CONTENTS

Tees Valley Combined Authority and Group - Annual Financial Statements 2018/19

Narrative Report

Introduction

Welcome to the Tees Valley Combined Authority Group's Annual Statement of Accounts for 2018/19. 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 2018/19. This Annual Statement of Accounts will for the first time incorporate Goosepool 2019 as part of the group accounts, alongside South Tees Development Corporation.

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

Strategy and Priorities

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

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

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

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

Tees Valley Combined Authority and Group - Annual Financial Statements 2018/19

Narrative Report

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

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

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

Achievements in Year

2018/19 was only the third operarional 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. Spend has been accelerated to begin delivery on a number of projects and programmes whilst also committing to new projects which match our ambitious plans. We have continued to strive for further devolved powers whilst securing additional funding from Government to fund our investments. A summary of these can be found below:-

- During the year we have invested £109million on asset purchases, programmes, projects, grant schemes and development funding for future projects.
- In the past year we have secured an additional £16.5million in Government funding for a much-needed overhaul to our road and rail network, and we will continue to deliver our transformative vision for the future of transport in our area.
- Official confirmation was received that from August 2019 the Combined Authority would take control of the devolved Adult Education Budget to the value of £29.4million per year.
- In January 2019 the Authority agreed a £588million 10 year investment plan which set out the transformational investments that would be committed to for the period up to 2029 in order to achieve the ambitions set out in the Strategic Economic Plan.
- In February 2019, and as part of the 10 year investment plan, Durham Tees Valley Airport was brought back into public ownership. This will secure for the 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.
- South Tees Development Corporation completed the Purchase of 1,420 acres of land during the year which represents over 50% of developable land in the Development Corporation area. As a direct result of the purchase £14million of Government funding was unlocked allowing early redevelopment of part of the site to take place to attract new business and investment
- In the Government's 2018 Budget the South Tees Development Corporation site became a designated Special Economic Area which would allow for the local retention of additional business rates growth.

Narrative Report

Looking Ahead Including Risks and Opportunities

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

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

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

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

Brexit will have profound implications for the UK, and for the Tees Valley specifically. As one of a small number of areas which qualify for an enhanced level of access to European Funding, the resources available for investment in our economy are at particular risk. However there are also opportunities to develop new methods of funding, which could mean that Brexit actually improves the impact of regional economic development funding for areas such as ours. We will continue to engage with Government on future funding plans post Brexit.
In order to achieve our aims of delivering better outcomes for local people will we continue to build and maintain relationships with key local partners. We will engage with the business community utilising our working relationship with the Local Enterprise Partnership members and key partners.

Key Sections Included in the Statement of Accounts

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

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

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

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

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

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

Narrative Report

Borrowing and Lending Arrangements
During 2018/19, the Combined Authority did not utilise its powers to borrow for investment and therefore have no loans, however the approved 10 year investment plan sets out the future requirements for borrowing in order to deliver transformational change to the region.

The majority of the Authority's surplus cash is invested in short-term bank deposits, and money market funds. At the end of the financial year the Authority held investments totalling £34.5m. During the year the Authority has generated £647k in interest from Treasury management activities as a direct result of securing higher yielding investments in the year.

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

AON Hewitt, an independent firm of actuaries, has calculated the Authority's net liability position as £2.51million on the Local Government Pension Scheme as at 31st March 2019. Employer's contributions to the pension fund during 2018/19 were charged at 15.9% of total pensionable employee pay in line with actuarial advice. Further information on retirement benefits is available in Note 22 of the Notes to the Core Financial Statements.

Further Information
Further information about our finances is available from the Combined Authority's website, https://teesvalley-ca.gov.uk or from the Chief Financial Officer, Tees Valley Combined Authority, Cavendish House, Teesdale Business Park, Stockton-on-Tees, Tees Valley, TS17 6QY.

