Tees Valley Combined Authority and Group Statement of Accounts 2022/23

CONTENTS

Tees Valley Combined Authority Group - Annual Financial Statements 2022/23

Narrative Report

Introduction

Welcome to the Tees Valley Combined Authority Group's Annual Statement of Accounts for 2022/23. 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 2022/23. These Annual Statement of Accounts incorporates Goosepool 2019 and South Tees Development Corporation as part of the group accounts.

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

Strategy and Priorities

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

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

Business Growth: Further increase jobs and business density through targeted support to create and attract new companies and to grow businesses and sectors with high growth potential;

Research, Development, Innovation & Energy: Further enhance productivity in all core sectors through the commercialisation of knowledge;

Education, Employment & Skills: Ensure a labour market which meets the needs of local business and supports the lifetime opportunities of all our residents;

Place: Promote the Tees Valley as the preferred location in the UK for energy intensive indigenous firms, Foreign Direct Investment and create the conditions necessary to attract businesses and individuals with a focus on vibrant town centres;

Culture: Change the external perceptions of Tees Valley through the arts, cultural and leisure offer, create places that attract and retain businesses and business leaders, and make the area an attractive place to live, work and visit; and Transport & Infrastructure: Facilitate local, regional, national and international road, rail and broadband connectivity through collaborative investment in physical infrastructure.

The 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 long-term view is to redevelop the site to provide a high value, low carbon, diverse and inclusive economy thus creating significant employment prospects for the area.

At 4,500 acres the site, rebranded as Teesworks in July 2020, is the largest industrial development opportunity in the UK and the largest brownfield site in Europe. STDC's core operations are the remediation of contaminated, unsafe land within the site boundaries and completion of the demolition of redundant assets to bring the site back into productive use by releasing over 2,000 acres of additional land for commercial investment. This work, one of the biggest, most complex and condensed demolition projects in the UK, was scheduled to conclude in 2023 with the final explosive demolition of the Redcar Power Station. In 2022/23, the Redcar Blast Furnace, the site's former Sinter Plant, Coke Ovens, stoves and incinerator stacks were all brought down. This was alongside others including the Basic Oxygen Steelmaking plant – one of the largest single explosive demolitions in the UK in 75 years.

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

Achievements in Year

2022/23 was the seventh operational year for TVCA and we have successfully built on the work undertaken in the previous years to prepare the organisation to undertake new devolved responsibilities. We have developed strategies and plans to shape future priorities and investments to meet our aims and objectives.

Since the Authority successfully passed its first Government Gateway. We have continued to strive for further devolved powers whilst securing additional funding from Government to fund our investments. A summary of investments and achievements can be found below: -

- During the year TVCA has invested £348 million on programmes, projects, grant schemes and development funding for future projects.
- Work to transform the region's major railway stations, including funding from TVCA, significantly accelerated. Government reconfirmed its commitment of £93million for the £140million Darlington Station project, and this has now seen the completion of demolition to the east and west of the station, with construction beginning on its new multistorey car park and gateway entrance. The new entrance and revamped ticket hall as part of Middlesbrough station's £35million upgrade are now being created, and £12million of work to bring Hartlepool's disused second platform back into use is under way and due to be completed in summer 2023.
- Following the success of the South Tees Development Corporation and consultations with the respective councils, Tees Valley Mayor used devolved powers to establish two new Mayoral Development Corporations in the centre of Hartlepool and Middlesbrough. These are statutory bodies created to bring forward the regeneration of a defined area, holding power over planning, discretionary business rate relief, infrastructure and land function. They aim to supercharge the towns by driving further investment, capitalising on their assets and creating a blueprint for growth. These came into effect in early 2023.
- In the 2023 Spring Budget the Chancellor of the Exchequer announced that Teesside had been shortlisted for one of 12 Investment Zones, which aims to grow strengths in key industries and create jobs – with access to interventions worth £80million over a five-year period.
- COVID-19 restrictions came to an end on 21 February 2022. As such, a number of COVID specific support funds namely: Apprenticeship Grants; Welcome Back Fund; Back to Business Funds: Visitor Economy and Wider Economy; Kickstart scheme; Culture Development and Innovation Fund; Peer to Peer Programme have been wound up or repurposed.
- New funding announced or secured in 2022/23 includes £15million Government funding to regenerate Middlesbrough's Gresham and create a new hangar at Teesside Airport; the £400,000 Energy Project Enabling Fund administered by the North East and Yorkshire Net Zero Hub; a further £6million in funding for Billingham as part of the revised Ten-Year Business Plan; £300,000 Government funding to help deliver the Tees Valley Woodland Creation Partnership which will lead Trees on Tees – planting 1million trees across the region; £580,000 for various new programmes to help grow the region's culture sector.

- The Authority continued to use the funding secured from Government on the redevelopment of the Teesworks site. There has been successful acceleration of the capital delivery on site. All major structures have been brought down with the final explosive demolition of the Redcar Power Station scheduled for late June. Remediation continues apace across the site, and it has now begun on the 150 acres of land earmarked for bp and Equinor's £1.5bn Net Zero Teesside project, including a gas-fired power plant with carbon capture, utilisation and storage capabilities.
- In November 2022 the Teesworks Skills Academy officially opened its doors. This has been established to help give the local people of the Tees Valley the best skills and training possible to enable them to take advantage of the new jobs and opportunities that are being created on the Teesworks site.
- Construction is continuing on SeAH Wind's £450million offshore wind monopile manufacturing facility, set to bring 1,500 jobs in the supply chain and during construction, plus 750 direct jobs when fully operational.
- Planning permission has been secured for Circular Fuels Ltd's renewable gas facility will take non-recyclable residual waste from households and industry, converting it into renewable dimethyl ether (rDME) to help decarbonise normally hard-to-reach properties not connected to the national gas grid. This will create 250 construction jobs and more than 50 skilled roles to come.
- Construction is continuing on the 1km South Bank Heavy Lift Quay to service the offshore sector. After securing £107million in the UK Infrastructure Bank's first ever investment, the Quay Wall is now completed, land-based works are focused on the platform and it is due for completion in September 2023.
- Plans have been approved for a new 35-acre, 1,500 vehicle park and ride scheme at Teesworks to accommodate the construction workers situated on the site developing projects such as Net Zero Teesside and SeAH Wind Ltd. A further planning application has been submitted for a services complex on the edge of the site, including a hotel, shops and petrol station.
- The Teesside Freeport, the heart of which is located at Teesworks, is now fully operational and welcomed its first consignment of 100 tonnes of steel in September 2022. In December, Government announced up to £25million of seed funding to help the Freeport increase its operations.
- 2022 saw the best summer season in more than a decade for Teesside International Airport, welcoming more than 173,000 people through its terminal – up more than 200% on the previous year. It was also named the UK's second most-punctual according to Civil Aviation Authority figures.
- The installation of new state-of-the-art CT scanners has allowed the airport to become the UK's first to end the 100ml liquid limits in security, as well as the requirement to remove
- Airlines have further recommitted to Teesside Airport, with TUI adding a second weekly flight to Majorca in summer 2023, ahead of introducing a service to Dalaman, Turkey, in 2024. Ryanair has also announced that from October 2023, it will offer thrice-weekly flights to Alicante throughout its winter season.
- After transforming its terminal, expanding its routes and securing a low-cost airline, in 2022/23 attention turned to the next part of its Ten Year Turnaround Plan, to diversify its revenue streams by capitalising on its land and assets. A new £2.5million fully accredited 21,000sq ft Cargo Handling facility is now operational, becoming the UK's latest Border Control Point, allowing it to also handle flowers, fruit and vegetables. It provides cutting-edge security screening technology, as well as handling, freight-forwarding, customs clearage and storage.
- Planning permission has been granted for plans to establish a £25million Jet Centre and Aviation Village – including five hangars for aircraft maintenance, repair and overhaul – at Teesside Airport. The scheme, led by Willis Lease Finance Corporation and its wholly owned subsidiary, Willis Aviation Services Limited, has the potential to bring 250 to 300 jobs to the region.
- Aviation services and technology firm Draken Europe has more than doubled its fleet of aircraft following the construction of a second 16,000sq ft hangar. This will accommodate Draken's fleet of Alca L-159E Honey Badger aircraft, to fulfil a contract with the Ministry of Defence, creating up to 30 jobs. Other commercial deals include a new ten-year lease agreement for the world-leading Serco Fire Training Centre to be based at the airport. Two Oil Spill Response Limited Boeing 727s are now operating from the airport, to be deployed across the world in the event of a major oil spill.
- Work is now under way on the first phase of the £200million Southside Business Park, a key development to help diversify the airport's revenue streams. This is now being marketed locally, nationally and internationally

Impact of Covid-19

Although the COVID-19 outbreak in March 2020 presented significant challenges to local government, the nature of work of the Combined Authority and robust pre-existing business continuity plans ensured it was possible to minimise the impact of the disruption on the delivery of services and finances. Following the outbreak of Covid-19, we worked closely with our partners to facilitate and deliver rapid responses to help businesses manage the immediate impact of the pandemic. The Authority was successful in securing several funding streams from Central Government which provided support to local businesses in the short term during the initial outbreak and has been followed up by several schemes assisting organisations to recover from the impact of the pandemic. Looking forward the Combined Authority will have a significant role to play in driving the region's economic revitalisation. We have undertaken extensive analysis, including engagement with our local business community, to identify a suite of interventions that will address the vulnerabilities in our economy, and enable local businesses and residents to realise future opportunities.

In February 2022, the final existing restrictions in relation to the pandemic were lifted, bringing to an end a number of short-term intervention schemes. We are now working alongside our businesses, partners, stakeholders and local authorities on long-term support, programmes and schemes to help any impacted industries to grow as part of our Ten Year Investment Plan and SEP.

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 government we aim to establish the Tees Valley as a flagship of successful devolution.

We will continue to build upon our strong track record of securing funding to maximise all funding opportunities available. Through the use of our 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.

Two new Mayoral Development Corporations have now been designated in Hartlepool and Middlesbrough, with boards made up of the public and private sector established to oversee them. This follows the success of the South Tees Development Corporation, which was established in 2017. The locally led model of a development corporations will accelerate regeneration, secure private investment and create jobs in these areas.

The STDC masterplan is an opportunity to enhance the local area through the creation of high quality jobs in industries which are resilient to future change, creating an increase in GVA locally and further afield.

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

The regeneration of the South Tees site has progressed with remediation and infrastructure works across the whole site underway, with areas of the site ready for private sector investment.

Demolition the final structures across the site are all but complete, meeting requirements that are critical to the achievement of the UK's Industrial Strategy, by the creation of a clean technology hub, amongst other innovative energy and green industrial initiatives.

From a transport perspective, we will commence delivery of our CRSTS programme, with the aim to progress infrastructure improvements for bus priority along nine key corridors in the Tees Valley, as well as delivering cycling and walking improvements through our Local Cycling and Walking Infrastructure Plan (LCWIP). Further to this, work has commenced at all of our major stations – Darlington, Middlesbrough, Hartlepool, Eaglescliffe and Billingham, with works on the latter three to be complete in 2023.

The acquisition of the airport provides significant opportunities not only to transform an important part of our economic infrastructure, it presents major opportunities through land development for inward investment and jobs growth. TIA's mission remains to add connectivity, economic impetus, job opportunities and travel opportunities to the region, in a sustainable manner. As a significant investment we have in place extensive governance arrangements to ensure plans for the airport are delivered and progress monitored.

As the Airport continues to grow its routes and services, the next focus of its Ten Year Turnaround Plan is on infrastructure, estates and business offer, rather than solely passengers. The development of its new Cargo Handling Facility has seen its Freight Strategy commence, with the service now being recognised for last-minute or urgent goods efficiently and effectively.

TIA has focused on developing its estate. The first phase and link road for the Business Park South is continuing its development. This will be a major logistics, manufacturing and commercial business park that will cover 2.7 million square feet across 270 acres of the land at the southside of the airport. Once complete, the development has the potential to create 4,400 jobs and deliver extra revenue to reinvest into the airport.

A masterplan for the Business Park North has been agreed, to attract new business investment and deliver new jobs and growth. TIA is already working closely with businesses on-site as detailed in the Achievements in Year above, with major opportunities being realised in 2022/23 and further plans in progress to attract more companies to the Airport.

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

Key Sections Included in the Statement of Accounts

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

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

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

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

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

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

Borrowing and Lending Arrangements

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 Group held investments totalling £106 million. During the year the Authority has generated £1.38 million in interest from Treasury management activities.

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.

Hymans Robertson, an independent firm of actuaries, has calculated the Group's net asset position as £0.92 million on the Local Government Pension Scheme as at 31st March 2023. Employer's contributions to the pension fund during 2022/23 were charged at 15.9% of total pensionable employee pay in line with actuarial advice. Further information on retirement benefits is available in Note 23 of the Notes to the Group Core Financial Statements and Note 22 of TVCA single entity Core Financial Statements.

