(2)	9,747	9,745
Not Directly Attributable to Themes	-	-	-	-
Net Cost Of Services `	**-**	**(39)**	**(10,781)**	**(10,820)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(40,570)	30	-	(40,540)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**(40,570)**	**(9)**	**(10,781)**	**(51,360)**

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 ie 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:

	2017/18	2016/17
	£000s	£000s
Expenditure		
Employee benefits expenses	3,579	2,476
Other services expenses	77,128	60,065
Interest payments	176	160
Total Expenditure	**80,883**	62,701
Income		
Fees, charges and other service income	(98)	(691)
Interest and investment income	(598)	(383)
Government grants and contributions	(87,368)	(113,655)
Total Income	**(88,064)**	(114,729)
(Surplus) or Deficit on the Provision of Services	**(7,181)**	(52,028)

Segmental Income

Income received on a segmental basis is analysed below:	**2017/18**	2016/17
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	0	0
Research Development Innovation & Energy	0	0
Education Employment & Skills	(7)	0
Culture	0	0
Transport	0	0
Enabling Infrastructure	0	0
Project Development	0	0
Core Running Costs	(84)	(275)
SSI Related Schemes Not in the Investment Plan	(7)	(416)
Total income analysed on a segmental basis	**(98)**	(691)

Note 2: 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 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Authority and Group financial assets does not anticipate any impairment.

- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Authority and Group does not have any material revenue streams within the scope of the new standard.
- 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).

TVCA and the Group do not anticipate that the above amendments will have a material impact on the information provided in the financial statements in that there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

Note 3: 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:

There are no critical judgements made.

Note 4: 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 2018 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 20.

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

Group

2017/18	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account (see note 7)	-			-
Adjustments involving the Capital Grants Unapplied Account	(6,862)		6,862	-
Adjustments involving the Pensions Reserve	385			(385)
Adjustments involving the Accumulated Absences Adjustment Account	46			(46)
Total Adjustments	**(6,431)**	**-**	**6,862**	**(431)**

TVCA

2017/18	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account (see note 7)	-			-
Adjustments involving the Capital Grants Unapplied Account	(5,937)		5,937	-
Adjustments involving the Pensions Reserve	386			(386)
Adjustments involving the Accumulated Absences Adjustment Account	43			(43)
Total Adjustments	**(5,508)**	**-**	**5,937**	**(429)**

2016/17 Comparative figures	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	(40,570)		40,570	-
Adjustments involving the Capital Receipts Reserve	-	-		-
Adjustments involving the Deferred Capital Receipts Reserve	-			-
Adjustments involving the Financial Instruments Adjustment Account	-			-
Adjustments involving the Pensions Reserve	(9)			9
Adjustments involving the Accumulated Absences Adjustment Account	176			(176)
Total Adjustments	**(40,403)**	**-**	**40,570**	**(167)**

Note 6: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

Group

Earmarked Reserves	Balance at 31 March 2017 £000s	Transfers Out 2017/18 £000s	Transfers In 2017/18 £000s	Balance at 31 March 2018 £000s
Revenue Reserves				
Development Pot	(2,159)	220	-	(1,939)
Investment Fund	(21,587)	1,543	(11,342)	(31,386)
SSI	(22,332)	5,344	-	(16,988)
Total Revenue Reserves	**(46,078)**	**7,107**	**(11,342)**	**(50,313)**

TVCA

Earmarked Reserves	Balance at 31 March 2017 £000s	Transfers Out 2017/18 £000s	Transfers In 2017/18 £000s	Balance at 31 March 2018 £000s
Revenue Reserves				
Development Pot	(2,159)	220	-	(1,939)
Investment Fund	(21,587)	1,543	(8,487)	(28,531)
SSI	(22,332)	5,344	-	(16,988)
Total Revenue Reserves	**(46,078)**	**7,107**	**(8,487)**	**(47,458)**

Note 7: Capital Adjustment Account
Group and TVCA

	2017/18 £000s	2016/17 £000s
Balance at 1 April 2017		
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Revenue expenditure funded from capital under statute	43,151	28,339
	43,151	28,339
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure		
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(18,279)	(28,339)
Application of grants to capital financing from the Capital Grants Unapplied Account	(22,052)	-
Capital expenditure charged against the General Fund balance	(2,820)	-
	(43,151)	(28,339)
Balance at 31 March 2018	**-**	**-**

Note 8: Group and TVCA Members' Allowances

If applicable the amounts paid to each elected member of the Group and Authority are published annually. Elected members from the constituent local authorities sit on various TVCA and STDC boards and no payments were made to these members during 2017/18. The allowance in respect of the Mayor was £32,375 for 2017/18. The Chair of the Local Enterprise partnership, Paul Booth, sits on TVCA Cabinet and during the year he was re-imbursed £5,203 in relation to accomodation and travel costs incurred whilst representing TVCA.

Note 9: Employee remuneration
Group and TVCA

Remuneration of the Managing Director and his senior staff are shown in the following table.

Remuneration of Senior Employees 2017/18

Post holder information	Salary (Including fees & Allowances) £	Expense Allowances £	Benefits in kind £	Total Remuneration excluding pension contributions 2017/18 £	Pension contributions £	Total Remuneration including pension contributions 2017/18 £
Managing Director	136,350	734	-	**137,084**	32,814	**169,898**
Strategy Director	89,259	549	-	**89,808**	14,192	**104,000**
Investment Director	89,259	599	-	**89,858**	14,192	**104,050**
Business Director	89,259	1,473	-	**90,732**	14,192	**104,924**
Head of Skills Education & Employment	75,487	-	-	**75,487**	12,002	**87,489**
Head of Culture & Tourism	75,057	-	-	**75,057**	12,002	**87,059**
Director of Finance	56,387	-	-	**56,387**	8,965	**65,352**
Head of Transport	75,487	-	-	**75,487**	12,002	**87,489**
Head of Comms & Marketing	13,190	-	-	**13,190**	2,097	**15,287**
Head of Homes & Communities	75,487	-	-	**75,487**	12,002	**87,489**
	775,222	3,355	-	**778,577**	134,460	**913,037**

The Director of Finance commenced employment with the organisation in August 2017 and the Head of Communications and Marketing commenced in January 2018.

Remuneration of Senior Employees 2016/17

Post holder information	Salary (Including fees & Allowances) £	Expense Allowances £	Benefits in kind £	Total Remuneration excluding pension contributions 2016/17 £	Pension contributions £	Total Remuneration including pension contributions 2016/17 £
Managing Director	100,161	559	-	**100,720**	8,694	**109,414**
Strategy Director	91,932	651	-	**92,583**	18,202	**110,785**
Investment Director	21,619	158	-	**21,777**	4,280	**26,057**
Business Director	91,932	964	-	**92,896**	18,202	**111,098**
Head of Skills Education & Employment	17,078	-	-	**17,078**	3,381	**20,459**
Head of Culture & Tourism	16,993	-	-	**16,993**	3,620	**20,613**
Head of Transport	5,827	-	-	**5,827**	1,154	**6,981**
Head of Homes & Communities	31,142	-	-	**31,142**	6,166	**37,308**
	376,684	2,332	-	**379,016**	63,699	**442,715**

Only two of the senior employee posts were in employment of the organisation for the full financial year. These being the Strategy Director and Business Director. All other employees commenced employment at various stages of the year.

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

Remuneration Summary Salary Range	Number of Employees 2017/18	Number of Employees 2016/17
£50,001 - £55,000	1	-
£55,001 - £60,000	-	-
£60,001 - £65,000	-	-
£65,001 - £70,000	-	-
£70,001 - £75,000	-	-
£75,001 - £80,000	-	-
£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 Managing Director and his senior staff has been excluded from the salary range analysis shown in the table above.

Note 10: Debtors

	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s	TVCA and Group 31 March 2017 £000s
Central Government	1,576	1,569	1,372
Local Government	3,254	3,483	4,500
Other entities and individuals	230	230	94
	5,060	**5,282**	**5,966**

Note 11: Cash and Cash Equivalents

	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s	TVCA and Group 31 March 2017 £000s
Bank and Imprests	(2,648)	(2,648)	2,996
Cash Equivalents	30,074	26,000	25,006
	27,426	**23,352**	**28,002**

Note 12: Short Term Creditors

	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s	TVCA and Group 31 March 2017 £000s
Central Government	(90)	(90)	(59)
Local Government	(2,650)	(2,650)	(1,474)
Other entities and individuals	(2,638)	(2,635)	(364)
	(5,378)	**(5,375)**	**(1,897)**

Note 13: Other Long Term Liabilities

	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s	TVCA and Group 31 March 2017 £000s
Net pensions liability	(2,051)	(2,051)	(1,714)
	(2,051)	**(2,051)**	**(1,714)**

Note 14: Related Party Transactions (TVCA and Group)

TVCA and the Group are 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 and 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.

Central Government

Central government has effective control over the general operations of TVCA and the Group – 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 18. During the year the Group incurred expenditure totalling £33k in relation to Central Government Departments excluding HMRC.

Members

Members of the Authority and STDC have direct control over the Groups financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 8. During 2017/18, there were no related party transactions between members and TVCA or STDC.