Group Movement in Reserves Statement for the year ended 31 March 2019

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

	General Fund Balance	Capital 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 2017/18									
Balance at 31 March 2017 brought forward	46,746	40,570	**87,316**	(1,890)	**85,426**	-	**85,426**	-	**85,426**
Total Comprehensive Income and Expenditure	7,181		**7,181**	49	**7,230**	3,849	**11,079**	-	**11,079**
Adjustments between accounting basis & funding basis under regulations	(5,508)	5,937	**429**	(429)	**-**	-	**-**	-	**-**
Increase/Decrease in Year	1,673	5,937	**7,610**	(380)	**7,230**	3,849	**11,079**		**11,079**
Balance at 31 March 2018 carried forward	48,419	46,507	**94,926**	(2,270)	**92,656**	3,849	**96,505**		**96,505**
Re-Allocation of Sub Reserves	2,927	925	**3,852**	(3)	**-**	(3,849)	**-**	-	**-**
Group Reserves	51,346	47,432	**98,778**	(2,273)	**92,656**	-	**96,505**	-	**96,505**
General Fund analysed over:									
Amounts earmarked (Note 8)	50,313								
Amounts uncommitted	1,033								
Total General Fund Balance 31 March 2018	51,346								
Movement in reserves during 2018/19									
Balance at 31 March 2018 brought forward	48,419	46,507	**94,926**	(2,270)	**92,656**	3,849	**96,505**	-	**96,505**
Balance at acquisition DTVA - 15 February 2019			**-**		**-**		**-**	1,815	**1,815**
Balance at share issue of Goosepool Group 15 March 2019			**-**		**-**		**-**	(73)	**(73)**
Total Comprehensive Income and Expenditure	(6,658)	-	**(6,658)**	282	**(6,376)**	(153)	**(6,529)**	(201)	**(6,730)**
Adjustments between Group Accounts and Authority Accounts	(229)	-	**(229)**	-	**(229)**	229	**-**	-	**-**
Adjustments between accounting basis & funding basis under regulations	14,086	(13,591)	**495**	(495)	**-**		**-**	-	**-**
Increase/Decrease in Year	7,199	(13,591)	(6,392)	(213)	(6,605)	76	(6,529)	1,541	(4,988)
Balance at 31 March 2019 carried forward	55,618	32,916	**88,534**	(2,483)	**86,051**	3,925	**89,976**	**1,541**	**91,517**
Re-Allocation of Sub Reserves	1,611	2,509	**4,120**	(195)	**3,925**	(3,925)	**-**	-	**-**
Group Reserves	**57,229**	35,425	**92,654**	(2,678)	**89,976**	-	**89,976**	1,541	**91,517**
General Fund analysed over:									
Amounts earmarked (Note 8)	56,218								
Amounts uncommitted	1,011								
Total General Fund Balance 31 March 2019	**57,229**								

TVCA Movement in Reserves Statement for the year ended 31 March 2019

	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 2017/18						
Balance at 31 March 2017 brought forward	46,746	-	40,570	87,316	(1,890)	85,426
Total Comprehensive Income and Expenditure	7,181			7,181	49	7,230
Adjustments between accounting basis & funding basis under regulations	(5,508)		5,937	429	(429)	**-**
Increase/Decrease in Year	1,673		5,937	7,610	(380)	7,230
Balance at 31 March 2018 carried forward	48,419		46,507	94,926	(2,270)	92,656
Movement in reserves during 2018/19						
Balance at 31 March 2018 brought forward	48,419	-	46,507	**94,926**	(2,270)	**92,656**
Total Comprehensive Income and Expenditure	(6,887)	-	-	**(6,887)**	282	**(6,605)**
Adjustments between accounting basis & funding basis under regulations	14,086	-	(13,591)	**495**	(495)	**-**
Increase/Decrease in Year	**7,199**	**-**	**(13,591)**	**(6,392)**	**(213)**	**(6,605)**
Balance at 31 March 2019 carried forward	**55,618**	**-**	**32,916**	**88,534**	**(2,483)**	**86,051**
General Fund analysed over:						
Amounts earmarked (Note 8)	54,656					
Amounts uncommitted	962					
Total General Fund Balance at 31 March 2019	**55,618**					