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

Tees Valley Group

Tees Valley Combined Authority Group Statement of Accounts 2022/23

Group Movement in Reserves Statement for the year ended 31 March 2023

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

	General Fund Balance	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Combined Authority Reserves**	Authority Share of Subsidiaries Reserves	**Total Reserves attributable to the Authority**	Minority Interest	**Total Group Reserves**
	£000s	£000s	**£000s**	£000s	**£000s**	£000s	**£000s**	**£000s**	**£000s**
Movement in reserves during 2021/22									
Balance at 1 April 2021 brought forward	45,683	112,540	**158,223**	(15,396)	**142,827**	-	**142,827**	(5,725)	**137,102**
Total Comprehensive Income and Expenditure	(9,089)	-	**(9,089)**	1,684	**(7,405)**	(67,517)	**(74,922)**	(4,547)	**(79,469)**
Adjustments between Group Accounts and authority accounts	1,748	-	**1,748**	-	**1,748**	-	**1,748**	-	**1,748**
Adjustments between accounting basis & funding basis under regulations (Note 7)	13,457	14,349	**27,806**	(27,806)	**-**		**-**		**-**
Increase/Decrease in Year	6,116	14,349	**20,465**	(26,122)	**(5,657)**	(67,517)	**(73,174)**	(4,547)	**(77,721)**
Balance at 31 March 2022 carried forward	51,799	126,889	**178,688**	(41,518)	**137,170**	(67,517)	**69,653**	(10,272)	**59,381**
Re-Allocation of Subsidiary Reserves	3,212	(53)	**3,159**	(70,676)	**(67,517)**	67,517	**-**	-	**-**
Group Reserves	55,011	126,836	**181,847**	(112,194)	**69,653**	-	**69,653**	(10,272)	**59,381**
General Fund analysed over:									
Amounts earmarked (Note 8)	53,631								
Amounts uncommitted	1,380								
Total General Fund Balance 31 March 2022	55,011								
Movement in reserves during 2022/23									
Balance at 1 April 2021 brought forward	55,011	126,836	**181,847**	(112,194)	**69,653**	-	**69,653**	(10,272)	**59,381**
Total Comprehensive Income and Expenditure	(37,907)	-	**(37,907)**	9,383	**(28,524)**	(67,050)	**(95,574)**	(3,049)	**(98,623)**
Adjustments between Group Accounts and authority accounts	1,551	-	**1,551**	-	**1,551**	-	**1,551**	-	**1,551**
Adjustments between accounting basis & funding basis under regulations (Note 7)	46,109	(14,395)	**31,714**	(31,714)	**-**	-	**-**	-	**-**
Increase/Decrease in Year	9,753	(14,395)	(4,642)	(22,331)	(26,973)	(67,050)	(94,023)	(3,049)	(97,072)
Balance at 31 March 2023 carried forward	64,764	112,441	**177,205**	(134,525)	**42,680**	(67,050)	**(24,370)**	**(13,321)**	**(37,691)**
Re-Allocation of Subsidiary Reserves	1,210	-	**1,210**	(68,260)	**(67,050)**	67,050	**-**	-	**-**
Group Reserves	65,974	112,441	**178,415**	(202,785)	**(24,370)**	-	**(24,370)**	(13,321)	**(37,691)**
General Fund analysed over:									
Amounts earmarked (Note 8)	64,594								
Amounts uncommitted	1,380								
Total General Fund Balance 31 March 2023	**65,974**								

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

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

2021/22					2022/23		
£000s	**£000s**	**£000s**			**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
204,540	(72,347)	**132,193**	Business Growth		193,505	(70,065)	**123,440**
10,602	(2,064)	**8,538**	Research Development Innovation & Energy		59,018	(6,721)	**52,297**
39,283	(36,814)	**2,469**	Education Employment & Skills		36,823	(46,347)	**(9,524)**
5,714	(1,079)	**4,635**	Culture		13,359	(10,235)	**3,124**
54,556	(40,224)	**14,332**	Transport		63,474	(40,110)	**23,364**
-	-	**-**	Enabling Infrastructure		-	-	**-**
15	(17)	**(2)**	Project Development		-	-	**-**
15,546	(12,665)	**2,881**	Place		16,873	(9,128)	**7,745**
6,884	(9,532)	**(2,648)**	Core Running Costs		5,439	(4,017)	**1,422**
15,045	(15,986)	**(941)**	Concessionary Fares		14,011	(13,163)	**848**
2	-	**2**	SSI Related Schemes Not in the Investment Plan		7	-	**7**
6	(6)	**-**	Not Directly Attributable to Themes		58	(5,606)	**(5,548)**
352,193	**(190,734)**	**161,459**	**Cost Of Services**		**402,567**	**(205,392)**	**197,175**
			Financing and Investment Income and Expenditure:				
1,814	-	1,814	Interest payable and similar charges		4,517	-	4,517
445	(264)	181	Net interest on the net defined benefit liability/asset		675	(433)	242
-	(463)	(463)	Interest receivable and similar income		-	(5,671)	(5,671)
-	(3,787)	(3,787)	Income & costs and changes in fair value relating to investment properties		6,508	-	6,508
		-	Revaluation loss on Assets Held for Sale		-	-	-
			Taxation and Non-Specific Grant Income:				
-	-	-	Taxation		-	-	-
-	(74,246)	(74,246)	Capital grants and contributions	21	-	(94,718)	(94,718)
354,452	**(269,494)**	**84,958**	**(Surplus) or Deficit on Provision of Services**		**414,267**	**(306,214)**	**108,053**
		(5,378)	Share of (Surplus) or deficit on Joint Ventures and Associates				-
		(1,860)	Re-measurements of the defined benefit liability	23			(10,981)
		-	Other (gains) and losses				-
		(7,238)	**Other Comprehensive Income and Expenditure**				**(10,981)**
		77,720	**Total Comprehensive Income and Expenditure**				**97,072**
		4,547	*(Surplus) or Deficit on Provision of Services - minority interest share*				*3,050*

Group Balance Sheet as at 31 March 2023

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

	Note	**31 March 2023 £000s**	31 March 2022 £000s
Non-current assets			
Property, plant and equipment	6	32,340	68,624
Investment property	6	26,024	17,705
Intangible assets	6	19,388	19,388
Pension Asset	23	918	-
Long term investments	22	6,045	6,001
Lease Receivable		93,568	-
Long Term Debtors	12	100,853	9,879
Total non-current assets		279,136	121,597
Current assets			
Short term investments			-
Inventories		346	1,176
Debtors	13	53,569	42,480
Cash and Cash Equivalents	14	100,036	145,555
Total current assets		153,951	189,211
Current liabilities			
Short Term Borrowing	22	(29,526)	(1,042)
Grant Receipts In Advance	21	(19,355)	(19,364)
Short Term Lease Liability	19	(1,900)	-
Short Term Creditors	15	(104,173)	(81,683)
Total current liabilities		(154,954)	(102,089)
Long term liabilities			
Long Term Creditors	16	(974)	(1,631)
Long Term Borrowing	16 & 22	(209,035)	(135,158)
Other Long Term Liabilities	16 & 23	-	(7,987)
Long Term Lease Liability	19	(103,749)	-
Provisions	16	(2,066)	(4,562)
Total long term liabilities		(315,824)	(149,338)
Net Assets:		**(37,691)**	59,381
Reserves			
Usable reserves:			
General Fund Balance		1,380	1,380
P&L Reserve	8	(35,828)	(28,785)
Earmarked General Fund Reserves	8	100,422	82,416
Capital Grants Unapplied		112,441	126,836
		178,415	181,847
Unusable Reserves:			
Pensions Reserve	16 & 23	918	(7,987)
Deferred Capital Receipts Reserve		181,264	-
Minority Interest		(13,321)	(10,272)
Capital Adjustment Account	9	(384,743)	(103,969)
Accumulated Absences Account		(224)	(238)
		(216,106)	(122,466)
Total Reserves:		**(37,691)**	59,381

Gary Macdonald………………………………………………….

Group Director of Finance & Resources
Date

Group Cash Flow Statement For The Year Ended 31 March 2023

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

	Note	**Group 2022/23 £000s**	Group 2021/22 £000s
Net (surplus) or deficit on the provision of services		**108,053**	84,958
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(117,526)	(121,971)
Pension Fund adjustments		(2,076)	(2,099)
Increase/(Decrease) in Inventories (Stock)		(830)	753
Increase/(Decrease) in Revenue Debtors	13	11,089	22,447
(Increase)/Decrease in Revenue Creditors	15	(16,476)	(24,380)
(Increase)/Decrease in Grants Received in Advance		9	(8,293)
(Increase)/Decrease in Long Term Creditors		657	91
(Increase)/Decrease in Provisions		2,496	(2,093)
Increase/(Decrease) in Long Term Debtors	12	90,987	2,132
(Increase)/Decrease in IFRS9 Adjustments	12	(13)	(344)
Increase/(Decrease) in Long Term Investments		44	-
Increase/(Decrease) in Lease Receivable		768	-
Increase/(Decrease) in Investment Property Valuations		(6,508)	3,787
		(37,379)	(129,970)
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		(122,001)	(223,070)
		(122,001)	(223,070)
Net cashflow from operating activities		**(51,327)**	**(268,082)**
Investing activities			
Purchase of short term and long term investments		489,700	1,076,500
Purchase of property, plant and equipment, investment property and intangibles		193,518	125,723
Disposal of property, plant and equipment, investment property and intangibles		(103,463)	-
Income from Joint Ventures & Associates		-	(8,693)
Proceeds from short term and long term investments		(489,700)	(1,081,500)
Other receipts from investing activities		122,001	223,070
Net cashflow from investing activities		**212,056**	335,100
Financing activities			
Other receipts from financing activities		(13,449)	-
Cash payments for liabilities relating to finance leases and PFI Contracts		600	-
Movement in short and long term borrowings	22	(102,361)	(107,057)
Net cashflow from financing activities		**(115,210)**	(107,057)
Net (increase) or decrease in cash and cash equivalents		**45,519**	(40,039)
Cash and cash equivalents at the beginning of the reporting period		**145,555**	**105,516**
Cash and cash equivalents at the end of the reporting period	14	**100,036**	145,555
The cashflow for operating activities includes the following items:			
Interest received		**(1,252)**	**(53)**
Interest paid		**1,252**	**773**

Note 1: Group Structure

Details of Group entities is set out below:

South Tees Development Corporation ("STDC"):

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

South Tees Developments Limited ("STDL"):

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

South Tees Site Company ("STSC"):

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

Teesworks:

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

Goosepool 2019 Limited

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

Teesside International Airport Limited (TIAL)

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

Note 2: Group Expenditure & Funding Analysis

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

2021/22				2022/23		
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**
186,698	(54,505)	**132,193**	Business Growth	84,491	38,949	**123,440**
2,520	6,018	**8,538**	Research Development Innovation & Energy	5,292	47,005	**52,297**
35,276	(32,807)	**2,469**	Education Employment & Skills	45,841	(55,365)	**(9,524)**
1,154	3,481	**4,635**	Culture	2,323	801	**3,124**
21,447	(7,115)	**14,332**	Transport	11,306	12,058	**23,364**
(637)	637	**-**	Enabling Infrastructure	16,840	(16,840)	**-**
(104,268)	104,266	**(2)**	Project Development	(106,397)	106,397	**-**
6,096	(3,215)	**2,881**	Place	5,102	2,643	**7,745**
3,078	(5,726)	**(2,648)**	Core Running Costs	1,477	(55)	**1,422**
(1)	(940)	**(941)**	Concessionary Fares	-	848	**848**
-	2	**2**	SSI Related Schemes Not in the Investment Plan	-	7	**7**
6	(6)	**-**	Not Directly Attributable to Themes	2,602	(8,150)	**(5,548)**
151,369	**10,090**	**161,459**	**Net Cost Of Services**	**68,877**	**128,298**	**197,175**
(151,369)	74,868	(76,501)	Other Income and Expenditure	(68,877)	(20,245)	(89,122)
-	**84,958**	**84,958**	Surplus or Deficit	**-**	**108,053**	**108,053**
(1,380)			**Opening General Fund Balance 1 April**	**(1,380)**		
-			Less/Plus Surplus or (Deficit)	**-**		
-			Movements (To)/From Other Reserves	**-**		
(1,380)			**Closing General Fund Balance at 31 March**	**(1,380)**		

Note 2: Group Expenditure & Funding Analysis

Group Notes to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis 2022/23				
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	56,817	149	(18,017)	**38,949**
Research Development Innovation & Energy	51,088	124	(4,207)	**47,005**
Education Employment & Skills	(181)	272	(55,456)	**(55,365)**
Culture	3,155	36	(2,390)	**801**
Transport	17,638	153	(5,733)	**12,058**
Enabling Infrastructure	-	-	(16,840)	**(16,840)**
Project Development	116,687	-	(10,290)	**106,397**
Place	-	-	2,643	**2,643**
Core Running Costs	37	1,121	(1,213)	**(55)**
Concessionary Fares	-	-	848	**848**
SSI Related Schemes Not in the Investment Plan	-	-	7	**7**
Not Directly Attributable to Themes	7,747	-	(15,897)	**(8,150)**
Net Cost Of Services	252,988	1,855	(126,545)	**128,298**
Other Income and Expenditure from the Expenditure and Funding Analysis	(136,241)	242	115,754	**(20,245)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	116,747	2,097	(10,791)	**108,053**