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 its subsidiary, South Tees Development Corporation (STDC), is materially significant to the overall financial position of the Combined Authority and is therefore consolidated into the Group Financial Statements. During 2017/18 TVCA provided a grant of £2.399m to STDC. TVCA incurred £229k expenditure on behalf of STDC, which was owed to TVCA at the year end.

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.

2017/18	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,266	6,464
Middlesbrough Borough Council	4,966	13,112
Redcar & Cleveland Borough Council	5,049	4,330
Hartlepool Borough Council	2,349	7,151
Darlington Borough Council	3,177	9,084
Total	**19,806**	**40,141**

2016/17	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,832	4,844
Middlesbrough Borough Council	4,590	6,994
Redcar & Cleveland Borough Council	4,895	3,235
Hartlepool Borough Council	2,582	2,941
Darlington Borough Council	3,431	3,808
Total	**20,330**	**21,822**

As at 31 March 2018 the below balances were held in the groups 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	-	120	750
Middlesbrough Borough Council	3,552	675	241
Redcar & Cleveland Borough Council	-	2,318	246
Hartlepool Borough Council	1,763	139	158
Darlington Borough Council	1,100	1	688
Total	**6,415**	**3,253**	**2,083**

Note 15: External Audit Costs (TVCA and Group)

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

	Group 2017/18 £000s	**TVCA 2017/18 £000s**	TVCA and Group 2016/17 £000s
Fees payable to Mazars LLP with regard to external audit services	48	30	30
	48	**30**	30
Rebate from Public Sector Audit Appointments Ltd		*(4)*	

Note 16: 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	**2017/18 £000s**	2016/17 £000s
Not later than one year	152	119
Later than one year & not later than five years	608	608
Later than five years	570	722
	1,330	1,449

At the end of 2017/18 STDC did not hold any leases.

Note 17: Capital Expenditure and Financing (TVCA and Group)

The total amount of capital expenditure incurred in the year by TVCA is shown in the table below together with the resources that have been used to finance it. No capital expenditure was made by STDC. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the bottom part of this note.

	31 March 2018 £000s	31 March 2017 £000s
Opening Capital Financing Requirement	-	-
Capital investment		
Revenue expenditure funded from capital under statute	43,151	28,339
Sources of Finance		
Government grants and other contributions	(40,331)	(28,339)
Sums set aside from revenue:		
Direct revenue contributions	(2,820)	-
Closing Capital Financing Requirement	-	-

Note 18: Grant Income (TVCA and Group)

The Authority and Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

	2017/18	2016/17
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
Local Growth Fund	27,989	28,479
SSI	-	6,872
Growing Places	-	4,063
Development Pot	-	1,156
Total	**27,989**	40,570
Credited to Services		
Local Growth Fund	-	9,308
National Productivity Investment Fund	2,298	-
DfT Access Fund	1,163	-
DfT Local Majors	100	-
DWP Routes To Work	133	-
AEB	16	-
BIES Growth Hub	246	246
ESIF	1,337	-
HLF Great Places	85	-
SSI	-	7,368
LEP Core	500	500
One Public Estates	359	-
ERDF Business Compass	-	339
AGE	379	1,158
DECC - City Deal / Carbon	7	300
Devolution	15,000	15,000
Sustainable Transport	-	990
Pothole Action Fund	1,929	
Local Transport Plan	13,952	14,674
MHCLG - STDC	2,399	-
Contributions from other LA's	-	2,088
Other	-	3,450
Total	**39,903**	55,421

Note 19: Financial Instruments (Group)

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
	£000s	£000s	**£000s**	£000s
Loans and receivables	6,448	5,013	95,074	78,058
Financial assets carried at contract amounts	-	-	4,718	5,812
Total financial assets	**6,448**	5,013	**99,792**	83,870
Financial liabilities carried at contract amount	-	-	(7,799)	(1,662)
Total financial liabilities	**-**	-	**(7,799)**	(1,662)

Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Mark to Model Valuation for Financial Instruments
As at 31st March 2018 the Group held £106.2m financial assets and had financial liabilities of £7.8m. All the financial assets are classed as Loans and Receivables and held with Notice Accounts. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Arlingclose our Treasury Managment Advisors. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector.

The fair values calculated are as follows:

Financial liabilities	**31 March 2018**		31 March 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	£000s	**£000s**	£000s	£000s
Creditors	(5,151)	(5,151)	(1,662)	(1,662)
Bank Overdraft	(2,648)	(2,648)	-	-
Total financial liabilities	**(7,799)**	**(7,799)**	**(1,662)**	**(1,662)**

Loans and receivables	**31 March 2018**		31 March 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	£000s	**£000s**	£000s	£000s
Money Market Loans < 1 year	65,000	65,000	50,056	50,056
Other Loans >1 year	6,448	6,448	5,013	5,013
Cash on Deposit	30,074	30,074	28,002	28,002
Customers	4,718	4,718	5,812	5,812
Total loans and receivables	**106,240**	**106,240**	88,883	88,883

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exceptions to this treatment are short term debtors and creditors which are carried at cost as this is a fair approximation of their value.

Note 19: Financial Instruments (Group)

Nature and Extent of Risks Arising from Financial Instruments

Key risks

The Groups activities expose it to a variety of financial risks; the key risks are:

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

Overall procedures for managing risks

The Groups overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Group to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Group to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Groups overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Groups financial instrument exposure. Actual performance is also reported after each year and regular updates are provided to the Audit & Governance Committees.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Groups customers. This risk is minimised through the Annual Investment Strategies, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services.

The Annual Investment Strategies also consider maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on TVCA's website.

The Groups maximum exposure to credit risk in relation to its investments in banks and building societies of £72,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Groups deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Groups potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Note 19: Financial Instruments (Group)

	Amount at 31 March 2018	**Historical experience of default**	**Adjustment for market conditions at 31 March 2018**	**Estimated maximum exposure to default at 31 March 2018**	Estimated maximum exposure to default at 31 March 2017
	£000s	**%**	**%**	**£000s**	£000s
A rated counterparties	53,000	0.06%	0.08%	42	21
Local Authorities	35,000	0.06%	0.07%	25	-
Debtors	4,718	0.10%	0.10%	5	-
				72	21

No breaches of the counterparty criteria occurred during the reporting period and the Group does not expect any losses from non performance by any of its counterparties in relation to deposits.

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 2018, all of the Groups deposits were due to mature within 364 days.

Refinancing and Maturity risk

The Group maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Group relates to managing the exposure to replacing financial instruments as they mature. The approved treasury indicator limits placed on investments are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk

Interest Rate Risk: *The Group is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Group, depending upon how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:*

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

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

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

	2017/18 £000s	2016/17 £000s
Increase in interest receivable on variable rate investments	258	301
Impact on (Surplus) or Deficit on the Provision of Services	**258**	301

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 19: Financial Instruments TVCA

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
	£000s	£000s	**£000s**	£000s
Loans and receivables	6,448	5,013	91,000	78,058
Financial assets carried at contract amounts	-	-	4,940	5,812
Total financial assets	**6,448**	5,013	**95,940**	83,870
Financial liabilities carried at contract amount	-	-	(7,799)	(1,662)
Total financial liabilities	**-**	-	**(7,799)**	(1,662)

Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Mark to Model Valuation for Financial Instruments

As at 31st March 2018 the Authority held £102.3m financial assets and had financial liabilities of £7.8m. All the financial assets are classed as Loans and Receivables and held with Notice Accounts. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Arlingclose our Treasury Managment Advisors. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector.

The fair values calculated are as follows:

Financial liabilities	**31 March 2018**		31 March 2017	
	Carrying Amount £000s	**Fair Value £000s**	Carrying Amount £000s	Fair Value £000s
Creditors	(5,151)	(5,151)	(1,662)	(1,662)
Bank Overdraft	(2,648)	(2,648)	-	-
Total financial liabilities	**(7,799)**	**(7,799)**	**(1,662)**	**(1,662)**

Loans and receivables	**31 March 2018**		31 March 2017	
	Carrying Amount £000s	**Fair Value £000s**	Carrying Amount £000s	Fair Value £000s
Money Market Loans < 1 year	65,000	65,000	50,056	50,056
Other Loans >1 year	6,448	6,448	5,013	5,013
Cash on Deposit	26,000	26,000	28,002	28,002
Debtors	4,940	4,940	5,812	5,812
Total loans and receivables	**102,388**	**102,388**	88,883	88,883

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Note 19: Financial Instruments TVCA

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  - The Authoritys overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

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The Annual Investment Strategies also consider maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on TVCA's website.

The Authority’s maximum exposure to credit risk in relation to its investments in banks and building societies of £72,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authoritys deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Authority’s potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Note 19: Financial Instruments TVCA

	Amount at 31 March 2018	**Historical experience of default**	**Adjustment for market conditions at 31 March 2018**	**Estimated maximum exposure to default at 31 March 2018**	Estimated maximum exposure to default at 31 March 2017
	£000s	**%**	**%**	**£000s**	£000s
A rated counterparties	53,000	0.06%	0.08%	42	21
Local Authorities	35,000	0.06%	0.07%	25	-
Debtors	4,940	0.10%	0.10%	5	-
				72	21

No breaches of the counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non performance by any of its counterparties in relation to deposits.