Adjustments between Funding and Accounting Basis 2021/22				
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	20,084	191	(74,780)	(54,505)
Research Development Innovation & Energy	7,970	104	(2,056)	6,018
Education Employment & Skills	2,051	303	(35,161)	(32,807)
Culture	4,504	42	(1,065)	3,481
Transport	137	91	(7,343)	(7,115)
Enabling Infrastructure	-	-	637	637
Project Development	120,955	-	(16,689)	104,266
Place	-	15	(3,230)	(3,215)
Core Running Costs	(1,656)	1,174	(5,244)	(5,726)
Concessionary Fares	-	-	(940)	(940)
SSI Related Schemes Not in the Investment Plan	-	-	2	2
Not Directly Attributable to Themes	2,866	-	(2,872)	(6)
Net Cost Of Services `	**156,911**	**1,920**	**(148,741)**	**10,090**
Other Income and Expenditure from the Expenditure and Funding Analysis	(74,246)	181	148,933	74,868
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**82,665**	**2,101**	**192**	**84,958**

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

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

Group Notes to the Expenditure and Funding Analysis:

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

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	Group **2022/23** **£000s**	Group 2021/22 £000s
Expenditure		
Employee benefits expenses	19,022	23,167
Other services expenses	266,019	207,057
Revaluation, Depreciation,amortisation and impairment	124,034	121,971
Interest payments	5,192	2,257
Total Expenditure	**414,267**	354,452
Income		
Fees, charges and other service income	(56,873)	(40,119)
Interest and investment income	(6,104)	(4,516)
Government grants and contributions	(243,237)	(224,859)
Total Income	**(306,214)**	(269,494)
(Surplus) or Deficit on the Provision of Services	**108,053**	84,958

Segmental Income

Income received on a segmental basis is analysed below:

Services	Group **2022/23** **£000s** **Income from Services**	Group 2021/22 £000s Income from Services
Business Growth	(41,543)	(17,495)
Research Development Innovation & Energy	(69)	-
Education Employment & Skills	(381)	(179)
Culture	(42)	-
Transport	(14,815)	(7,621)
Enabling Infrastructure	-	(14,822)
Project Development	-	-
Place	-	-
Core Running Costs	(23)	(2)
SSI Related Schemes Not in the Investment Plan	-	-
Not Directly Attributable to Themes	-	-
Total income analysed on a segmental basis	**(56,873)**	(40,119)

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

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

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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

Note 4: Critical Judgements in Applying Accounting Policies

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by 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 the Group's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the

- **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 the Group with expert advice about the assumptions to be applied. Sensitivities are included in Note 22
- **Plant, Property and Equipment:** Valuations are carried out on a regular basis, meaning that there is a possibility of material changes in value between valuations. The risk is minimised by valuations of all significant assets and annual reviews of market conditions for all asset categories to ensure that the fair value of assets as at the 31 March are not materially misstated.

Note 6: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Plant & Machinery	Infrastructure Assets	Assets Under Construction	Surplus Assets	TOTAL
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost								
As at 1 April 2022	3,699	316	3,303	4,429	496	33,397	27,549	**73,189**
Additions	-	3	834	599	-	197,817	-	**199,253**
Revaluation	-	-	-	-	-	-	-	**-**
Reclassification	2,457	-	2,676	245	-	(19,926)	-	**(14,548)**
Disposals	-	-	-	-	-	(88,463)	(15,000)	**(103,463)**
As at 31 March 2023	6,156	319	6,813	5,273	496	122,825	12,549	**154,431**
Depreciation								
As at 1 April 2022	3,494	59	227	634	151	-	-	**4,565**
Additions	-	-	-	-	-	-	-	**-**
Depreciation Charge	-	51	332	340	116	-	-	**839**
Impairments	-	-	-	-	-	116,687	-	**116,687**
Derecognition of Disposals	-	-	-	-	-	-	-	**-**
As at 31 March 2023	3,494	110	559	974	267	116,687	-	**122,091**
Net Book Value								
As at 1 April 2022	205	257	3,076	3,795	345	33,397	27,549	68,624
As at 31 March 2023	**2,662**	**209**	**6,254**	**4,299**	**229**	**6,138**	**12,549**	**32,340**

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

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

An independent valuers opinion of the current value of the STDC Group land was prepared in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation was carried out on 20/10/21 by Knight Frank LLP, a desktop exercise was carried out by management as at 31/03/23 where no material amendments to this valuation were identified. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value with the exception of newly constructed assets by the Corporation.

The assets of Goosepool Group are held based on continuing operations as an operational airport.
Surplus assets within Goosepool Group are the mothballed hotel and land which is not currently providing service potential for the Group, both of which are held at fair value. An independent values opinion of Fair Value was prepared as at 31 March 2022 and a desktop review took place on 31 March 2023 in accordance with the RICS Valuation - Global Standards 2017 , CPIFA Code, and the International Financial Reporting Standards (IFRS) and related definition of “Fair Value”. This valuation was carried out by George F White and has informed the figure shown in the accounts.

Note 6: Non Current Assets Investment Properties

	£000s
Cost	
As at 1 April 2022	17,705
Additions	279
Reclassification	14,548
Revaluation	(6,508)
Disposals	-
As at 31 March 2023	26,024
Depreciation	
As at 1 April 2022	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2023	-
Net Book Value	
As at 1 April 2022	17,705
As at 31 March 2023	**26,024**

Investment properties are those that do not in any way facilitate the delivery of services or production of goods, are held for sale or form part of a wider regeneration programme. Investment properties are revalued annually, they have been valued at fair value based on valuations performed by independent qualified professional valuers, George F White LLP, as at 31/03/23.

Note 6: Intangible Fixed Assets

	£000s
As at 1 April 2022	19,388
Additions	-
Impairment	-
As at 31 March 2023	**19,388**

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

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

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

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

Contractual Commitments
At 31 March 2023 the Group had entered into contracts which would continue into the 2023/24 financial year totalling £43 million in relation to the ongoing remediation, demolition and regeneration works at the Teesworks site. (2021/22 £110 million)

Note 6: Tangible Fixed Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Plant & Machinery	Infrastructure Assets	Assets Under Construction	Surplus Assets	TOTAL
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost								
As at 1 April 2021	37,696	240	831	205	466	4,622	12,549	**56,609**
Additions	1,473	76	1,859	466	20	134,042	-	**137,936**
Revaluation	(20,470)	-	-	-	-	-	-	**(20,470)**
Reclassification	(15,000)	-	636	3,757	10	(4,403)	15,000	**-**
As at 31 March 2022	3,699	316	3,326	4,428	496	134,261	27,549	**174,075**
Depreciation								
As at 1 April 2021	3,494	18	56	27	36	319	-	**3,950**
Additions	-	-	-	-	-	-	-	**-**
Depreciation Charge	-	41	194	287	115	-	-	**637**
Impairments	-	-	-	-	-	100,864	-	**100,864**
Reclassification	-	-	-	319	-	(319)	-	**-**
As at 31 March 2022	3,494	59	250	633	151	100,864	-	**105,451**
Net Book Value								
As at 1 April 2021	34,202	222	775	178	430	4,303	12,549	52,659
As at 31 March 2022	**205**	**257**	**3,076**	**3,795**	**345**	**33,397**	**27,549**	**68,624**

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

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

An independent valuers opinion of the current value of the STDC Group land was prepared in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation was carried out on 20/10/21, a desktop exercise was carrie dout by management as at 31/03/22 where no material amendments to this valuation were identified and this has informed the revalued figure shown in the accounts .
Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

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

Note 6: Tangible Fixed Assets Plant, Property and Equipment

Note 6: Tangible Fixed Assets Investment Properties

	£000s
Cost	
As at 1 April 2021	8,323
Additions	5,595
Revaluation	3,787
Disposals	-
As at 31 March 2022	17,705
Depreciation	
As at 1 April 2021	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2022	-
Net Book Value	
As at 1 April 2021	8,323
As at 31 March 2022	**17,705**

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

Note 6: Intangible Fixed Assets

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

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

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

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

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

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

Contractual Commitments

At 31 March 2022 the Group had entered into contracts which would continue into the 2022/23 financial year totalling £110 million the majority of which is attributable to STDC group with the construction of the South Bank Quay accounting for £67 million of this commitment. (2020/21 £777,611)

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

2022/23	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	99,510	-	-	(99,510)
Adjustments involving the Capital Grants Unapplied Account	14,395	-	(14,395)	-
Adjustments involving the Pensions Reserve	2,076	-	-	(2,076)
Adjustments involving the Accumulated Absences Adjustment Account	(14)	-	-	14
Total Adjustments	**115,967**	**-**	**(14,395)**	**(101,572)**

2021/22	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	91,811	-	-	(91,811)
Adjustments involving the Capital Grants Unapplied Account	(14,296)	-	14,296	-
Adjustments involving the Pensions Reserve	2,099	-	-	(2,099)
Adjustments involving the Accumulated Absences Adjustment Account	45	-	-	(45)
Total Adjustments	**79,659**	**-**	**14,296**	**(93,955)**

Note 8: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

Earmarked Reserves	**Balance at 31 March 2022 £000s**	**Transfers Out 2022/23 £000s**	**Transfers In 2022/23 £000s**	**Balance at 31 March 2023 £000s**
Revenue Reserves				
Investment Fund	(70,781)	3,367	(27,282)	(94,696)
SSI	(10,272)	5,061	-	(5,211)
Concessionary Fares	(1,363)	848	-	(515)
P&L Reserve	28,785	7,043	-	35,828
Total Revenue Reserves	**(53,631)**	**16,319**	**(27,282)**	**(64,594)**
Capital Grants Unapplied	(126,836)	60,633	(46,238)	(112,441)
Total Capital Reserves	**(126,836)**	**60,633**	**(46,238)**	**(112,441)**

Earmarked Reserves	**Balance at 1 April 2021 £000s**	**Transfers Out 2021/22 £000s**	**Transfers In 2021/22 £000s**	**Balance at 31 March 2022 £000s**
Revenue Reserves				
Investment Fund	(47,541)	3,859	(27,099)	(70,781)
SSI	(11,455)	1,183	-	(10,272)
Concessionary Fares	(423)	-	(940)	(1,363)
P&L Reserve	15,116	13,669	-	28,785
Total Revenue Reserves	**(44,303)**	**18,711**	**(27,099)**	**(53,631)**
Capital Grants Unapplied	(112,540)	9,500	(23,796)	(126,836)
Total Capital Reserves	**(112,540)**	**9,500**	**(23,796)**	**(126,836)**

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

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

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

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

Note 9: Capital Adjustment Account

	2022/23 £000s	2021/22 £000s
Balance at 1 April	103,969	7,458
Revaluation Losses on non current assets	-	20,470
Impairment Charge	116,687	100,864
Depreciation Charge	839	637
Revenue expenditure funded from capital under statute	183,784	124,899
Derecognition of Fixed Asset	181,263	-
	482,573	246,870
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(138,396)	(137,339)
Application of grants to capital financing from the Capital Grants Unapplied Account	(60,634)	(9,500)
Statutory provision for the financing of capital investment charged against the General Fund	(3,366)	(2,064)
Capital expenditure charged against the General Fund balance	(5,911)	(1,456)
	(208,307)	(150,359)
Movements in the market value of Investment Properties applied to the Comprehensive Income and Expenditure Statement	6,508	-
Balance at 31 March	**384,743**	**103,969**

Note 10: Members' Allowances

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

During the year payments were made to the Mayor totalling £67,382 which consisted of £65,000 Mayoral Allowance and £2,382 travel and subsistence (2020/21 £64,115).

STDC retains its own separate Board (chaired by the Mayor of the Tees Valley) and governance committees with members drawn from both the public and private sectors. None of these members are paid any remuneration. Expenses claimed in 2022/23 for travel costs amounted to £295 (2021/22 nil).

Tees Valley Combined Authority Group - Annual Financial Statements 2022/23

Note 11: Employee remuneration

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

Remuneration of Senior Employees 2022/23						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefit In Kind £**	**Total Remuneration excluding pension contributions 2022/23 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2022/23 £**
Group Chief Executive (Julie Gilhespie)	172,550	346	218	**173,114**	25,068	**198,182**
Group Director of Business & Skills	119,770	112	-	**119,882**	18,328	**138,210**
Group Director of Finance & Resources	119,770	568	236	**120,574**	-	**120,574**
Group Director of Clean Growth & Innovation	157,731	1,414	102	**159,247**	15,096	**174,343**
Assistant Director for Transport & Infrastructure	93,240	83	162	**93,485**	13,323	**106,808**
Group Internal Operations Manager	60,169	108	95	**60,372**	8,507	**68,879**
Group Marketing & Communications Manager	61,359	472	236	**62,067**	8,213	**70,280**
TVCA TOTAL	**784,589**	**3,103**	**1,049**	**788,741**	**88,535**	**877,276**
Engineering & Project Director	140,216	1,319	-	**141,535**	28,324	**169,859**
Commercial Director	127,075	3,025	236	**130,336**	23,913	**154,249**
Operations Director	129,125	-	-	**129,125**	24,992	**154,117**
EHSS Director	81,095	-	-	**81,095**	16,381	**97,476**
Capital Projects Director	123,725	-	-	**123,725**	24,992	**148,717**
Director of Estates	111,437	-	204	**111,641**	21,097	**132,738**
STDC TOTAL	**712,673**	**4,344**	**440**	**717,457**	**139,699**	**857,156**
TOTAL	**1,497,262**	**7,447**	**1,489**	**1,506,198**	**228,234**	**1,734,432**

TVCA - As part of a staff reorganisation designed to align with current and future business needs, the Group Director of Clean Growth & Innovation post was deleted at the end of February 2023, redundancy costs have been included within the above.
In April 22 the role of Assistant Director for Transport & Infrastructure was created.
All other posts were held for the full year.

STDC - With the exception of the Director of Estates, who joined the Corporation in May 22, all other posts in the above table were employed by the Corporation for the full year.
The previous Strategic Utilities Project Director left the organisation at the end of 2021/22.

Goosepool - In addition to the above table the directors in Goosepool group were remunerated £365,104 in year (21/22 - £329,346) with contributions to pension schemes of £14,534 (21/22 £13,992)

Note 11: Employee remuneration

Remuneration of Senior Employees 2021/22						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefit In Kind £**	**Total Remuneration excluding pension contributions 2022/23 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2022/23 £**
Group Chief Executive (Julie Gilhespie)	172,550	2,927	628	**175,477**	25,401	**200,878**
Group Commercial Director	115,017	-	-	**115,017**	18,325	**133,342**
Group Director of Business & Skills	83,388	1,477			12,362	
Group Director of Finance & Resources	119,770	306	728	**120,076**	-	**120,076**
Group Director of Clean Growth & Innovation	56,343	-	414	**56,343**	8,225	**64,568**
Group Internal Operations Manager	38,036	-	243	**38,036**	5,353	**43,389**
Group Marketing & Communications Manager	58,244	444	93	**58,688**	8,813	**67,501**
TVCA TOTAL	**643,348**	**5,154**	**2,106**	**563,637**	**78,479**	**629,754**
Engineering & Project Director	148,291	863	-	**149,154**	27,935	**177,089**
Commercial Director	125,150	299	650	**125,449**	23,963	**149,412**
Strategic Utilities Project Director	94,093	-	-	**94,093**	19,007	**113,100**
Operations Director	127,200	-	-	**127,200**	24,604	**151,804**
EHSS Director	79,170	-	-	**79,170**	15,992	**95,162**
Capital Projects Director	121,800	-	-	**121,800**	24,604	**146,404**
Director of Estates	110,981	-	-	**110,981**	21,535	**132,516**
STDC TOTAL	**806,685**	**1,162**	**650**	**807,847**	**157,639**	**965,486**
TOTAL	**1,450,033**	**6,316**	**2,756**	**1,371,484**	**236,118**	**1,595,240**

TVCA - During the year the amendment to Group Governance arrangements resulted in the roles and responsibilities of the Chief Executive, Commercial Director and Director of Finance & Resources being amended to cover the Group.

In October the Group Director of Business & Skills transferred into a new role of Group Director of Clean Growth & Innovation. The Group Director of Business & Skills remained vacant until the new Director commenced their employment in February. In August a new role of Group Internal Operations Manager was created. All other posts were held for the full year.

STDC - With the exception of the Director of Estates, who left his post in February 2022, all other posts in the above table were occupied for the full year.

Goosepool - In addition to the above table the directors in Goosepool group were remunerated £329,346 in year (20/21 - £197,474 20/21) with contributions to pension schemes of £13,992 (20/21 £12,179)

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

	Group	
	Number of Employees	**Number of Employees**
	2022/23	**2021/22**
£50,001 - £55,000	18	21
£55,001 - £60,000	10	18
£60,001 - £65,000	10	1
£65,001 - £70,000	5	15
£70,001 - £75,000	4	1
£75,001 - £80,000	5	4
£80,001 - £85,000	1	2
£85,001 - £90,000	5	2

Remuneration of the Chief Executive and her senior staff has been excluded from the salary range analysis shown in the table above.

Note 12: Long Term Debtors

	31 March 2023 £000s	31 March 2022 £000s
Local Government	8,536	7,630
Other entities and individuals	92,317	2,249
	100,853	**9,879**

Note 13: Debtors

	31 March 2023 £000s	31 March 2022 £000s
Central Government	17,425	15,758
Local Government	8,992	10,596
Other entities and individuals	27,152	16,788
	53,569	**43,142**

Note 14: Cash and Cash Equivalents

	31 March 2023 £000s	31 March 2022 £000s
Bank and Imprests	30,916	20,055
Restricted Cash	1,620	-
Cash Equivalents	67,500	125,500
	100,036	**145,555**

Note 15: Short Term Creditors

	31 March 2023 £000s	31 March 2022 £000s
Central Government	(7,786)	(4,804)
Local Government	(35,643)	(13,650)
Other entities and individuals	(60,744)	(62,580)
	(104,173)	**(81,034)**

Note 16: Other Long Term Liabilities

	31 March 2023 £000s	31 March 2022 £000s
Net pensions liability	-	(7,987)
Long Term Creditors	(974)	(1,631)
Long Term Borrowing	(209,035)	(135,158)
Deferred Tax Provision	-	(728)
Long Term Lease Liability	(103,749)	-
Other Provisions	(2,066)	(3,834)
	(315,824)	**(149,338)**

Note 17: Related Party Transactions

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

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.

Within the Authority's group South Tees Development Corporation hold a minority share holding in Teesworks Limited and as such Teesworks Limited is accounted for as an associate.

2022/23	**Income Received £000s**	**Expenditure £000s**
Darlington Borough Council	2,735	30,834
Hartlepool Borough Council	1,726	7,967
Middlesbrough Borough Council	5,760	18,670
Redcar & Cleveland Borough Council	3,627	14,395
Stockton On Tees Borough Council	4,157	10,431
Teesworks Ltd	44,395	5,075
Total	**62,400**	**87,372**

2021/22	**Income Received £000s**	**Expenditure £000s**
Darlington Borough Council	3,262	8,729
Hartlepool Borough Council	1,956	6,854
Middlesbrough Borough Council	4,305	17,147
Redcar & Cleveland Borough Council	7,828	13,079
Stockton On Tees Borough Council	5,024	13,170
Teesworks Ltd	25,362	9,910
Total	**47,737**	**68,889**

As at 31 March 2022 the below balances were held in the groups balance sheet in respect of the constituent authorities.

2022/23	**Long Term Debtors £000s**	**Short Term Debtors £000s**	**Short Term Creditors £000s**
Darlington Borough Council	3,579	66	18,990
Hartlepool Borough Council	448	680	388
Middlesbrough Borough Council	2,741	651	5,892
Redcar & Cleveland Borough Council	654	7,244	8,231
Stockton On Tees Borough Council	1,113	348	1,072
Teesworks Ltd	91,486	12,520	869
Total	**100,021**	**21,509**	**35,442**

The long term debtor balance of £91.4m is due to a contractual commitment from Teesworks to make repayments in full, at a State Aid-compliant interest rate for the South Bank Quay.
As at 31 March 2021 the below balances were held in the groups balance sheet in respect of the constituent authorities.

2021/22	**Long Term Debtors £000s**	**Short Term Debtors £000s**	**Short Term Creditors £000s**
Darlington Borough Council	3,459	398	1,207
Hartlepool Borough Council	296	1,974	996
Middlesbrough Borough Council	2,697	1,935	175
Redcar & Cleveland Borough Council	436	5,432	2,147
Stockton On Tees Borough Council	743	866	1,471
Teesworks Ltd	-	886	1,286
Total	**7,631**	**11,491**	**7,282**

Note 18: External Audit Costs

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

	2022/23	2021/22
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	59	52
Fees payable to MHA Tait Walker with regard to external audit services	75	75
	134	127

Rebate from Public Sector Audit Appointments Ltd

In addition to the above fees paid to MHA Tait Walker, £2k other fees were paid for Taxation compliance services provided.

Note 19: Leases

Operating leases:

In March 2022 TVCA cancelled its lease at Cavendish House and relocated to Teesside International Airport on an initial 3 year lease.
The minimum lease payments due in future years are:

Future minimum lease payments due	**2022/23**	2021/22
	£000s	£000s
Not later than one year	152	152
Later than one year & not later than five years	152	304
Later than five years	-	-
	304	456

Within STDC Group there are leases which came with the purchase of land (both as lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets, e.g. pipework, the annual value of these leases is £255k. (2021/22 £255k)

At the end of 2022/23 Goosepool did not hold any leases.

Operating leases: Group lessors

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

Future minimum lease payments due	**2022/23**	2021/22
	£000s	£000s
Not later than one year	1,143	633
Later than one year & not later than five years	3,057	1,577
Later than five years	2,751	1,412
	6,951	3,622

Within STDC Group there are leases which came with the purchase of land (both as lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets, e.g. pipework, the annual value of these leases is £305k (2021/22 £416k).

At the end of 2022/23 TVCA do not grant any operating leases.

Note 19: Leases

Finance leases: TVCA as lessee

The minimum lease payments due in future years are:

Future minimum lease payments due	**2022/23** **£000s**	2021/22 £000s
Not later than one year	3,652	-
Later than one year & not later than five years	14,608	-
Later than five years	126,720	-
	144,980	-

Finance leases: TVCA as lessor

The minimum lease payments due in future years are:

Future minimum lease payments due	**2022/23** **£000s**	2021/22 £000s
Not later than one year	-	-
Later than one year & not later than five years	8,593	-
Later than five years	148,232	-
	156,825	-

Note 20: Capital Expenditure and Financing

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

	31 March 2023 **£000s**	31 March 2022 £000s
Opening Capital Financing Requirement	**196,175**	**75,961**
Capital investment		
Plant, Property & Equipment	199,253	143,531
Revenue expenditure funded from capital under statute	183,784	124,899
Loans for Capital Investment	1,054	2,143
Finance Lease Liability	106,249	-
Sources of Finance		
Government grants and other contributions	(199,030)	(146,839)
Sums set aside from revenue:		
Direct revenue contributions	(6,213)	(1,456)
Minimum Revenue Provision (MRP)	(3,366)	(2,064)
Closing Capital Financing Requirement	**477,906**	**196,175**

Note 21: Grant Income

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

	2022/23	2021/22
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
BEIS Home Upgrade Grant	2,782	-
BEIS Social Housing Decarbonisation	2,144	-
BEIS/MHCLG South Tees Development Corporation	24,979	48,450
Brownfield Housing	3,326	1,432
DfT Active Travel Fund	963	2,859
DfT City Regional Sustainable Transport Fund	37,024	-
	21,500	-
Get Building Fund	-	2,000
	2,000	-
Transforming Cities Fund	-	19,465
Other Misc. Grants	-	40
Total	**94,718**	**74,246**
Credited to Services		
Adult Education Budget	39,881	27,637
BEIS Net Zero hub	1,278	703
BEIS Growth Hub	231	462
BEIS Home Upgrade Grant	195	-
BEIS Public Sector Decarbonisation	718	-
BEIS Rural Community Energy Fund	367	708
BEIS Social Housing Decarbonisation	467	-
BEIS/MHCLG South Tees Development Corporation	17,370	34,413
Brownfield Housing	4,100	6,734
Community Renewal Fund	1,125	503
Covid Recovery	-	552
Devolution	15,000	15,000
DFE Multiply	1,071	-
DFE Skills Advisory	119	-
DFE Skills Bootcamps	866	-
DfT Access Fund	-	450
DfT Active Travel Fund	-	889
DfT Capability Fund	647	378
DfT City Regional Sustainable Transport Fund	23,401	268
DfT Bus Support	250	154
DfT Electric Vehicles	-	500
DLUHC Capital Funding	15,000	-
DIT KAM	55	60
DWP Kickstart	887	2,097
DWP Routes To Work	122	390
ERDF Back to Business	-	177
ERDF Business Growth Fund	2,936	3,541
ERDF SME Energy Efficiency	1,132	255
ESF Skills for Growth	394	269
EU Exit Preparation Fund	-	204
Get Building Fund	-	6,700
Heritage Lottery Fund	172	-
Home to School Transport	-	796
Innovate Uk	226	-
LEP Core	375	500
Local Transport Plan	-	17,078
Mayoral Capacity Funding	-	1,000
Transforming Cities Fund	-	4,535
UK Shared Prosperity Fund	2,928	-
Other Misc. Grants	441	1,175
	131,754	**128,128**