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 2018, all of the Authoritys deposits were due to mature within 364 days.

Refinancing and Maturity risk

The Authority maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. The approved treasury indicator limits placed on investments are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk

Interest Rate Risk: The Authority is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Authority, depending upon how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

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

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

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

	2017/18	2016/17
	£000s	£000s
Increase in interest receivable on variable rate investments	258	301
Impact on (Surplus) or Deficit on the Provision of Services	**258**	301

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 20: Defined Benefit Pension Schemes (TVCA and Group)

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, the Group makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Group 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 Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

Note 20: Defined Benefit Pension Schemes (TVCA and Group)

	Local Government Pension Scheme	
	2017/18	2016/17
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service cost	715	366
• Past service cost	15	-
Financing and Investment Income and Expenditure		
Net interest cost	40	30
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**770**	396
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)	(47)	(787)
• Actuarial gains and losses arising on changes in financial assumptions	(1)	1,434
• Actuarial gains and losses due to liability experience	-	-
• Actuarial gains and losses due to acquisitions	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(48)**	647
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	(770)	(396)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**385**	405

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.048m).

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2017/18	2016/17
	£000s	£000s
Present value of defined benefit obligation	(7,705)	(6,715)
Fair value of assets	5,654	5,001
Net liability recognised in the Balance Sheet	**(2,051)**	(1,714)

Note 20: Defined Benefit Pension Schemes (TVCA and Group)

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

	Local Government Pension Scheme	
	2017/18	2016/17
	£000s	£000s
Opening fair value of scheme assets	5,001	3,578
Interest income	136	130
Remeasurement gains and (losses)	47	787
Contributions from the employer	385	405
Contributions from employees into the scheme	187	113
Net increase from acquisitions	-	-
Benefits paid	(102)	(12)
Closing balance at 31 March 2018	**5,654**	5,001

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

	Local Government Pension Scheme	
	2017/18	2016/17
	£000s	£000s
Opening balance at 1 April	(6,715)	(4,654)
Current service cost	(715)	(366)
Interest cost	(176)	(160)
Contributions by scheme participants	(187)	(113)
Actuarial gains and losses - financial assumptions	1	(1,434)
Actuarial gains and losses - liability experience	-	-
Benefits paid	102	12
Net increase from acquisitions	-	-
Past service cost	(15)	0
Closing balance at 31 March 2018	**(7,705)**	(6,715)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2017/18		2016/17	
	£000s	**%**	£000s	%
Equity investments (Quoted)	4,518	79.9%	4,001	80.0%
Property (Quoted)	413	7.3%	345	6.9%
Government Bonds	-	0.0%	10	0.2%
Corporate Bonds	-	0.0%	10	0.2%
Cash	628	11.1%	560	11.2%
Other Investments	96	1.7%	75	1.5%
	5,654	**100%**	5,001	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 2016.

Note 20: Defined Benefit Pension Schemes (TVCA and Group)

The principal assumptions used by the actuary have been:

	2017/18	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9	22.8
Women	25.0	24.9
Longevity at 45 for future pensioners:		
Men	25.1	25.0
Women	27.3	27.2
Other assumptions:		
Rate of inflation (RPI)	3.1%	3.1%
Rate of inflation (CPI)	2.0%	2.0%
Rate of increase in salaries	3.0%	3.0%
Rate of increase in pensions	2.0%	2.0%
Rate of Pension accounts revaluation rate	2.0%	2.0%
Rate for discounting scheme liabilities	2.6%	2.6%
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)	7,933	7,705	7,478
Rate of increase in salaries (increase or decrease by 0.1%)	7,784	7,705	7,627
Rate of increase in pensions payment (increase or decrease by 0.1%)	7,825	7,705	7,586
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	7,510	7,705	7,905

Impact on the Group’s 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 2019.

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 £0.395m contributions to the scheme in 2018/2019.

The weighted average duration of the defined benefit obligation for TVCA scheme members is 25.7 years.
The weighted average duration of the defined benefit obligation for STDC scheme members is 37.4 years.

Note 21: Termination Benefits (TVCA and Group)

The Group terminated the contract of one employee in 2017/18, incurring liabilities of £27k. The amount has been payable to an officer from the TVCA reflecting a service restructure.

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	
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18 £000s**	2016/17 £000s
£1 to £20,000	-	1	-	-	-	1	-	3
£20,001 to £40,000	1	-	-	-	1	-	27	-
£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**	1	**-**	-	**1**	1	**27**	3

Note 22: Provisions (TVCA and Group)

The Group has not been required to establish any provisions in year. (2016/17 Nil)

Note 23: Contingent Liabilities (TVCA and Group)

The Group has no contingent liabilities. (2016/17 Nil)

Note 24: Post Balance Sheet Events (TVCA and Group)

The Group has no post balance sheet events to report. (2016/17 Nil)

Note 25: Statement of Accounting Policies (TVCA and Group)

General Principles
The Statement of Accounts summarises TVCA's and Group transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the financial statements is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

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

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

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

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

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

Note 25: Statement of Accounting Policies (TVCA and Group)

Post Employment Benefits

Employees of the Group are members of one pension scheme:

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

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

The Local Government Pension Scheme

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

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

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

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

Service cost comprising:

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

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

Remeasurements comprising:

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

Contributions paid to the Teesside Pension Fund:

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

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

Events after the Reporting Period

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

Note 25: Statement of Accounting Policies (TVCA and Group)

- 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

Loans and receivables are recognised on the Balance Sheet when the Group 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 for interest receivable are based on the carrying amount of the asset in the Balance Sheet. For most of the loans that the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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.

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

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).

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 performace.

Note 25: Statement of Accounting Policies (TVCA and Group)

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 25: Statement of Accounting Policies (TVCA and 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'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 Combied Authority Group Accounts at the accounting date and its income and expenditure for the year ended 31 March 2018.

J Gilhespie **Date: 31 May 2018**
Director of Finance (TVCA and STDC)

These financial statements replace the unaudited financial statements certified by the Director of Finance on 31st May 2018.

J Gilhespie **Date: 27 July 2018**
Director of Finance (TVCA and STDC)

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

Appendix A

Glossary of Terms

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

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

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

Capital Expenditure

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

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

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

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

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

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

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

Fair Value

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

Appendix A

Glossary of Terms

Finance Lease

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

Going Concern

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

Government Grants

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

Inventories

Comprise the value of items held in the following categories:

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

Investments

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

Long Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Appendix A

Glossary of Terms

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

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

Operating Lease
A lease other than a finance lease.

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

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

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

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

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

Unusable Reserves

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

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Tees Valley Combined Authority

Annual Governance Statement 2017/18

1. Introduction

The election of the Tees Valley's first Mayor in May 2017 marked a major landmark in the development of the Tees Valley Combined Authority. It was the point at which powers over investment, economic development, transport and culture and tourism were formally transferred to our region. One year on, our responsibilities and ambitions continue to grow.

The Tees Valley aims to deliver 25,000 new jobs and £2.8bn of investment into our local economy by 2026.

Pivotal to this was the launch of the South Tees Development Corporation in August 2017 - the first Mayoral Development Corporation to be set up outside of London overseeing the biggest development opportunity in the UK, with the potential to inject an additional £1billion a year into the local economy.

Our growing responsibilities require a robust framework for ensuring the effective delivery of activities and the management of risk.

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

As part of the first wave of Mayoral Combined Authorities we know we have a duty to prove that the best answers for local people come from local people and that devolution is the most effective way of driving regional economic development and creating vibrant, inclusive and prosperous communities throughout the United Kingdom.

Our goal is for the Tees Valley Combined Authority to be at the forefront of this devolution revolution and recognised by our peers as a role model when it comes to delivery and innovation in local government.

Good governance is key to delivering both of these objectives.

2. The Scope of Responsibility

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

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

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

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

3. The Purpose of our Governance Framework

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

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

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

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

An investment plan was initially agreed in March 2017 setting out how we will allocate resources to deliver these objectives. This plan is reviewed annually.

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

4. The Key Elements of our Governance Framework

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

The responsibilities of Combined Authority employees and members is clearly laid out in the Authority's Constitution. This document – subject to annual review – explicitly documents how the Authority operates, responsibilities for specific functions, schemes of delegation and how decisions are made. The Constitution – which can only be amended by the unanimous agreement of the Cabinet – also sets out expected standards of behaviour for both officers and members.

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

Statutory and non-Statutory Committees

- A statutory **Overview and Scrutiny Committee** of members appointed by each of the Constituent Authorities, designed to review the policies and operations of the Combined Authority, ensuring effective democratic scrutiny of decisions. This committee has the authority to ‘call in’ for review Authority decisions which have yet to be implemented and the power to prevent their implementation whilst under review. The committee has not utilised this power to date, but continues to conduct strong scrutiny of the Combined Authority’s activities, including establishing a Task and Finish Group to conduct an in-depth investigation into the draft Combined Authority Budget for 18/19, as part of the consultation process.
- A statutory **Audit and Governance Committee**, assuring sound governance and financial management of the Combined Authority, with members appointed from each Constituent Authority working in tandem with appropriately-qualified and experienced independent members. This committee oversees the operation of the Authority’s risk management arrangements and considers and reviews its Internal Audit arrangements.
- A statutory **Transport Committee**, reviewing transport strategy and policies and making recommendations to Cabinet. Members are drawn from the executive member with transport responsibilities from each Constituent Authorities and private sector representation.
- The **Local Enterprise Partnership (LEP)**, the principal forum for collaboration between the public and private sectors, is an integral part of the Combined Authority. A network of LEPs exists across England, but in the Tees Valley this partnership is strengthened by LEP members holding the role of Associate Members of the Combined Authority Cabinet.