Note 21: Grant Income

Capital and Revenue Grants Receipts in Advance

	2022/23	2021/22
	£000s	£000s
Adult Education Budget	3,394	9,503
BEIS Net Zero hub	1,840	2,085
BEIS Public Sector Decarbonisation	25	743
Community Renewal Fund	-	572
Defra Woodland Accelerator	149	-
DfE Skills Bootcamps	1,011	-
DfT Bus Support	362	-
DfT Capability Fund	859	976
DfT City Regional Sustainable Transport Fund	7,943	3,232
DfT Levi Support	103	-
DLUCH Levelling Up Support	625	-
DWP Kickstart	-	226
DWP Routes To Work	-	425
Freeport	-	180
Local Industrial Strategy	241	241
One Public Estate	22	213
Rural Community Energy Fund	110	204
UK Shared Prosperity Fund	2,298	-
Other Grants	373	764
Total	**19,355**	19,364

Note 22: Financial Instruments

Categories of Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

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

Financial Instruments

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

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

	Long Term		**Short Term**	
	31 March 2023	31 March 2022	**31 March 2023**	31 March 2022
	£000s	£000s	**£000s**	£000s
At Amortised Cost	106,898	15,880	136,337	173,762
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	93,568	-	-	-
Total financial assets	**200,466**	15,880	**136,337**	173,762

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

	Long Term		**Short Term**	
	31 March 2023	31 March 2022	**31 March 2023**	31 March 2022
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(210,009)	(136,874)	(125,878)	(78,107)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	(103,749)	-	(1,900)	-
Total financial liabilities	**(313,758)**	(136,874)	**(127,778)**	(78,107)

Note 22: Financial Instruments

Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31st March 2023.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

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

Financial Assets	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2023		31 March 2022	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	106,081	106,081	151,555	151,555
Loans To Local Authorities	3	9,119	9,119	7,630	7,630
Loans To Companies	3	2,081	2,081	2,249	2,249
Lease Receivables	3	93,568	93,568	-	-
Other Short Term Assets*	N/A	125,954	125,954	28,208	28,208
Total Financial Assets		**336,803**	336,803	**189,642**	189,642
Recorded on Balance Sheet as:-					
Long Term Debtors		100,853		9,879	
Short Term Debtors		36,301		28,207	
Long Term Investments		6,045		6,001	
Lease Receivables		93,568		-	
Cash and Cash Equivalents		100,036		145,555	
Total Financial Assets		**336,803**		**189,642**	

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

Financial Liabilities	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2023		31 March 2022	
		£000s	**£000s**	£000s	£000s
Long Term PWLB Loans	2	(102,359)	(91,252)	(27,359)	(28,717)
Long Term UKIB Loans	2	(109,760)	(64,700)	(107,799)	(107,799)
Other Long Term Liabilities*	N/A	(974)	(974)	(1,631)	(1,631)
Lease Liability	3	(105,649)	(105,649)	-	-
Other Short Term Liabilities*	N/A	(122,794)	(122,794)	(78,192)	(78,192)
Total Financial Liabilities		**(441,536)**	(385,369)	**(214,981)**	(216,339)
Recorded on Balance Sheet as:-					
Short Term Creditors		(122,794)		(77,288)	
Short Term Borrowing		(3,084)		(904)	
Short Term Lease Liability		(1,900)		-	
Long Term Lease Liability		(103,749)		-	
Long Term Creditors		(974)		(1,631)	
Long Term Borrowing		(209,035)		(135,158)	
Total Financial Liabilities		**(441,536)**		**(214,981)**	

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

Note 22: Financial Instruments

PWLB Borrowing Breakdown

	31 March 2023	31 March 2022
Within 1 Year	(3,084)	(904)
1-2 Years	(3,195)	(928)
2 - 5 Years	(10,295)	(2,937)
Over 5 Years	(85,785)	(23,494)
Total	**(102,359)**	**(28,263)**

UKIB Borrowing Breakdown

	31 March 2023	31 March 2022
Within 1 Year	-	-
1-2 Years	(2,504)	-
2 - 5 Years	(9,346)	(2,574)
Over 5 Years	(97,910)	(105,225)
Total	**(109,760)**	**(107,799)**

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

Credit Risk: Treasury Investments

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

	2022/23		**2021/22**	
	Long Term	**Short Term**	**Long Term**	**Short Term**
Credit Rating	**£000s**	**£000s**	**£000s**	**£000s**
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	-	46,000
A+	6,044	67,500	6,000	69,500
A	-	-	-	-
A-	-	-	-	-
Unrated Local Authorities	-	-	-	10,000
Total financial assets	**6,044**	**67,500**	6,000	125,500

Note 22: Financial Instruments

Liquidity Risk

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

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

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

Market Risk

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

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

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

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

	2022/23	2021/22
	£000s	£000s
Increase in interest receivable on variable rate investments	(675)	(23)
Impact on (Surplus) or Deficit on the Provision of Services	**(675)**	(23)

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

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

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

Note 23: Defined Benefit Pension Schemes

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

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

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

Note 23: Defined Benefit Pension Schemes

	Local Government Pension Scheme	
	2022/23	2021/22
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service cost	3,017	3,068
• Past service cost	-	20
Financing and Investment Income and Expenditure		
Net interest cost	242	183
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**3,259**	3,271
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)	218	(1,302)
• Actuarial gains and losses arising on changes in financial assumptions	(12,614)	(607)
• Actuarial gains and losses due to liability experience	3,522	55
• Actuarial gains and losses due to changes in demographic assumptions	(2,020)	(19)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(10,894)**	(1,873)
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	(3,259)	(3,271)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	1,171	1,179

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£10.894m).

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£000s	£000s
Present value of defined benefit obligation	(16,089)	(22,955)
Fair value of assets	17,007	14,968
Net liability recognised in the Balance Sheet	**918**	(7,987)

Note 23: Defined Benefit Pension Schemes

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£000s	£000s
Opening fair value of scheme assets at 1 April	14,968	11,766
Interest income	433	264
Remeasurement gains and (losses)	52	1,302
Contributions from the employer	1,171	1,170
Contributions from employees into the scheme	548	552
Benefits paid	(165)	(86)
Closing balance at 31 March	**17,007**	14,968

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£000s	£000s
Opening balance at 1 April	(22,955)	(19,511)
Current service cost	(3,017)	(3,068)
Interest cost	(677)	(447)
Contributions by scheme participants	(548)	(552)
Actuarial gains and losses - financial assumptions	12,618	607
Actuarial gains and losses - demographic assumption	2,008	19
Actuarial gains and losses - liability experience	(3,683)	(81)
Benefits paid	165	98
Past service cost	0	(20)
Closing balance at 31 March	**(16,089)**	(22,955)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2022/23		2021/22	
	£000s	**%**	£000s	%
Equity investments (Quoted)	12,106	71.2%	11,377	76.0%
Property (Quoted)	1,494	8.8%	1,179	7.9%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	1,132	6.7%	2,412	16.1%
Other Investments	2,275	13.4%	-	0.0%
	17,007	**100%**	14,968	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 2022.

Note 23: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

	2022/23	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.6	21.9
Women	23.7	23.6
Longevity at 45 for future pensioners:		
Men	21.5	23.3
Women	25.2	25.4
Other assumptions:		
Rate of inflation (CPI)	2.95%	3.20%
Rate of increase in salaries	3.95%	4.20%
Rate for discounting scheme liabilities	4.75%	2.80%

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)	16,730	16,089	15,448
Rate of increase in salaries (increase or decrease by 0.1%)	16,141	16,089	16,037
Rate of increase in pensions payment (increase or decrease by 0.1%)	16,458	16,089	15,720
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	16,504	16,089	15,674

Impact on the Groups Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2025.

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 £1.171m contributions to the scheme in 2023/2024.

Note 24: Termination Benefits

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

GROUP Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2022/23	2021/22	**2022/23**	2021/22	**2022/23**	2021/22
£1 to £20,000	18	6	26	36	44	42
£20,001 to £40,000	-	6	5	5	5	11
£40,001 to £60,000	-	-	1	-	1	-
£60,001 to £80,000	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-
£150,001 to £200,000	-	-	-	-	-	-
£200,001 to £250,000	-	-	-	-	-	-
£250,001 to £300,000	-	-	-	-	-	-
£300,001 to £350,000	-	-	-	-	-	-
£350,001 to £400,000	-	-	1	-	1	-
Total	**18**	12	**33**	41	**51**	53

GROUP Exit package cost band (including special payments)	Total cost of exit packages in each band		Total cost of payments to pension fund in each bans		Total Costs	
	2022/23 **£000s**	2021/22 £000s	**2022/23** **£000s**	2021/22 £000s	**2022/23** **£000s**	2021/22 £000s
£1 to £20,000	386	235	-	-	386	235
£20,001 to £40,000	153	292	-	22	153	314
£40,001 to £60,000	54	-	-	-	54	-
£60,001 to £80,000	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-
£150,001 to £200,000	-	-	-	-	-	-
£200,001 to £250,000	-	-	-	-	-	-
£250,001 to £300,000	-	-	-	-	-	-
£300,001 to £350,000	-	-	-	-	-	-
£350,001 to £400,000	27	-	125	-	152	-
Total	**620**	527	**125**	22	**745**	549

Since the closure of the former SSI Steelworks in 2015 and the subsequent creation of the South Tees Development Corporation and Teesworks site, the long-term aim for the area has been to prepare and remediate the land to make it investor-ready. As the area is a top-tier COMAH site, the South Tees Site Company was initially established by Government to oversee its keep-safe and security. Following the acquisition of the outstanding land within Teesworks by the South Tees Development Corporation, the Site Company was transferred from the Department for Business, Energy and Industrial Strategy to local control.

In 2021/22 demolition and remediation work accelerated rapidly at Teesworks as deals were agreed for investors such as Net Zero Teesside and SeAH Wind Ltd to base themselves on the site. As structures came down and land was prepared for new projects, the requirements of the site changed, including in respect of the roles and responsibilities of some Site Company staff. This led to a phased rundown of the Site Company, with individuals who were being made redundant supported with training and into alternative employment by the Teesworks Skills Academy.

Note 25: Provisions

	Deferred Tax £000	Other £000	Total £000
Opening Balance at 1st April 2022	728	3,834	4,562
Increase / (Decrease) In Provision	(728)	(1,768)	(2,496)
Closing Balance at 31st March 2023	**-**	**2,066**	**2,066**

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

The other provisions relate to provisions within group entities, these are:-

Contractual obligations to maintain a rail halt with estimated costs of repair totalling £1,000k.

Provision for onerous contracts which relate to expected future costs arising from contracts which have been exited £1,043k.
Statutory redundancy payments £23k.

Note 26: Contingent Liabilities

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

In accordance with the International Financial Reporting Interpretations Committee's interpretation STDC has continued to assume that a Corporation tax exemption applies as, STDC considers this treatment to be appropriate and the most probable agreed outcome with HMRC. However, should HMRC determine that STDC is subject to Corporation Tax, our current estimate of the potential Corporation tax liability is £1,095,000. Should a tax liability crystallise more work would be needed at the time to calculate the exact liability.

Within STSC the company's staff were transferred from SSI UK in Liquidation in a TUPE like arrangement. Enhanced payment in lieu of notice was offered to those who remained in post throughout its liquidation and this will be honoured upon final decommissioning of the site. There is a potential outflow of £257,466 (21/22 £169,126) which is dependant on staff remaining in post throughout the full decommissioning process. If staff leave before this they will not be entitled to these terms, consequently the timing and amount are uncertain and hence no provision has been made.

Note 27: Post Balance Sheet Events

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

Tees Valley Mayor

Tees Valley Combined Authority Statement of Accounts 2022/23

TVCA Movement in Reserves Statement for the year ended 31 March 2023

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Movement in reserves during 2021/22						
Balance at 1 April 2021 brought forward	59,699	-	112,487	**172,186**	(10,758)	**161,428**
Total Comprehensive Income and Expenditure	(9,089)	-	-	**(9,089)**	1,684	**(7,405)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	13,457	-	14,349	**27,806**	(27,806)	**-**
Increase/Decrease in Year	**4,368**	**-**	**14,349**	**18,717**	**(26,122)**	**(7,405)**
Balance at 31 March 2022 carried forward	**64,067**	**-**	**126,836**	**190,903**	**(36,880)**	**154,023**
Amounts earmarked (Note 7)	63,009					
Amounts uncommitted	1,058					
Total General Fund Balance at 31 March 2022	**64,067**					
Movement in reserves during 2022/23						
Balance at 1 April 2022 brought forward	64,067	-	126,836	**190,903**	(36,880)	**154,023**
Total Comprehensive Income and Expenditure	(37,907)	-	-	**(37,907)**	9,383	**(28,524)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	46,109	-	(14,395)	**31,714**	(31,714)	**-**
Increase/Decrease in Year	**8,202**	**-**	**(14,395)**	**(6,193)**	**(22,331)**	**(28,524)**
Balance at 31 March 2023 carried forward	**72,269**	**-**	**112,441**	**184,710**	**(59,211)**	**125,499**
General Fund analysed over:						
Amounts earmarked (Note 7)	71,211					
Amounts uncommitted	1,058					
Total General Fund Balance at 31 March 2023	**72,269**					

TVCA Comprehensive Income and Expenditure Statement
for the year ended 31 March 2023