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

- Education, Employment and Skills Partnership Board
- Culture and Tourism Partnership Board
- Innovation Task Group
- Transport Advisory Group
- Business Compass Steering Group

Monitoring Officer

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Commercial and Legal Manager at Redcar and Cleveland Borough Council is the Authority’s designated Monitoring Officer and a protocol is in place with all directors, to safeguard the legality of all Authority activities. All Cabinet reports are considered for legal issues before submission to members.

Internal Audit

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

External Audit

The purpose of the External Auditors, Mazars, is to provide an opinion on the accounts and VFM conclusion.

Chief Financial Officer and Financial Arrangements

Under the requirements of Section 73 of the 1985 Local Government Act the Combined Authority has appointed a suitably-qualified Chief Finance Officer, the Finance Director.

This officer, who is part of the Combined Authority's Senior Management Team, is responsible for:

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

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

Single Pot and Project Management Assurance Framework

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

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

South Tees Development Corporation (STDC)

The STDC has in place its own Governance arrangements, constitution and statutory committees. The Tees Valley Mayor is chair of the STDC board and TVCA and STDC share the Finance Director role. Regular updates are provided to TVCA Cabinet on the progress of STDC activities, and any significant decisions are brought to the TVCA Cabinet for decision through a referral mechanism.

Adult Education Budget Governance

Responsibility for post-19 education funding will be devolved to the Tees Valley Combined Authority from August 2019. An appropriate governance framework is currently being developed in order to ensure effective and appropriate decision-making, oversight and value-for-money assurance.

Corporate Risk Register

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

Declarations of Interest and Code of Conduct

All Combined Authority employees and members are subject to a formal Code of Conduct – forming part of the Authority's Constitution - and must complete, at least annually, a formal declaration of interest. In the interests of transparency these declarations are reviewed by both the Managing Director and Monitoring Officer and published on the Authority's website.

Governance Arrangements

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

5. Review of Effectiveness

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

Internal Audit

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

This report, carried out by an arms-length Audit and Risk Manager, incorporates an audit plan detailing timescales for assurance work relating to specific activities. High priority is given to significant corporate projects and key financial systems, as well as other specific areas requested by the Senior Management Team.

The most recently published Report concludes:

"It is my opinion that the Combined Authority continues to have an appropriate and overall effective system of internal control, upon which it can place reasonable reliance to deliver its objectives and detect fraud and other malpractice".

External Audit

The 2016/17 Audit Completion Report from the Combined Authority's external auditors concludes:

"We are satisfied that in all significant respects, Tees Valley Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year"

"We have reviewed the Authority's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting.

"We received draft financial statements from management ahead of the deadline, and found them to be of good quality."

6. Progress

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

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

Action	Outcome
Review and update of the Authority's Constitution	The Constitution has been amended to increase the capacity and expertise of the Audit and Governance Committee by appointing an additional independent member.
LEP Buddy Review	The review is now complete and focused on ensuring key information was easily accessible on the website. The CA has also launched a new website at the end of June 2018.
Update Risk Management Strategy	An updated Strategy has been agreed by the Audit and Governance Committee.

Other areas of activity undertaken throughout the year:

Strengthening the Local Enterprise Partnership Membership

A recent round of recruitment has taken place with a view to increasing additional expertise in the digital and culture and tourism sectors of the Local Enterprise Partnership members. A further recruitment round will take place later this year with a focus on increasing the diversity of the group. The role and capacity of the wider business engagement that we undertake is also being reviewed with a view to enabling greater engagement with the wider business community.

Addressing the impact of GDPR

May 2018 saw the introduction of the General Data Protection Regulations, the biggest single change in a generation to the regulatory framework governing personal data, with the risk of significant fines and reputational damage for non-compliance. A wide-ranging review of Combined Authority data protection procedures has been undertaken by the Governance Team to ensure compliance with the new regulations and to amend, where necessary, the necessary policies. The Combined Authority has appointed a Data Protection Officer in line with the regulations.

Appointment of permanent Head of Communications

The Combined Authority has appointed its first permanent Head of Communications, with a responsibility for leading communications and marketing for the Combined Authority and the South Tees Development Corporation.

7. Action Plan

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

Action	Outcome	Responsibility	By When
Review and update the Authority's Constitution including scheme of delegation	Reviewed constitution	Managing Director	31st March 2019
Review of Assurance Framework	Updated Framework	Investment Director	September 2018
Adult Education Budget Governance arrangements	New Governance Framework to be established overseeing devolved powers over Adult Education Funding	Head of Skills, Education and Employment	August 2018

Signed Date

Ben Houchen
Mayor of the Tees Valley Combined Authority

Julie Gilhespie
Interim Managing Director, Tees Valley Combined Authority

Paul Booth
Chair of the Tees Valley Local Enterprise Partnership and Member of the Tees Valley Combined Authority Cabinet

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AGENDA ITEM 8

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

27 JULY 2018

REPORT OF THE INTERIM MANAGING DIRECTOR

EXTERNAL AUDIT COMPLETION REPORT

SUMMARY

This report illustrates the findings of the external audit completed by Mazars LLP for the financial year ended 31st March 2018.

RECOMMENDATIONS

It is recommended that Cabinet note the contents of the attached External Auditor report on the audit of the statement of group accounts for the Tees Valley Combined Authority and South Tees Development Corporation, containing a Value for Money Opinion.

DETAIL

1. The attached report illustrates the findings of the external audit completed by Mazars LLP on the final Statement of Group Accounts for Tees Valley Combined Authority and South Tees Development Corporation for the financial year ended 31st March 2018.

2. Contained within it is a Value for Money Opinion, which fulfils the regulatory requirement for the Combined Authority to demonstrate that it has implemented proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

3. The Audit has been completed in line with the National Audit Office's (NAO) Code of Audit Practice.

4. The statutory deadline for completing the audit is 30th July 2018.

FINANCIAL IMPLICATIONS

5. There are no direct financial implications as a result of this report.

LEGAL IMPLICATIONS

6. Approval of accounts is a statutory requirement.

RISK ASSESSMENT

7. No risks emanate directly from this report.

CONSULTATION

8. The report has been shared with the Audit and Governance Committee at their meeting on 25th July.

Name of Contact Officer: Julie Gilhespie
Post Title: Interim Managing Director
Telephone Number: 01642 524400
Email Address: Julie.gilhespie@teesvalley-ca.gov.uk

Audit Completion Report

Tees Valley Combined Authority (and Group)

Year ended 31 March 2018

MAZARS

CONTENTS

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Salvus House
Aykley Heads
Durham
DH1 5TS

Audit and Governance Committee
Tees Valley Combined Authority
Cavendish House
Teesdale Business Park
Stockton-on-Tees
TS17 6QY

16 July 2018

Dear Members

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 31 May 2018 (as a result of the cancellation of your meeting on 28 February 2018). We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 387 8850.

Yours faithfully

Mark Kirkham
Mazars LLP

1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of Tees Valley Combined Authority (the Authority) and Tees Valley Combined Authority Group (the Group) for the year ended 31 March 2018, and forms the basis for discussion at the Audit and Governance Committee meeting on 25 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements	We anticipate issuing an unqualified opinion, without modification, on the Authority and Group financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.
Value for money conclusion	We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including our proposed conclusion, is provided in Appendix B.
Whole of Government Accounts (WGA)	We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the end of July, ahead of the deadline of 31 August 2018.
Wider powers	The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and consider any objection made to the accounts. No objections or questions from local electors have been received.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and value for money conclusion for the year ended 31 March 2018. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Consolidation	Our work on the consolidation of the statements of the Authority and South Tees Development Corporation to form the Group Statements is ongoing. We have deliberately left this work until towards the end of our programme as that is when the majority of our other work is complete and as such our review is better informed.
Pension-related entries	We have not yet received the information we require from the local government pension fund administering authority's auditor. As soon as it is received we will review it and consider the assurance and implications for our audit.
Events after the Balance Sheet date	Our review is ongoing up until the date of signing the auditor's report (the Opinion).
Financial Statements (post-audit)	Review and closure processes, including checking the amended version of the financial statements.

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in May 2018 (dated 7 February 2018). We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £1.25m for the Authority and £1.27m for the Group using a benchmark of approximately 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1.594m for both the Authority and Group, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee), at £48k based on 3% of overall materiality.

2. FINANCIAL STATEMENTS AUDIT

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's and Group's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

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

2. FINANCIAL STATEMENTS AUDIT (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation and associated IAS19 entries (Authority and Group)	The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.
	How we addressed this risk
	We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.
	Audit conclusion
	Subject to our review of the response from the local government pension scheme auditor, when received, our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. Our work identified no indication of material estimation error in respect of pensions.