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

2021/22					2022/23		
£000s	**£000s**	**£000s**			**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**			**Expenditure**	**Income**	**Net**
112,663	(91,487)	**21,176**	Business Growth		91,506	(75,863)	**15,643**
10,602	(2,064)	**8,538**	Research Development Innovation & Energy		59,018	(6,721)	**52,297**
39,283	(36,814)	**2,469**	Education Employment & Skills		36,823	(46,347)	**(9,524)**
5,714	(1,079)	**4,635**	Culture		13,434	(10,235)	**3,199**
32,437	(32,101)	**336**	Transport		42,330	(25,319)	**17,011**
15	(17)	**(2)**	Project Development		-	-	**-**
15,546	(12,665)	**2,881**	Place		16,873	(9,128)	**7,745**
7,009	(9,657)	**(2,648)**	Core Running Costs		5,737	(4,134)	**1,603**
15,045	(15,986)	**(941)**	Concessionary Fares		14,011	(13,163)	**848**
2	-	**2**	SSI Related Schemes Not in the Investment Plan		7	-	**7**
6	(6)	**-**	Not Directly Attributable to Themes		58	(5,606)	**(5,548)**
238,322	**(201,876)**	**36,446**	**Cost Of Services**		**279,797**	**(196,516)**	**83,281**
			Financing and Investment Income and Expenditure:				
1,814	-	1,814	Interest payable and similar charges		4,517	-	4,517
403	(244)	**159**	Net interest on the net defined benefit liability/asset		599	(391)	208
-	(5,534)	**(5,534)**	Interest receivable and similar income		-	(8,368)	(8,368)
		-	Income & costs and changes in fair value relating to investment properties		6,508	-	6,508
			Taxation and Non-Specific Grant Income:				
-	-	**-**	Non-ringfenced government grants		-	-	-
-	(23,796)	**(23,796)**	Capital grants and contributions	20	-	(48,239)	(48,239)
240,539	**(231,450)**	**9,089**	**(Surplus) or Deficit on Provision of Services**		**291,421**	**(253,514)**	**37,907**
		(1,684)	Re-measurements of the defined benefit liability	22			(9,383)
		-	Other (gains) and losses				-
		(1,684)	**Other Comprehensive Income and Expenditure**				**(9,383)**
		7,405	**Total Comprehensive Income and Expenditure**				**28,524**

TVCA Balance Sheet as at 31 March 2023

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

	Note	**31 March 2023 £000s**	31 March 2022 £000s	
Non-current assets				
Property, plant and equipment	5	-	4,159	
Investment property	5	5,687	-	
Pension Asset	22	812	-	
Investment In Subsidiaries		2,205	1,009	
Lease Receivable	18	93,568	-	
Long Term Debtors	11	263,662	183,010	
Total non-current assets		365,934	188,178	
Current assets				
Debtors	12	164,832	127,105	
Cash and Cash Equivalents	13	76,936	108,465	
Total current assets		241,768	235,570	
Current liabilities				
Short Term Borrowing		(29,526)	(1,042)	
Grant Receipts In Advance	20	(19,355)	(19,364)	
Lease Liability	18	(1,900)	-	
Short Term Creditors	14	(118,638)	(107,340)	
Total current liabilities		**(169,419)**	(127,746)	
Long term liabilities				
Long Term Borrowing	15	(209,035)	(135,158)	
Lease Liability	18	(103,749)	-	
Other Long Term Liabilities	15 & 22	-	(6,821)	
Total long term liabilities		**(312,784)**	(141,979)	
Net Assets:		**125,499**	154,023	
Reserves				
Usable reserves:				
General Fund Balance		1,058	1,058	
Earmarked General Fund Reserves	7	71,211	63,009	
Capital Grants Unapplied	7	112,441	126,836	
		184,710	190,903	
Unusable Reserves:				
Pensions Reserve	15 & 22	812	(6,821)	
Deferred Capital Receipts		92,800	-	
Capital Adjustment Account	8	(152,616)	(29,838)	
Accumulated Absences Account		(207)	(221)	
		(59,211)	(36,880)	-
Total Reserves:		**125,499**	154,023	

Gary Macdonald………………………………………………

Group Director of Finance & Resources
Date

TVCA Cash Flow Statement For The Year Ended 31 March 2023

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

	Note	**TVCA 2022/23 £000s**	TVCA 2021/22 £000s
Net (surplus) or deficit on the provision of services		**37,907**	9,089
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Pension Fund adjustments		(1,750)	(1,726)
Increase/(Decrease) in Revenue Debtors	12	37,727	59,395
(Increase)/Decrease in Revenue Creditors	14	(12,385)	(30,877)
(Increase)/Decrease in Grants Received in Advance	20	9	(8,293)
(Increase)/Decrease in IFRS9 Adjustments	11	(13)	(344)
Increase/(Decrease) in Long Term Debtors	11	80,665	67,619
Increase/(Decrease) in Long Term Lease Receivable		768	-
Increase/(Decrease) in Investments In Subsidiaries		1,196	1,009
Increase/(Decrease) in Investment Property Valuations		(6,508)	-
		99,709	86,783
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		(75,522)	(172,620)
		(75,522)	(172,620)
Net cashflow from operating activities		**62,094**	**(76,748)**
Investing activities			
Purchase of short term and long term investments		489,700	1,076,500
Purchase of property, plant and equipment, investment property and intangibles		9,123	2,842
Proceeds from short term and long term investments		(489,700)	(1,081,500)
Other receipts from investing activities		75,522	172,620
Net cashflow from investing activities		**84,645**	170,462
Financing activities			
Other receipts from financing activities		(13,449)	-
Cash payments for liabilities relating to finance leases		600	-
Movements in short and long term borrowings	21	(102,361)	(107,057)
Net cashflow from financing activities		**(115,210)**	(107,057)
Net (increase) or decrease in cash and cash equivalents		**31,529**	(13,343)
Cash and cash equivalents at the beginning of the reporting period		**108,465**	**95,122**
Cash and cash equivalents at the end of the reporting period	14	**76,936**	108,465
The cashflow for operating activities includes the following items:			
Interest received		**(1,208)**	**(52)**
Interest paid		**1,252**	**773**

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.

2021/22				**2022/23**		
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**
41,269	(20,093)	**21,176**	Business Growth	23,173	(7,530)	**15,643**
2,520	6,018	**8,538**	Research Development Innovation & Energy	5,292	47,005	**52,297**
35,276	(32,807)	**2,469**	Education Employment & Skills	45,841	(55,365)	**(9,524)**
1,154	3,481	**4,635**	Culture	2,398	801	**3,199**
7,181	(6,845)	**336**	Transport	5,754	11,257	**17,011**
17	(19)	**(2)**	Project Development	-	-	**-**
6,096	(3,215)	**2,881**	Place	5,102	2,643	**7,745**
1,337	(3,985)	**(2,648)**	Core Running Costs	2,007	(404)	**1,603**
(1)	(940)	**(941)**	Concessionary Fares	-	848	**848**
-	2	**2**	SSI Related Schemes Not in the Investment Plan	-	7	**7**
6	(6)	**-**	Not Directly Attributable to Themes	2,602	(8,150)	**(5,548)**
94,855	**(58,409)**	**36,446**	**Net Cost Of Services**	**92,169**	**(8,888)**	**83,281**
(94,855)	67,498	(27,357)	Other Income and Expenditure	(92,169)	46,795	(45,374)
-	**9,089**	**9,089**	Surplus or Deficit	**-**	**37,907**	**37,907**
(1,058)			**Opening General Fund Balance**	**(1,058)**		
-			Less/Plus Surplus or (Deficit)	**-**		
-			Movements To/(From) Other Reserves	**-**		
(1,058)			**Closing General Fund Balance at 31 March 2021**	**(1,058)**		

Note 1: Expenditure & Funding Analysis TVCA

Notes to the Expenditure and Funding Analysis: TVCA

Adjustments between Funding and Accounting Basis 2022/23				
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	10,338	149	(18,017)	(7,530)
Research Development Innovation & Energy	51,088	124	(4,207)	47,005
Education Employment & Skills	(181)	272	(55,456)	(55,365)
Culture	3,155	36	(2,390)	801
Transport	16,837	153	(5,733)	11,257
Project Development	-	-	-	-
Place	-	-	2,643	2,643
Core Running Costs	-	809	(1,213)	(404)
Concessionary Fares	-	-	848	848
SSI Related Schemes Not in the Investment Plan	-	-	7	7
Not Directly Attributable to Themes	7,747	-	(15,897)	(8,150)
Net Cost Of Services	**88,984**	**1,543**	**(99,415)**	**(8,888)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(41,730)	208	88,317	46,795
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**47,254**	**1,751**	**(11,098)**	**37,907**

Adjustments between Funding and Accounting Basis 2021/22				
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	20,084	191	(40,368)	(20,093)
Research Development Innovation & Energy	7,970	104	(2,056)	6,018
Education Employment & Skills	2,051	303	(35,161)	(32,807)
Culture	4,504	42	(1,065)	3,481
Transport	137	91	(7,073)	(6,845)
Project Development	-	-	(19)	(19)
Place	-	15	(3,230)	(3,215)
Core Running Costs	(1,686)	823	(3,122)	(3,985)
Concessionary Fares	-	-	(940)	(940)
SSI Related Schemes Not in the Investment Plan	-	-	2	2
Not Directly Attributable to Themes	2,866	-	(2,872)	(6)
Net Cost Of Services `	**35,926**	**1,569**	**(95,904)**	**(58,409)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(23,796)	159	91,135	67,498
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**12,130**	**1,728**	**(4,769)**	**9,089**

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

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

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

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	2022/23	**2021/22**
	£000s	£000s
Expenditure		
Employee benefits expenses	8,944	9,028
Other services expenses	270,853	229,296
Depreciation, Impairment and Revaluations	6,508	-
Interest payments	5,116	2,215
Total Expenditure	**291,421**	240,539
Income		
Fees, charges and other service income	(1,519)	(1,368)
Interest and investment income	(8,759)	(5,778)
Government grants and contributions	(243,236)	(224,304)
Total Income	**(253,514)**	(231,450)
(Surplus) or Deficit on the Provision of Services	**37,907**	9,089

Segmental Income

Income received on a segmental basis is analysed below:

	2022/23	**2021/22**
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	(205)	(242)
Research Development Innovation & Energy	(69)	-
Education Employment & Skills	(381)	(179)
Culture	(42)	-
Transport	(14)	(50)
Project Development	-	-
Place	-	-
Core Running Costs	(808)	(897)
SSI Related Schemes Not in the Investment Plan	-	-
Not Directly Attributable to Themes	-	-
Total income analysed on a segmental basis	**(1,519)**	(1,368)

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

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

- IFRS16 - Leases
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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

Note 3: Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in TVCA's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the

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

- **Plant, Property and Equipment:** Valuations are carried out on a regular basis, meaning that there is a possibility of material changes in value between valuations. The risk is minimised by valuations of all significant assets and annual reviews of market conditions for all asset categories to ensure that the fair value of assets as at the 31 March are not materially misstated.

Note 5: Non Current Assets Plant, Property and Equipment

	Assets Under Construction	TOTAL
	£000s	£000s
Cost		
As at 1 April 2022	4,159	**4,159**
Additions	8,036	**8,036**
Reclassification	(12,195)	**(12,195)**
Disposals	-	-
As at 31 March 2023	-	-
Depreciation		
As at 1 April 2022	-	-
Additions	-	-
Depreciation Charge	-	-
Impairments	-	-
As at 31 March 2023	-	-
Net Book Value		
As at 31 March 2022	4,159	4,159
As at 31 March 2023	-	-

Basis of Classification

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Land and buildings are revalued by external independent professional valuers on a annual basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Basis of Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment attached to the land would be calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives, but the valuation of the land shown in the accounts allocates no value to the redundant buildings on it. Vehicles are depreciated over their expected useful lives. Assets in the course of construction are not depreciated until they are complete.

Note 5: Non Current Assets Investment Properties

	£000s
Cost	
As at 1 April 2022	-
Additions	-
Reclassification	12,195
Revaluation	(6,508)
Disposals	-
As at 31 March 2023	5,687
Depreciation	
As at 1 April 2021	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2022	-
Net Book Value	
As at 1 April 2021	-
As at 31 March 2022	**5,687**

Investment properties are those that do not in any way facilitate the delivery of services or production of goods, are held for sale or form part of a wider regeneration programme. Investment properties are revalued annually, they have been valued at fair value based on valuations performed by independent qualified professional valuers, George F White LLP, as at 31/03/23.

Contractual Commitments
At 31 March 2023 the Authority had not entered into contracts which would continue into the 2023/24 financial year (2021/22 £6.3 million).

Note 5: Non Current Assets Plant, Property and Equipment

	Assets Under Construction	TOTAL
	£000s	**£000s**
Cost		
As at 1 April 2021	-	**-**
Additions	4,159	**4,159**
Revaluation	-	**-**
Disposals	-	**-**
As at 31 March 2022	4,159	**4,159**
Depreciation		
As at 1 April 2021	-	**-**
Additions	-	**-**
Depreciation Charge	-	**-**
Impairments	-	**-**
Derecognition of Disposals	-	**-**
As at 31 March 2022	-	**-**
Net Book Value		
As at 31 March 2021	-	-
As at 31 March 2022	**4,159**	**4,159**

Basis of Classification
Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Land and buildings are revalued by external independent professional valuers on a annual basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Assets under construction relate to the construction of six Centre Square in Middlesbrough.