2. FINANCIAL STATEMENTS AUDIT (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Authority's and Group's accounting policies and disclosures and subject to the amendments in section 4, concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's and Group's circumstances.

Draft accounts for the Authority and Group were published by the Authority on 31 May 2018 and were of a good quality overall.

Significant matters discussed with management

We have not had any discussions with management which were not routine and in the process of us gathering our audit evidence and to challenge management judgements.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Finance staff, supported by finance staff at Stockton-on-Tees Borough Council, have been responsive to our queries and requests.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2017/18 audit.

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

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

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

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

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	None
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	None
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	None

Our work has not identified any significant deficiencies in our 2017/18 audit to report, and there are none from 2016/17 to follow up.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £48k.

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements 2017/18

There are no unadjusted misstatements to report.

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2017/18

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	The Cash Flow Statement required amendment to separately show the purchase of, and sale of, short term and long term investments which were netted off.	0	0	0	0

Disclosure amendments

Our audit has identified the following disclosure matters that management has agreed to amend:

- Note 1 Expenditure and Funding Analysis - The disclosure at the bottom of page 17 required updating to be consistent with the TVCA column in the disclosure at the bottom of page 14;
- Note 7 Capital adjustment account - 'Capital grants and contributions credited to the CIES' of £40.331m split between 'Capital grants and contributions' and 'application of grants to capital financing from the Capital grants unapplied accounts';
- Note 7 Capital adjustment account, Note 22 Provisions and Note 23 Contingent Liabilities – prior year comparatives were not included;
- Note 14 Related Party Transactions – required the following amendments:
  - referred to central government but only in respect of income, should include expenditure;
  - referred to STDC but didn't disclose transactions for TVCA as an entity;
  - included transaction with the 5 Local Authorities but did not include y/e balances; and
  - didn't include prior year comparative figures.
- Note 18 Grant income – required amendment as approximately £34m of grants included in the 'Credited to taxation and Non specific Grant Income' section should have been included in the 'Credited to Services' section;
- Note 19 Financial Instruments – a note for TVCA (only the Group) was not included in the draft statements. A note has been prepared by management which we have reviewed. This required amendment to ensure consistency with the rest of the financial statements;
- Accounting Policies and Note headings throughout have been amended to ensure they accurately reflect whether the policy or note refers to the Group, TVCA or both;
- The Annual Governance Statement is to be updated to more accurately reflect our role as external auditors which was mis-described, and to make reference to the governance oversight of STDC given it is within the Group; and
- A small number of other more minor disclosure, grammatical or consistency amendments.

5. VALUE FOR MONEY CONCLUSION

Our approach

We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	• Constitution in place which is available on the Authority's website, which includes financial regulations and Assurance Framework, Delegation to officers and Code of Conduct. • Devolution deal in place and available on the Authority's website. • Authority has a Strategic Economic Plan (SEP) plan in place for the period 2016 to 2026 available on the Authority's website. • Management team in place. • No data quality issues in respect of performance information we are aware of. • Audit and Governance Committee meets on a quarterly basis, and oversees internal and external audit, risk management and treasury management; albeit quoracy of meetings has been a challenge in 2017/18. • Medium term planning is undertaken and budget plans are in place; current Medium Term Financial Plan (MTFP) covers the period 2017/18 to 2020/21, and is updated at least annually. • Periodic reporting to Cabinet in the year. • Management assurance framework in place together with risk register. • Devolution deal implementation Plan incorporates high level risks. • Detailed presentation on risk management arrangements and key risks to March 2017 Audit and Governance Committee. • Programme of Internal Audit work at the Authority delivered by Stockton BC's IA function (under delegated arrangements). • 2017/18 draft Annual Governance Statement produced, and final to be approved by Cabinet.	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	• MTFP in place for the period the period 2017/18 to 2020/21. • Nature of the Authority's funding and expenditure (i.e. largely grant income which is then paid out to approved schemes linked to the SEP) does not indicate any significant risk to achievement of strategic priorities in the short term. Potential Brexit risks being monitored. • Authority does not have any significant assets of its own and no items meet the capitalisation threshold and hence no Property, Plant and Equipment, and as such does not have an 'asset register', but does maintain a list of equipment, IT etc. • Significant element of the Authorities funding is being used to deliver capital projects. These assets are however not held by the Authority. SEP identifies future large scale capital schemes/priorities. • HR and payroll functions provided by Stockton BC and Authority relies on HR policies and procedures shared with the BC. The Authority is continuing to review capacity as its responsibilities continue to further develop.	Yes
Working with partners and other third parties	• Nature of the Authority is such that in order to deliver its strategic priorities it is required to work closely with the 5 LAs in the Tees Valley and other public and private organisations. • Authority structure includes the Tees Valley Local Enterprise Partnership (LEP). LEP members are drawn from a wide range of other public bodies and private companies. • SEP and website identify organisations that the Authority is working with in order to achieve its strategic priorities; Tees Valley Strategic Transport Plan – Connecting the Tees Valley. • The Authority has written procedures for procuring products and services, which are within its Constitution (part 6).	Yes

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant value for money audit risks. We have kept this under review throughout our audit and are satisfied that there are no significant risks apparent.

Our overall value for money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified conclusion for the 2017/18 financial year.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

[Date]

Dear Sirs

Tees Valley Combined Authority (and Group) - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for Tees Valley Combined Authority (the Authority) and Tees Valley Combined Authority Group (the Group) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

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

My responsibility for the statement of accounts and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

Accounting records

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

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Authority and Group in making accounting estimates, including those measured at fair value, are reasonable.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

I acknowledge my responsibility as Chief Financial Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's and Group's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

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

Impairment review

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

Future commitments

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

Subsequent events

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

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

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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

Unadjusted misstatements
I confirm that the effects of the uncorrected misstatements as included in the auditor's Audit Completion Report and any follow up letters are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Chief Financial Officer

Date……………………

APPENDIX B
DRAFT AUDITOR'S REPORT

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

Opinion on the financial statements

We have audited the financial statements of Tees Valley Combined Authority (the Authority) and Tees Valley Combined Authority Group (the Group) for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Group Movement in Reserves Statement, the TVCA Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the TVCA Comprehensive Income and Expenditure Statement, the Group and TVCA Balance Sheet, the Group and TVCA Cash Flow Statement, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Tees Valley Combined Authority and its Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's and Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Authority/Group is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusion on Tees Valley Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Tees Valley Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Authority

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

APPENDIX B
DRAFT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

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

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Tees Valley Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Tees Valley Combined Authority and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[*Signature*]

Mark Kirkham
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

[*Date*]

APPENDIX C
INDEPENDENCE

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

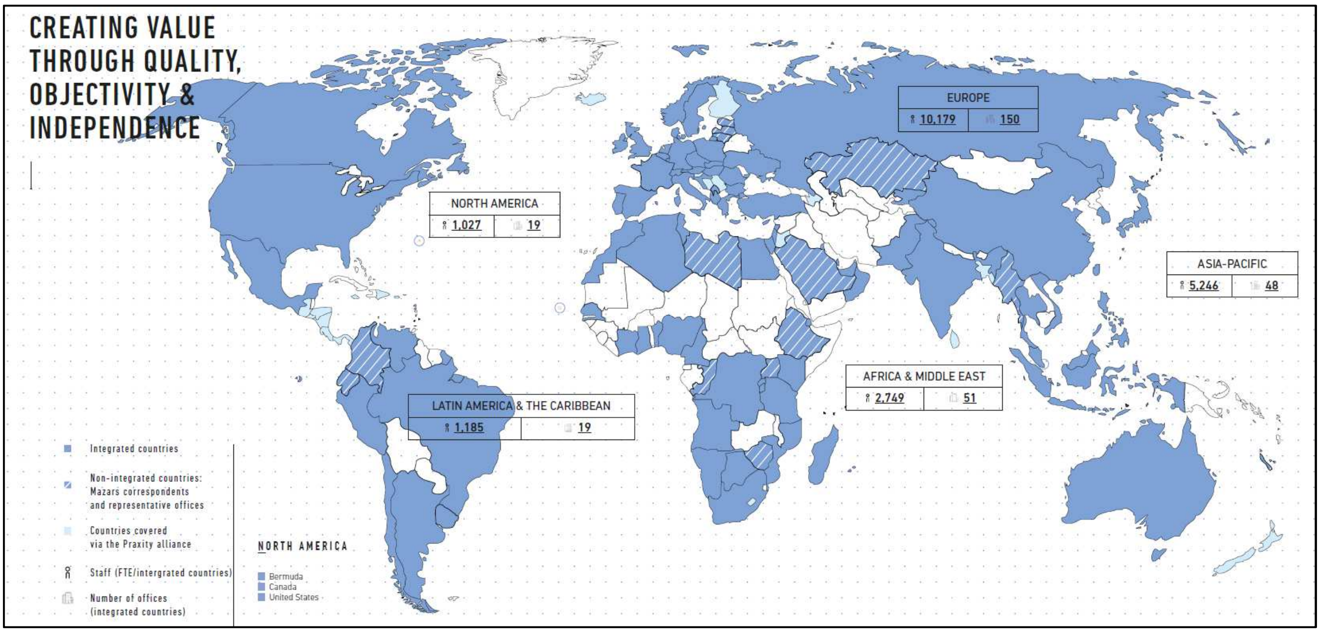
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

MAZARS AT A GLANCE

Mazars LLP

- Fee income €1.5 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



Mazars in the UK

£173.6m
turnover 2016-17

27% in respect of audit services

8.5%
increase on prior year

MAZARS

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MAZARS

AGENDA ITEM 9

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

27 JULY 2018

REPORT OF THE INVESTMENT DIRECTOR

PORTFOLIO: INVESTMENT

INVESTMENT PLAN DELIVERY REPORT

SUMMARY

This paper sets out progress made to date on delivering the Tees Valley Combined Authority Investment Plan which was published in April 2017.