Basis of Depreciation
Freehold land is not depreciated. Depreciation on other items of property, plant and equipment attached to the land would be calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives, but the valuation of the land shown in the accounts allocates no value to the redundant buildings on it. Vehicles are depreciated over their expected useful lives. Assets in the course of construction are not depreciated until they are complete.

Contractual Commitments
At 31 March 2022 the Authority had entered into contracts which would continue into the 2022/23 financial year. These consisted of £6.3 million in relation to the Centre Square development (2020/21 nil).

Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

2022/23	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	29,978	-	-	(29,978)
Adjustments involving the Capital Grants Unapplied Account	14,395	-	(14,395)	-
Adjustments involving the Pensions Reserve	1,750	-	-	(1,750)
Adjustments involving the Accumulated Absences Adjustment Account	(14)			14
Total Adjustments	**46,109**	**-**	**(14,395)**	**(31,714)**

2021/22	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	26,028	-	-	(26,028)
Adjustments involving the Capital Grants Unapplied Account	(14,349)	-	14,349	14,349
Adjustments involving the Pensions Reserve	1,726	-	-	(1,726)
Adjustments involving the Accumulated Absences Adjustment Account	52	-	-	(52)
Total Adjustments	**13,457**	**-**	**14,349**	**(13,457)**

Note 7: 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 2022/23.

TVCA

Earmarked Reserves	Balance at 1 April 2022 £000s	Transfers Out 2022/23 £000s	Transfers In 2022/23 £000s	Balance at 31 March 2023 £000s
Revenue Reserves				
Investment Fund	(51,374)	2,881	(16,992)	(65,485)
SSI	(10,272)	5,061	-	(5,211)
Concessionary Fares	(1,363)	848	-	(515)
Total Revenue Reserves	**(63,009)**	**8,790**	**(16,992)**	**(71,211)**
Capital Grants Unapplied	(126,836)	60,634	(46,239)	(112,441)
Total Capital Reserves	**(126,836)**	**60,634**	**(46,239)**	**(112,441)**

Note 7: Movements in Earmarked Reserves

Earmarked Reserves	Balance at 1 April 2021 £000s	Transfers Out 2021/22 £000s	Transfers In 2021/22 £000s	Balance at 31 March 2022 £000s
Revenue Reserves				
Investment Fund	(46,763)	3,081	(7,692)	(51,374)
SSI	(11,455)	1,183	-	(10,272)
Concessionary Fares	(423)	-	(940)	(1,363)
Total Revenue Reserves	**(58,641)**	**4,264**	**(8,632)**	**(63,009)**
Capital Grants Unapplied	(112,487)	9,447	(23,796)	(126,836)
Total Capital Reserves	**(112,487)**	**9,447**	**(23,796)**	**(126,836)**

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

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

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

Note 8: Capital Adjustment Account

	2022/23 £000s	2021/22 £000s
Balance at 1st April	29,838	3,810
Revenue expenditure funded from capital under statute	183,784	124,899
Derecognition of Assets	92,800	-
	276,584	124,899
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(91,917)	(86,889)
Application of grants to capital financing from the Capital Grants Unapplied Account	(60,634)	(9,447)
Statutory provision for the financing of capital investment charged against the General Fund	(2,880)	(1,686)
Capital expenditure charged against the General Fund balance	(4,883)	(849)
	(160,314)	(98,871)
Movements in the market value of Investment Properties applied to the Comprehensive Income and Expenditure Statement	6,508	-
Balance at 31st March	**152,616**	**29,838**

Note 9: TVCA Members' Allowances

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

During the year payments were made to the Mayor totalling £67,382 which consisted of £65,000 Mayoral Allowance and £2,382 travel and subsistence (2020/21 £64,115).

Note 10: Employee remuneration

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

Remuneration of Senior Employees 2022/23						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefit In Kind £**	**Total Remuneration excluding pension contributions 2022/23 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2022/23 £**
Group Chief Executive (Julie Gilhespie)	172,550	346	218	**173,114**	25,068	**198,182**
Group Director of Business & Skills	119,770	112	-	**119,882**	18,328	**138,210**
Group Director of Finance & Resources	119,770	568	236	**120,574**	-	**120,574**
Group Director of Clean Growth & Innovation	157,731	1,414	102	**159,247**	15,096	**174,343**
Assistant Director for Transport & Infrastructure	93,240	83	162	**93,485**	13,323	**106,808**
Group Internal Operations Manager	60,169	108	95	**60,372**	8,507	**68,879**
Group Marketing & Communications Manager	61,359	472	236	**62,067**	8,213	**70,280**
TVCA TOTAL	**784,589**	**3,103**	**1,049**	**788,741**	**88,535**	**877,276**

As part of a staff reorganisation designed to align with current and future business needs, the Group Director of Clean Growth & Innovation post was deleted at the end of February 2023, redundancy costs have been included within the above.
In April 22 the role of Assistant Director for Transport & Infrastructure was created.
All other posts were held for the full year.

During the year recharges were made to group entities totalling £177,337 were raised in respect of the executive team.

Remuneration of Senior Employees 2021/22						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefit In Kind £**	**Total Remuneration excluding pension contributions 2021/22 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2021/22 £**
Group Chief Executive (Julie Gilhespie)	172,550	2,927	628	**176,105**	25,401	**201,506**
Group Commercial Director	115,017	-	-	**115,017**	18,325	**133,342**
Group Director of Business & Skills	83,388	1,477		**84,865**	12,362	**97,227**
Group Director of Finance & Resources	119,770	306	728	**120,804**	-	**120,804**
Group Director of Clean Growth & Innovation	56,343	-	414	**56,757**	8,225	**64,982**
Group Internal Operations Manager	38,036	-	243	**38,279**	5,353	**43,632**
Group Marketing & Communications Manager	58,244	444	93	**58,781**	8,813	**67,594**
TVCA TOTAL	643,348	5,154	2,106	**650,608**	78,479	**729,087**

During the year the amendment to Group Governance arrangements resulted in the roles and responsibilities of the Chief Executive, Commercial Director and Director of Finance & Resources being amended to cover the Group. For the year recharges to group entities totalling £260,254 were raised in respect of the executive team.

In October the Group Director of Business & Skills transferred into a new role of Group Director of Clean Growth & Innovation. The Group Director of Business & Skills remained vacant until the new Director commenced their employment in February. In August a new role of Group Internal Operations Manager was created. All other posts were held for the full year.

Note 10: Employee remuneration

	TVCA	
	Number of Employees	Number of Employees
	2022/23	2021/22
£50,001 - £55,000	8	8
£55,001 - £60,000	1	6
£60,001 - £65,000	4	-
£65,001 - £70,000	2	-
£70,001 - £75,000	-	-
£75,001 - £80,000	1	1
£80,001 - £85,000	1	4
£85,001 - £90,000	3	-
£90,001 - £95,000	-	-
£95,001 - £100,000	-	-

Remuneration of the Chief Executive and her senior staff has been excluded from the salary range analysis shown in the table above.
Any redundancy costs payable have been included within the above remuneration.

Note 11: Long Term Debtors

	31 March 2023 £000s	31 March 2022 £000s
Central Government	-	-
Local Government	144,042	80,859
Other entities and individuals	119,620	102,151
	263,662	**183,010**

Note 12: Debtors

	31 March 2023 £000s	31 March 2022 £000s
Central Government	3,098	3,252
Local Government	97,747	65,472
Other entities and individuals	63,987	58,381
	164,832	**127,105**

Note 13: Cash and Cash Equivalents

	31 March 2023 £000s	31 March 2022 £000s
Bank and Imprests	9,436	(2,035)
Cash Equivalents	67,500	110,500
	76,936	**108,465**

Note 14: Short Term Creditors

	31 March 2023 £000s	31 March 2022 £000s
Central Government	(7,469)	(4,487)
Local Government	(97,038)	(58,432)
Other entities and individuals	(14,131)	(44,421)
	(118,638)	**(107,340)**

Note 15: Other Long Term Liabilities

	31 March 2023 £000s	31 March 2022 £000s
Net pensions liability	-	(6,821)
Long Term Lease Liability	(103,749)	-
Long Term Borrowing	(209,035)	(135,158)
	(312,784)	**(141,979)**

Note 16: Related Party Transactions

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

Central Government

Central government has effective control over the general operations of TVCA – it is responsible for providing the statutory framework within which they operate, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that they have with other parties. Grants received from government departments are set out in the subjective analysis in Note 20.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 10. During 2022/23, there were no related party transactions between members and TVCA.

Entities Controlled or Significantly Influenced by the Authority

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

The shareholdings of the above named subsidiaries are valued at cost in the accounts.

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

2022/23	Income Received £000s	Expenditure £000s
Goosepool 2019 Group	3,965	385
South Tees Development Corporation	2,332	44,333
South Tees Development Limited	-	19,269
South Tees Site Company	297	-
Teesworks Limited	13,527	1,103
Total	**20,121**	**65,090**

2021/22	Income Received £000s	Expenditure £000s
Goosepool 2019 Group	4,234	1
South Tees Development Corporation	1,496	53,112
South Tees Development Limited	-	32,017
South Tees Site Company	337	-
Total	**6,067**	**85,130**

As at 31 March 2023 the below balances were held in the Authority's balance sheet in respect of the controlled organisations.

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Goosepool 2019 Group	118,789	848	47
South Tees Development Corporation	137,711	88,757	62,343
South Tees Development Limited	-	179	-
South Tees Site Company	-	59,603	-
Teesworks Limited	-	850	850
Total	**256,500**	**150,237**	**63,240**

Note 16: Related Party Transactions

As at 31 March 2022 the below balances were held in the Authority's balance sheet in respect of the controlled organisations.

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Goosepool 2019 Group	99,902	167	-
South Tees Development Corporation	74,238	54,878	44,782
South Tees Development Limited	-	-	32,045
South Tees Site Company	-	56,341	-
Total	**174,140**	**111,386**	**76,827**

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.

2022/23	Income Received £000s	Expenditure £000s
Darlington Borough Council	2,735	30,608
Hartlepool Borough Council	1,726	7,967
Middlesbrough Borough Council	5,760	18,648
Redcar & Cleveland Borough Council	3,627	14,288
Stockton On Tees Borough Council	4,157	10,352
Total	**18,005**	**81,863**

2021/22	Income Received £000s	Expenditure £000s
Darlington Borough Council	3,262	8,263
Hartlepool Borough Council	1,956	6,854
Middlesbrough Borough Council	4,305	17,146
Redcar & Cleveland Borough Council	7,828	12,861
Stockton On Tees Borough Council	5,024	13,165
Total	**22,375**	**58,289**

As at 31 March 2023 the below balances were held in the Authority's balance sheet in respect of the constituent authorities.

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Darlington Borough Council	3,579	66	18,937
Hartlepool Borough Council	448	680	388
Middlesbrough Borough Council	2,741	651	5,892
Redcar & Cleveland Borough Council	654	7,244	8,231
Stockton On Tees Borough Council	1,113	348	1,072
Total	**8,535**	**8,989**	**34,520**

As at 31 March 2022 the below balances were held in the Authority's balance sheet in respect of the constituent authorities.

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Darlington Borough Council	3,459	398	1,207
Hartlepool Borough Council	296	1,974	996
Middlesbrough Borough Council	2,697	1,935	175
Redcar & Cleveland Borough Council	436	5,432	2,147
Stockton On Tees Borough Council	743	866	1,471
Total	**7,631**	**10,605**	**5,996**

Note 17: External Audit Costs

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

	TVCA 2022/23 £000s	TVCA 2021/22 £000s
Fees payable to Mazars LLP with regard to external audit services	35	29
	35	29
Rebate from Public Sector Audit Appointments Ltd	-	-

Note 18: Leases

Operating leases: TVCA as lessee

In March 2022 TVCA cancelled its lease at Cavendish House and relocated to Teesside International Airport on an initial 3 year lease.