- It provides general updates since the last report on the spend position, forecast and recent approvals;
- Annex 1 provides a list of current commitments.
- Please note all information was correct at the end May 2018.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

i. Note the current position of the investment programme and project updates since the previous report to June Cabinet.

DETAIL

CURRENT SPEND POSITION & FORECAST

1. **Table 1 below summarises the current position of the investment programme, excluding European Funding.** This will be reported regularly and changes will be highlighted.

	£ million	Change
Investment Plan Available Funds	**305**	**None**
Total Commitments*	**249**	**+£3m**
Of which: *Complete (2%)* *In Delivery (23%)* *Approved Programmes (6%)* *In Due Diligence (16%)* *Specific Grants (53%)*	 5 56 16 40 132	 *Darlington Station*
Total Pipeline*	**315**	**+£110m**
Of Which: *In Assessment* *Developing Business Cases* *Pipeline*	 172 111 32	
Investment Plan Balance	**-259**	
**is the total amount requested excluding any borrowing or commercial models.*		

2. **Table 2 below shows the current position on European Funding**. All TVCA pipeline projects are considered for eligibility to access these funds and applications progressed where suitable.

	£M **ALLOCATION**	£M **CONTRACTED**	£M **PIPELINE**	£M **AVAILABLE**	£M **AVAILABLE MINUS 6% PERFORMANCE RESERVE***
ERDF	96.2	37.3	31	27.7	21.9
ESF	74.4	35.4	0	38.9	35
EAFRD	1.1	0.3	0.6	0.3	0.3
TOTAL	**171.7**	**73**	**31.6**	**66.9**	**57.2**

3. **Table 3 below shows the spend position in 2017/18 and forecasted expenditure for 2018/19 (excluding European Funding and Specific Grants)**.

	2017/18 £ million	**2018/19 £ million**
Forecasted Spend £ million	25	74 (£+3m)
Achieved Spend £ million	25	To be reported at end Q1, on track for £11m (15%)

4. Government is monitoring spend closely and we are currently on track to spend [£11] million on projects by the end of Quarter 1.

PIPELINE

5. The current pipeline stands at £315 million (excluding all borrowing and alternative funding sources).

6. Assuming that projects come forward in the timescales anticipated, we expect to have commitments in excess of our cash resources before the end of 2018/19 and work is ongoing with Management Group and Chief Executives to look at the strategy for prioritisation, exploring commercial models for projects and leveraging additional funding sources, and to develop a draft 10 year funding programme.

7. The published forward plan sets out when projects will come forward to Cabinet for an investment decision.

DELEGATED DECISIONS

8. **Development Funding – June 2018**

Project	TVCA £	Summary	Assurance Framework
TVCA Developing the Hydrogen Transport Deployment Bid	£60,000	Development of a proposal to meet a call by the Office of Low Emission Vehicles (OLEV, part of DfT) - call due to end Dec 18 - for deployment of Hydrogen Vehicles and refuelling infrastructure and which will also support applications to related calls on Air Quality and potentially EU funding calls.	EOI Assessment
TWI & TVCA Hydrogen Economy Project Development	£80,000 of £160,000 total costs	To create a role within TWI for a two year fixed term, based at TWI. The new role will encompass working with TVCA, local industry and research partners and is focused on supporting the development of a regional business plan, the hydrogen economy and exploring areas within TWI which could be developed in Tees Valley to deliver economic benefit.	EOI Assessment
National Museum of the Royal Navy, Hartlepool Development	£465,250	Feasibility, business plan including financial model, economic impact analysis and design for a full extension of the museum's facilities in Hartlepool.	EOI Assessment
Total Development Fund	**£605,250**		
Remaining Balance	**£1,209,682**		

9. **Investment Commitments – June 2018**

Project	TVCA £	Summary	Assurance Framework
National Museum of the Royal Navy, Hartlepool Phase 1 Urgent Project	£499,950 of £1,121,150 total costs	Improve the family offer at the current site; New education facilities and activities; and Moving a significant asset from Portsmouth to Hartlepool and establish as an attraction. This historical asset is at risk if this does not progress.	Business Case Assessment Anticipated an additional 13,500 visitors, a 28% increase.

APPROVALS SINCE LAST REPORT

10. The following projects have recently been approved into the investment programme.

11. All approvals are subject to the necessary assessment and due diligence required by the Assurance Framework agreed with Government. This requires submission of a proportionate business case in line with our guidance.

12. An assessment summary for each project is prepared when due diligence is complete. Consideration of the outcome of due diligence is delegated to the TVCA Managing Director in consultation with Management Group and is published on the TVCA website (with commercially sensitive information redacted) to meet the requirements of the Assurance Framework.

13. **Darlington Station Development**

TVCA Investment	£3 million	**Total Project Cost**	£3 million
Direct Financial Return	N/A		
Outcomes	Development and design in line with new DfT requirements.		
Update	Approved by Cabinet 1st June 2018 subject to due diligence.		
Summary	Government is taking a new approach to the way it incorporates enhancement schemes in to the railway network. It is creating a rolling programme of investment that moves investment in Enhancements away from a rigid five year cycle. This is an entirely new way of establishing Enhancement projects for rail investment and requires a new approach to scheme development. New guidance places a strong emphasis on development of the Business Case for projects. The process has five stages and projects can enter the process at any stage depending upon their readiness and the strength of their business case. This will be DfT's new mechanism for bringing forward enhancement projects and releasing funding. This TVCA investment will allow us to progress through this process to gain investment to deliver the Darlington Station 2025 vision.		
Assurance Requirements	Business case provided and due diligence is underway.		

14. **Redcar College IT Infrastructure**

TVCA Investment	£968,436	**Total Project Cost**	£968,436
Direct Financial Return	N/A		
Outcomes	The project aims to improve the management and facilities at Redcar and Cleveland College, contributing to the future sustainability of FE provision in the area for learners age 16+. Number of apprentices supported +340 Number of learners assisted +510		
Update	Approved by Cabinet 1st June 2018 subject to due diligence.		
Summary	In response to the recommendations of the Tees Valley review of post 16 Further Education, Stockton Riverside College and Redcar and Cleveland College are merging, part of this process has involved the development of an IT/Information and Learning Technology (ILT) Strategy. The project will update the IT Infrastructure at Redcar and Cleveland College site and will purchase and install the following:- a) Data links; b) Networks (switches, wireless, servers, storage and server software); c) Firewall; d) Telephony; e) Classroom touchscreen displays; f) Desk-top and tablet computers; and g) Printers and Software.		
Assurance Requirements	Business Case received and assessed to inform cabinet recommendations. Due diligence complete – funding agreement being prepared. The delivery will begin immediately for completion before the term starts in September 2018.		

15. **Development Fund Delegated Decision: Darlington Sports Village**

TVCA Investment	£449,950	**Total Project Cost**	£499,950
Direct Financial Return	Development fund loan therefore if the project secures investment to deliver, the development fund will be repaid. £50,000 match from Darlington Council.		
Outputs	Feasibility, Business Case & Design		
Update	Work will begin immediately – future updates to be provided when available.		
Summary	The proposal involves the development of Darlington Arena in order to increase its overall viability including diversifying the offer and attracting and retaining commercially viable investment as a means to generate income streams to support the delivery of sporting and cultural ambitions.		

	The overall project will costs an estimated £20million with a potential request to TVCA for £1.5m – £2m. A range of funding models will be considered as part of the development work.
Assurance Requirements	An EOI was received and assessed in line with the Assurance Framework.

16. **Development Fund Delegated Decision: A689 Wynyard Re-design**

TVCA Investment	£333,872	**Total Project Cost**	£333,872
Direct Financial Return	Development fund loan therefore if the project secures investment to deliver, the development fund will be repaid.		
Outputs	Re-design / transport modelling		
Update	Work will begin immediately – future updates to be provided when available.		
Summary	The proposal involves the signalisation and minor widening at 5 existing roundabouts to provide the capacity on the A689 roundabouts for the additional local access required for the proposed housing developments in Wynyard and South West Hartlepool. It is complementary to previous pinch point works and was a project agreed in the original Growth Deal. Various delays have occurred due to the focus on Wynyard changing from commercial to housing and the hospital proposal not progressing. The scope and technical design of the project therefore requires significant changes and further development work.		
Assurance Requirements	An EOI was received and assessed in line with the Assurance Framework.		

DELIVERY

17. No further updates since the last report, delivery of the investment programme has accelerated as reported previously and is on track. Delivery is monitored closely by TVCA. A delivery dashboard is being developed for future reports.

ASSURANCE FRAMEWORK

18. We are currently undertaking a full review of the Assurance Framework we have in place with Government and guidance is expected to be published by Government in the Summer. This looks at how we make our decisions and governance arrangements; project evaluation and monitoring.

19. Part of this is our locally agreed Assessment Framework which we use to evaluate business cases in line with HM treasury Green Book guidance. We are working with

Management Group, Chief Executives and Director of Resources to review and improve this.

20. An updated Assurance Framework will need to be agreed with Government by December 2018.

FINANCIAL IMPLICATIONS

21. No financial implications at this time.

LEGAL IMPLICATIONS

22. The Assurance Framework must be adhered to at all times. This was agreed with Government through the Devolution deal and if not followed can pose a risk to the investment programme and securing future funding.

RISK ASSESSMENT

23. This Investment Plan Delivery Report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

24. The review of the Investment Plan has been subject to consultation alongside the TVCA Budget.

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AGENDA ITEM 10

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

27 JULY 2018

REPORT OF THE HEAD OF TRANSPORT/INVESTMENT DIRECTOR

PORTFOLIO: TRANSPORT

HARTLEPOOL WESTERN GROWTH CORRIDOR

SUMMARY

The purpose of this Report is to inform Cabinet of the proposal by Hartlepool Borough Council ("HBC") to bring forward the construction of a Western Growth Corridor for Hartlepool (the "New Road"), and to seek approval for the investment of £4,172,500 of Combined Authority funding into the Project as set out in this report.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:-

i. notes the progress with the development of plans for the New Road;
ii. notes the work being carried out by HBC with Highways England and Homes England to bring the Project forward;
iii. notes that the total project cost is estimated at £18 million, of which £9.655 million will be funded by HBC by way of prudential borrowing against future s.106 contributions enabled by the New Road;
iv. notes that this leaves a current funding gap of £8.345 million and that it is proposed that the Combined Authority invests half of this amount by way of grant funding;
v. subject to business case approval and to due diligence, approves the investment of £4,172,500 of Combined Authority grant funding into the Project, as set out in this report;
vi. notes that the Combined Authority will continue to work with HBC to seek the balance of the funding required for the New Road (£4,172,500) from Homes England under its Housing Infrastructure Fund programme ("HIF"); and
vii. delegates the finalisation of the funding and associated contractual arrangements to the Interim Managing Director and the Investment Director.

DETAIL

Summary Project Description

1. The Project is the preferred option to ensure the continued and sustainable growth of Hartlepool, which currently only has 2 main road routes in and out of the town from the A19. The Project consists of the development of a by-pass for the Village of Elwick and an overbridge and compact grade separation at the current Elwick North junction to the A19, which will improve the strategic and local road network. This will provide a third main route into Hartlepool, enabling the development of significant levels of new housing in the West of the Borough. It will also address capacity issues across the wider road network and, importantly, will improve road safety through Elwick Village and on the Al9 in relation to the right turns across the intended expressway. In addition there will be social and environmental benefits to the residents of Elwick Village, as the volume of traffic travelling through the village will be reduced. A diagram showing the proposed scheme is set out at Appendix 1 to this Report.

New Housing and Other Development

2. The New Road will directly result in the creation of new homes in the strategic locations to the West of Hartlepool set out in the Hartlepool Local Plan. These sites at High Tunstall Farm, Quarry Farm, North Farm/Potters Farm in Elwick and Briarfields identify land for approximately 1,500 new dwellings at as part of an overall requirement for 6,000 additional dwellings in Hartlepool over the next 15 years. These strategic allocations in sustainable locations within existing urban areas and on the edge of the urban area offer good access to public transport, education, community and other facilities, as well as access to Hartlepool town centre. Other housing and employment sites are also expected to be opened up by the New Road in the medium to long term.

3. The project will facilitate full development of these sites and relieve pressure on existing access points, particularly onto the A689, A179 and A19. These accesses will have capacity to support further economic growth elsewhere in Hartlepool including the Port and strategic industrial areas of south east Hartlepool, and will support development within the Borough's three Enterprise Zones.

Transport and Highways

4. The Project will enable critical improvements to the road infrastructure network required by Highways England to facilitate the delivery of strategic housing sites. The increase in demand through the provision of new housing will add significant additional traffic onto the local and strategic road network, and the right hand turns currently required of vehicles onto and off the A19 are already a significant safety risk for drivers on these networks. Improvements through the Project will mean that dangerous right turn manoeuvers will be eliminated due to the new junction and road reconfiguration, and gap closures. The accident record on this section of the A19 (between the A689 and the A179) has given rise for concern and is part of a study commissioned by Highways England to investigate the possibility of gap closures along this length in conjunction with the provision of the new junction. Her Majesty's Coroner has written to Highways England seeking closure of the gaps in the central reservation following the number of fatalities that have occurred on this part of the network.

5. Between 2008 and 2017 there have been 10 Killed or Seriously Injured (KSI) personal injury collisions in the vicinity of Elwick crossroads. 5 of these collisions have resulted in a fatality. During the same period there have been 9 KSI collisions on the A19 flyover section of the

route with no accidents resulting in a fatality despite this section of the route carrying approximately twice the number of vehicles. These figures suggest that the Elwick Crossroads part of the network has a particular road safety issue that the Western Growth Corridor will help to address.

6. Without this scheme, traffic generated by new housing development on the western edge of Hartlepool would need to find alternative routes. This may be through either the existing built-up area, creating local congestion and environmental problems along rural roads that are unsuitable for significant volumes of traffic. Existing accesses from Hartlepool to the A19 at the A179 and A689 junctions have little or no spare capacity. The proposed housing developments would create increasing volumes of traffic leading to delays and longer journey times. This could have an adverse impact on existing and potential businesses in Hartlepool.

7. The provision of an overbridge and compact grade separation at the current Elwick North junction to the A19, with the diversion of Coal Lane and by-pass around Elwick linking the new junction to Dalton Road has a number of other benefits including:-

- The creation of a third safe access on to the A19 will open up development opportunities across the town, enabling the provision of housing and employment development; and
- The development of the junction and by-pass as a whole will be the best solution to support future growth opportunities in Hartlepool whilst at the same time protecting the integrity and character of Elwick village. Provision of the junction without the diversion around Elwick will be to the detriment of the village and its residents as this will lead to an increase in traffic utilising the route through the village.

8. <u>Transport Benefits</u>

The initial Benefit to Cost Ratio ("BCR") has been assessed using a proportionate WebTAG compliant approach. The scheme has a positive impact on:-

- Business users' and providers' travel time and vehicle operating cost impacts;
- Greenhouse gas emissions; and
- Commuting and other users' travel time and vehicle operating cost and accident impacts.

Monetised Element	Present Value (£000s 2010 prices)
User Benefits	68,505
Accidents	1,746
Greenhouse Gases	475
Wider Public Finances (Indirect Tax Revenues)	-1,159
Sub-Total Present Value Benefits	*67,566*
Present Value Costs	19,756
Scheme Net Present Value	49,810
Initial Benefit Cost Ratio	**3.52**

The scheme, with an initial BCR of 3.5, represents a project with high value for money in transport terms.

Housing Release

9. The Hartlepool Local Plan and supporting evidence base support the allocation of housing sites. Allocated in the Local Plan and on the western edge of the existing urban area, there are proposals for urban extensions at High Tunstall for approximately 1,200 new homes and at Quarry Farm Two for 220 homes.

The High Tunstall development is a sustainable scheme incorporating a new primary school and playing fields, a green wedge, sustainable drainage provision, local centre and play facilities. The Quarry Farm Two site to the north of Elwick Road is a proposal for a mix of house types with associated green space, play area and footpath/cycle links into adjacent areas.

The Local Plan states that no development will be permitted on either of these sites prior to the implementation of the grade separated junction and bypass to the north of Elwick Village, unless otherwise agreed with Highways England and HBC. In addition, there are opportunities for further smaller developments in Elwick Village, but these will require the New Road to relieve traffic pressure through the village.

Ambition and Benefits

10. The Project aims to progress the delivery of the housing and transport benefits described above.

11. The delivery of the Project will support the delivery of the SEP and contribute directly to the following outputs and outcomes:-

a) Securing the further upgrade of the Al9/A168 corridor as an expressway to serve Tees Valley and the wider North East;
b) Facilitating both population and jobs growth, contributing towards the long term economic growth of Hartlepool and the wider Tees Valley;
c) Helping to deliver the objectives of the Hartlepool Local Plan, which are aligned with SEP activities and objectives;
d) Creation of 1,500 new homes, improving the quality of the housing offer in the region;
e) Leveraging at least £200 million private sector investment in housing and associated infrastructure and facilities, as well as other potential investment in sites enabled by the New Road;
f) Improving local neighbourhoods and supporting the Hartlepool town centre economy;
g) Improving perceptions of the Tees Valley as a place to live, work and visit; and
h) Increased/improved connectivity in and out of Hartlepool and the wider Tees Valley.

Assurance

12. Approval of the Project by Cabinet is requested subject to:-

a) Review and evaluation of the business case for the Project, when received from HBC in due course; and
b) Due diligence under the Combined Authority's Assurance Framework.