The minimum lease payments due in future years are:

Future minimum lease payments due	**2022/23 £000s**	2021/22 £000s
Not later than one year	152	152
Later than one year & not later than five years	152	304
Later than five years	-	-
	304	456

Finance leases: TVCA as lessee

The minimum lease payments due in future years are:

Future minimum lease payments due	**2022/23 £000s**	2021/22 £000s
Not later than one year	3,652	-
Later than one year & not later than five years	14,608	-
Later than five years	126,720	-
	144,980	-

Finance leases: TVCA as lessor

The minimum lease payments due in future years are:

Future minimum lease payments due	**2022/23 £000s**	2021/22 £000s
Not later than one year	-	-
Later than one year & not later than five years	8,593	-
Later than five years	148,232	-
	156,825	-

Note 19: Capital Expenditure and Financing

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

	31 March 2023	31 March 2022
	£000s	£000s
Opening Capital Financing Requirement	**157,603**	**75,818**
Capital investment		
Plant, Property & Equipment	8,036	4,158
Revenue expenditure funded from capital under statute	183,784	124,898
Loans for Capital Investment	140,678	51,599
Finance Lease Liability	106,249	-
Sources of Finance		
Government grants and other contributions	(152,551)	(96,335)
Sums set aside from revenue:		
Direct revenue contributions	(5,986)	(849)
Minimum Revenue Provision (MRP)	(2,880)	(1,686)
Closing Capital Financing Requirement	**434,933**	**157,603**

Note 20: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

	2022/23 £000s	2021/22 £000s
Credited to Taxation and Non Specific Grant Income		
BEIS Home Upgrade Grant	2,782	-
BEIS Social Housing Decarbonisation	2,144	-
Brownfield Housing	3,326	1,432
DfT Active Travel Fund	963	2,859
DfT City Regional Sustainable Transport Fund	37,024	-
MBC Centre Square Contribution	2,000	
Transforming Cities Fund	-	19,465
Other Grants & Contributions	-	40
Total	**48,239**	23,796
Credited to Services		
Adult Education Budget	39,881	27,637
BEIS Net Zero hub	1,278	703
BEIS Growth Hub	231	462
BEIS Home Upgrade Grant	195	-
BEIS Public Sector Decarbonisation	718	-
BEIS Rural Community Energy Fund	367	708
BEIS Social Housing Decarbonisation	467	-
BEIS/DLUHC South Tees Development Corporation	63,849	82,862
Brownfield Housing	4,100	6,734
Community Renewal Fund	1,125	503
Devolution	15,000	15,000
DFE Multiply	1,071	-
DFE Skills Advisory	119	-
DFE Skills Bootcamps	866	-
DfT Access Fund	-	450
DfT Active Travel Fund	-	889
DfT Capability Fund	647	378
DfT City Regional Sustainable Transport Fund	23,401	268
DfT Bus Support	250	154
DfT Electric Vehicles	-	500
DIT KAM	55	60
DLUHC Capital Funding	15,000	-
DWP Kickstart	887	2,097
DWP Routes To Work	122	390
ERDF Back to Business	-	177
ERDF Business Growth Fund	2,936	3,541
ERDF SME Energy Efficiency	1,132	255
ESF Skills for Growth	394	269
Get Building Fund	-	8,700
Home to School Transport	-	796
Heritage Lottery Fund	172	-
Innovate UK	226	
LAD2 Green Homes Grant	53	-
LEP Core	375	500
Local Transport Plan	-	17,078
Transforming Cities Fund	-	4,535
UK Shared Prosperity Funding	2,928	-
Other Grants & Contributions	387	2,379
	178,232	178,025

Capital and Revenue Grants Receipts in Advance

	2022/23	2021/22
	£000s	£000s
Adult Education Budget	3,394	9,503
BEIS Net Zero hub	1,840	2,085
BEIS Public Sector Decarbonisation	25	743
BEIS Rural Community Energy Fund	110	204
Community Renewal Fund	-	572
Defra Woodland Accelerator	149	-
DfE Skills Bootcamps	1,011	-
DfT Bus Support	362	-
DfT Capability Fund	859	976
DfT City Regional Sustainable Transport Fund	7,943	3,232
DfT Levi Support	103	-
DLUCH Levelling Up Support	625	-
DWP Kickstart	-	226
DWP Routes To Work	-	425
Local Industrial Strategy	241	241
One Public Estate	22	213
UK Shared Prosperity Funding	2,298	-
Other Grants	373	944
Total	**19,355**	19,364

Note 21: Financial Instruments

Categories of Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

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

Financial Instruments

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

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

	Long Term		**Short Term**	
	31 March 2023	31 March 2022	**31 March 2023**	31 March 2022
	£000s	£000s	**£000s**	£000s
At Amortised Cost	219,393	137,545	240,322	189,786
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	137,837	45,465	-	-
Total financial assets	**357,230**	183,010	**240,322**	189,786

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

	Long Term		**Short Term**	
	31 March 2023	31 March 2022	**31 March 2023**	31 March 2022
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(312,784)	(135,158)	(142,638)	(59,411)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(312,784)**	(135,158)	**(142,638)**	(59,411)

Note 21: Financial Instruments

Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31st March 2023.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

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

Financial Assets	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2023		31 March 2022	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	76,936	76,936	108,465	108,465
Loans to Subsidiaries	3	254,295	254,295	173,131	173,131
Loans To Local Authorities	3	9,119	9,119	7,630	7,630
Loans To Companies	3	2,081	2,081	2,249	2,249
Finance Lease Receivables	2	93,568	93,568	-	-
Other Short Term Assets*	N/A	161,553	161,553	81,321	81,321
Total Financial Assets		**597,552**	597,552	**372,796**	372,796
Recorded on Balance Sheet as:-					
Long Term Debtors		263,662		183,010	
Short Term Debtors		163,386		81,321	
Lease Receivables		93,568		-	
Cash and Cash Equivalents		76,936		108,465	
Total Financial Assets		**597,552**		**372,796**	

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

Financial Liabilities	**Level**	**Balance Sheet**	**Fair Value**	**Balance Sheet**	**Fair Value**
		31 March 2023		31 March 2022	
		£000s	**£000s**	£000s	£000s
Long Term PWLB Loans	2	(102,359)	(91,252)	(28,263)	(28,717)
Long Term UKIB Loans	2	(109,760)	(64,700)	(107,799)	(94,092)
Lease Liability	2	(105,649)	(105,649)	-	-
Other Short Term Liabilities*	N/A	(137,654)	(137,654)	(58,507)	(58,507)
Total Financial Liabilities		**(455,422)**	(399,255)	**(194,569)**	(181,316)
Recorded on Balance Sheet as:-					
Short Term Creditors		(111,212)		(58,369)	
Short Term Borrowing		(29,526)		(1,042)	
Short Term Lease Liability		(1,900)		-	
Long Term Lease Liability		(103,749)		-	
Long Term Borrowing		(209,035)		(135,158)	
Total Financial Liabilities		**(455,422)**		**(194,569)**	

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

Note 21: Financial Instruments

PWLB Borrowing Breakdown

	31 March 2023	31 March 2022
Within 1 Year	(3,084)	(904)
1-2 Years	(3,195)	(928)
2 - 5 Years	(10,295)	(2,937)
Over 5 Years	(85,785)	(23,494)
Total	**(102,359)**	**(28,263)**

UKIB Borrowing Breakdown

	31 March 2023	31 March 2022
Within 1 Year	-	-
1-2 Years	(2,504)	-
2 - 5 Years	(9,346)	(2,574)
Over 5 Years	(97,910)	(105,225)
Total	**(109,760)**	**(107,799)**

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

Credit Risk: Treasury Investments

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

	2022/23		**2021/22**	
	Long Term	**Short Term**	**Long Term**	**Short Term**
Credit Rating	**£000s**	**£000s**	**£000s**	**£000s**
AAA	-	-	-	-
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	-	31,000
A+	-	67,500	-	69,500
A	-	-	-	-
A-	-	-	-	-
Unrated Local Authorities	-	-	-	10,000
Total financial assets	**-**	**67,500**	-	110,500

Liquidity Risk

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

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

As at 31 March 2023, all of the group's deposits were due to mature within 364 days.

Note 21: Financial Instruments

Market Risk

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

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

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

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

	2022/23	2021/22
	£000s	£000s
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	(675)	(23)
Impact on (Surplus) or Deficit on the Provision of Services	**(675)**	(23)

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

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

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

Note 22: Defined Benefit Pension Schemes

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

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

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

Note 22: Defined Benefit Pension Schemes

	Local Government Pension Scheme	
	2022/23	2021/22
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
· Current service cost	2,381	2,375
· Past service cost	-	-
Financing and Investment Income and Expenditure		
Net interest cost	208	159
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**2,589**	2,534
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)	182	(1,206)
· Actuarial gains and losses arising on changes in financial assumptions	(11,466)	(539)
· Actuarial gains and losses due to liability experience	3,793	61
· Actuarial gains and losses due to changes in demographic assumptions	(1,892)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(9,383)**	**(1,684)**
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	(2,589)	(2,534)
Actual amount charged against the General Fund Balance for pensions in the year:		
· Employers' contributions payable to scheme	**839**	**808**

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£9.383m). (2021/22 (£1.684m))

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£000s	£000s
Present value of defined benefit obligation	(14,365)	(20,481)
Fair value of assets	15,177	13,660
Net liability recognised in the Balance Sheet	**812**	(6,821)

Note 22: Defined Benefit Pension Schemes

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£000s	£000s
Opening fair value of scheme assets	13,660	11,086
Interest income	391	244
Remeasurement gains and (losses)	16	1,206
Contributions from the employer	839	808
Contributions from employees into the scheme	408	401
Benefits paid	(137)	(85)
Closing balance at 31 March	**15,177**	13,660

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£000s	£000s
Opening balance at 1 April	(20,481)	(17,865)
Current service cost	(2,381)	(2,375)
Interest cost	(599)	(403)
Contributions by scheme participants	(408)	(401)
Actuarial gains and losses - financial assumptions	11,466	539
Actuarial gains and losses - demographic assumption	1,892	-
Actuarial gains and losses - liability experience	(3,991)	(61)
Benefits paid	137	85
Past service cost	0	0
Closing balance at 31 March	**(14,365)**	(20,481)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2022/23		2021/22	
	£000s	**%**	£000s	%
Equity investments (Quoted)	10,734	70.7%	10,383	76.0%
Property (Quoted)	1,333	8.8%	1,074	7.9%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	1,010	6.7%	2,203	16.1%
Other Investments	2,100	13.8%	-	0.0%
	15,177	**100%**	13,660	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 2022.

Note 22: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

	2022/23	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.6	21.9
Women	23.7	23.6
Longevity at 45 for future pensioners:		
Men	21.5	23.3
Women	25.2	25.4
Other assumptions:		
Rate of inflation (CPI)	2.95%	3.15%
Rate of increase in salaries	3.95%	4.15%
Rate for discounting scheme liabilities	4.75%	2.75%

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)	14,940	14,365	13,790
Rate of increase in salaries (increase or decrease by 0.1%)	14,417	14,365	14,313
Rate of increase in pensions payment (increase or decrease by 0.1%)	14,694	14,365	14,036
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	14,741	14,365	13,989

Impact on the Authority’s Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2025.
The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates to pay £0.911m contributions to the scheme in 2023/2024.

The weighted average duration of the defined benefit obligation for scheme members is 25 years.

Note 23: Termination Benefits

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

Exit package cost band (including special payments)	Number of other departures agreed		Total cost of exit packages in each band		Total cost of pension payments in each band		Total Cost	
	2022/23	2021/22	**2022/23**	2021/22	**2022/23**	2021/22	**2022/23** **£000s**	2021/22 £000s
£1 to £20,000	-	-	-	-	-	-	-	-
£20,001 to £40,000	2	-	74	-	-	-	74	-
£40,001 to £60,000	1	-	54	-	-	-	54	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £120,000	-	-	-	-	-	-	-	-
£120,001 to £140,000	-	-	-		-	-	-	-
£140,001 to £160,000	1	-	27	-	125	-	152	-
Total	**4**	-	**155**	-	**125**	-	**280**	-

Note 24: Provisions

There are no provisions for the Authority (2021/22 Nil)

Note 25: Contingent Liabilities

There are no contingent liabilities for the Authority (2021/22 Nil)

Note 26: Post Balance Sheet Events

There are no post balance sheet events to report for the Authority for the Authority (2021/22 Nil)

Statement of Accounting Policies (Group)

General Principles

The Statement of Accounts summarises TVCA's and Group transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The authority and group is 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 under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

Upon consolidation of the Group accounts all subsidiary accounting policies are aligned to those of the Authority.

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Statement of Accounting Policies (Group)

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

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

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

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

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

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

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

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

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

Service cost comprising:

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

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

Statement of Accounting Policies (Group)

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:

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

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

Financial Assets

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

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Statement of Accounting Policies (Group)

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

Financial Liabilities

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

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

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Group when there is reasonable assurance that:
- the Group will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

Statement of Accounting Policies (Group)

Intangible Assets

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

Inventories

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

Investment Property

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

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

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

Leases

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

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

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

Operating Leases as Leasee

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

Operating Leases as Lessor

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

Overheads and Support Services

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

Property, Plant and Equipment

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

Statement of Accounting Policies (Group)

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Statement of Accounting Policies (Group)

Depreciation

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

Depreciation is calculated on the following bases:

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

Goodwill

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

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

Goodwill is measured as the difference between:

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities & Contingent Assets

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

Reserves

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

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

Statement of Accounting Policies (Group)

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

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

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

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

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

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

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

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

Responsibilities for the Annual Financial Statements

The Authority and Group's Responsibilities

The Tees Valley Combined Authority Group is required to:

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

The Chief Financial Officers Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of Tees Valley Combined Authority Group Accounts at the accounting date and its income and expenditure for the year ended 31 March 2023.

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

These financial statements replace the unaudited financial statements certified by the Group Director of Finance & Resources on

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

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

Appendix A

Glossary of Terms

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

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

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

Capital Expenditure

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

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

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

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

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

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

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

Fair Value

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

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".