Funding

13. The bulk of the funding requested is required in financial years 2019/20 and 2020/21 to ensure that the works are fully completed in advance of the proposed major infrastructure improvement works to the Al9, between Norton and Wynyard. HBC will continue to work in partnership with Highways England to ensure that the Elwick By-Pass, overbridge and compact grade separation at the current Elwick North junction to the Al9 is planned in line with these timescales.

14. The overall cost of the Project (including contingencies) is estimated at £18 million. Contributions to that cost have previously been sought from both Department for Transport ("DfT") and Homes England:-

a) In June 2017 HBC submitted a National Productivity Investment Fund proposal to DfT requesting £10m to help deliver the scheme. The bid was supported by the Tees Valley Combined Authority. DfT announced that the bid was unsuccessful in October 2017;
b) In September 2017, HBC submitted a HIF bid for £8m Marginal Viability Funding to deliver the New Road and enable the development of 1,500 homes. The bid had the written support of Tees Valley Mayor Ben Houchen. The Government announced that the bid had been unsuccessful on 1 February 2018, stressing that it was a hugely competitive process, receiving almost £2bn worth of Marginal Viability Fund bids. Government also stated that, for unsuccessful bids, they had asked Homes England to explore how they can support local authorities to develop their housing ambitions, potentially using the additional £10bn funding for housing delivery secured in the Autumn Budget, and positive discussions are under way with Homes England for whom this remains a priority project locally.

15. Funding for the Project covered in this Report will be provided, at the present time, as follows:-

- Total project cost estimated at £18 million;
- £9.655 million to be funded by HBC by way of prudential borrowing against future s.106 contributions enabled by the New Road;
- This leaves a current funding gap of £8.345 million and it is proposed that the Combined Authority invests half of this amount by way of grant funding - £4,172,500;
- The Combined Authority will work with HBC to re-work and/or re-submit an application to Homes England for HIF funding for the balance of the funding required (£4,172,500), confirming that the Combined Authority has through its EoI review and approval processes tested the strategic and economic case for the New Road and is committing its own funding as set out in this Report.

FINANCIAL IMPLICATIONS

16. The approval of this proposal will formally accept the Project into the Investment Plan, committing £4,172,500 of grant funding sourced from the Combined Authority's single capital pot.

LEGAL IMPLICATIONS

17. There are no specific legal issues arising from the provision by the Combined Authority of funding for the Project as set out above. The Combined Authority will use its standard funding agreement for capital projects to govern the terms of its funding into the Project. The funding agreement will be tailored so as to minimise the risks identified in the risk section below as far as possible.

RISK ASSESSMENT

18. The main risks are that:-

a) The Project is delayed for any reason, meaning that construction inflation will be incurred and the funding referred to in section 13 above is therefore insufficient to carry out the work planned; and
b) Once construction of the New Road commences, that time and/or cost overruns mean that the funding referred to in section 13 is insufficient to carry out the work planned.

These risks will be managed by HBC through their project governance arrangements and the letting and management of the relevant contracts for works and services. An appropriate contingency allocation has been included by HBC in the Project budget, to further mitigate this risk.

Conversely, the risks of not delivering the Project are that:-

a) Access to and from Hartlepool off the A19 remains challenging and critical improvements to the infrastructure network required by Highways England to facilitate the delivery of strategic housing sites are not delivered;
b) New housing that could otherwise come forward to support the Combined Authority's regional housing aspirations is not delivered, is delivered on sites that are less suitable or is delivered more slowly; and
c) HBC's own aspirations for the growth and prosperity of the town are constrained.

CONSULTATION

19. This report has been consider by Tees Valley Management Group. HBC has already consulted widely on the planning for the Project, and will continue to undertake consultations on the Project as it progresses.

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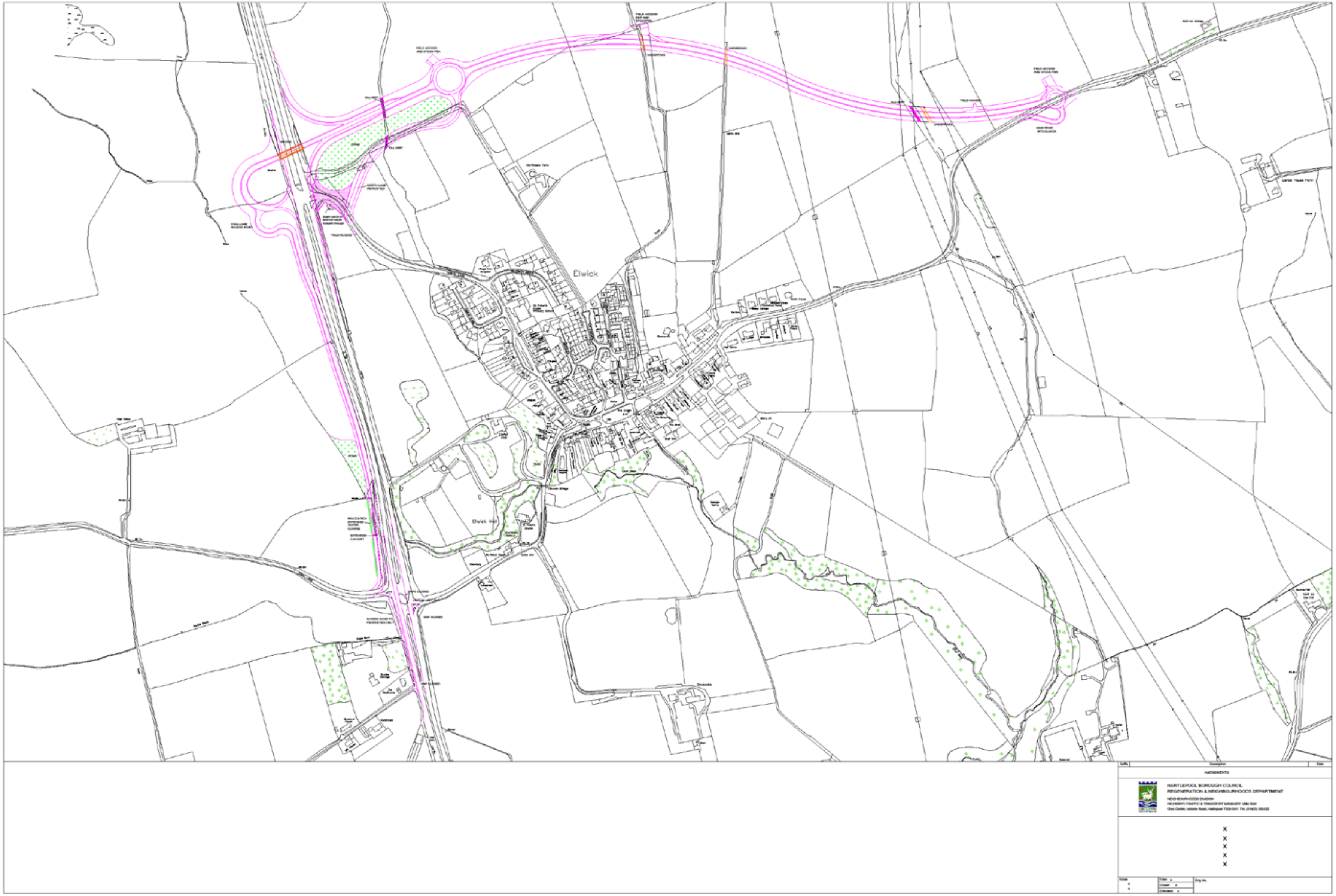
APPENDIX 1 – DIAGRAM SHOWING ROUTE OF NEW ROAD



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TEES VALLEY COMBINED AUTHORITY

Agenda Item 12

FOR INFORMATION

Cabinet agreed at its meeting on 27th July 2017 to establish a mechanism for delegated decisions, which could be taken between meetings.

It was agreed that this delegation would apply only if certain conditions were met:

1. Any commitment of funds have already been assigned by Cabinet for that purpose; for example through the specification of an overall programme within the Investment Plan;
2. The total sum involved is no more than £1 million;
3. The proposal reflects an established Combined Authority policy position, and does not raise novel or contentious issues which require debate with the full Cabinet. (In order to assure this, discussions would generally have taken place through the appropriate officer forum); and
4. The proposal is subject to the established Combined Authority assurance framework, as agreed with central government.

If these conditions are met, proposals are put jointly by officers to the Mayor and Cabinet Portfolio member. Either can refuse the proposal, or determine that a full Cabinet discussion is necessary. Decisions are reported to Cabinet and the Overview and Scrutiny Committee.

Decisions made under these delegated arrangements since 28th March Cabinet are listed below:

Decision	Amount	Date
Great Exhibition of the North Funding to secure Deepframe technology for the Great Exhibition of the North.	£39,450	12.03.18
Freeport Status Study Funding to commission research and expertise to understand the merits of free port status.	£60,000	16.04.18
A689 Wynyard Funding to progress the development of a revised business case for A689 Wynyard improvements.	£269,516	15.05.18
Darlington Sports Village Funding to establish the feasibility and viability of establishing a sports village of regional significance based around the existing Darlington Arena to support the development of a robust business case.	£449,950	05.06.18
National Museum of the Royal Navy Hartlepool Funding to support the wider Hartlepool Waterfront Masterplan.	£499,250	19.07.18