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

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

2017/18				2018/19		
£000s	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
3,130	(1,541)	**1,589**	Business Growth	9,425	(4,461)	**4,964**
3,937	(67)	**3,870**	Research Development Innovation & Energy	14,709	(14,166)	**543**
6,382	(1,216)	**5,166**	Education Employment & Skills	5,347	(2,075)	**3,272**
685	(474)	**211**	Culture	4,626	(1,375)	**3,251**
23,338	(19,361)	**3,977**	Transport	22,535	(18,677)	**3,858**
10,706	(3,593)	**7,113**	Enabling Infrastructure	5,096	(1,236)	**3,860**
1,006	(1,176)	**(170)**	Project Development	4,020	(1,468)	**2,552**
4,492	(5,583)	**(1,091)**	Core Running Costs	7,579	(6,266)	**1,313**
16,628	(16,628)	**-**	Concessionary Fares	16,756	(16,756)	**-**
5,152	50	**5,202**	SSI Related Schemes Not in the Investment Plan	1,567	-	**1,567**
-	-	**-**	Place	1,250	-	**1,250**
1,411	(9,898)	**(8,487)**	Not Directly Attributable to Themes	-	(12,460)	**(12,460)**
76,867	**(59,487)**	**17,380**	**Cost Of Services**	**92,910**	**(78,940)**	**13,970**
			Financing and Investment Income and Expenditure:			
176	(136)	**40**	Net interest on the net defined benefit liability/asset	205	(160)	45
	(462)	**(462)**	Interest receivable and similar income	-	(760)	(760)
			Taxation and Non-Specific Grant Income:			
-	-	**-**	Non-ringfenced government grants			-
-	(27,989)	**(27,989)**	Capital grants and contributions		(6,922)	(6,922)
77,043	**(88,074)**	**(11,031)**	**(Surplus) or Deficit on Provision of Services**	**93,115**	**(86,782)**	**6,333**
			(Surplus) or deficit on revaluation of non current assets			
		(48)	Re-measurements of the defined benefit liability			(283)
		-	Other (gains) and losses			-
		(48)	**Other Comprehensive Income and Expenditure**			**(283)**
		(11,079)	**Total Comprehensive Income and Expenditure**			**6,050**
			(Surplus) or Deficit on Provision of Services - minority interest share			*201*

TVCA Comprehensive Income and Expenditure Statement
for the year ended 31 March 2019

2017/18				2018/19		
£000s	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
3,130	(1,541)	**1,589**	Business Growth	9,425	(4,461)	**4,964**
3,937	(67)	**3,870**	Research Development Innovation & Energy	14,709	(14,166)	**543**
6,382	(1,216)	**5,166**	Education Employment & Skills	5,347	(2,075)	**3,272**
685	(474)	**211**	Culture	4,626	(1,375)	**3,251**
23,338	(19,361)	**3,977**	Transport	21,562	(18,116)	**3,446**
11,631	(3,593)	**8,038**	Enabling Infrastructure	3,858	(10)	**3,848**
4,130	(3,550)	**580**	Project Development	3,893	(1,341)	**2,552**
4,283	(3,199)	**1,084**	Core Running Costs	4,995	(4,396)	**599**
16,628	(16,628)	**-**	Concessionary Fares	16,756	(16,756)	**-**
5,152	50	**5,202**	SSI Related Schemes Not in the Investment Plan	1,567	-	**1,567**
-	-	**-**	Place	1,250	-	**1,250**
1,411	(9,898)	**(8,487)**	Not Directly Attributable to Themes	-	(12,460)	**(12,460)**
80,707	**(59,477)**	**21,230**	**Cost Of Services**	**87,988**	**(75,156)**	**12,832**
			Financing and Investment Income and Expenditure:			
176	(136)	**40**	Net interest on the net defined benefit liability/asset	204	(158)	46
	(462)	**(462)**	Interest receivable and similar income	-	(1,015)	(1,015)
			Taxation and Non-Specific Grant Income:			
-	-	**-**	Non-ringfenced government grants	-	-	-
-	(27,989)	**(27,989)**	Capital grants and contributions	-	(4,976)	(4,976)
80,883	**(88,064)**	**(7,181)**	**(Surplus) or Deficit on Provision of Services**	**88,192**	**(81,305)**	**6,887**
		(49)	Re-measurements of the defined benefit liability			(282)
		-	Other (gains) and losses			-
		(49)	**Other Comprehensive Income and Expenditure**			**(282)**
		(7,230)	**Total Comprehensive Income and Expenditure**			**6,605**

Group & TVCA Balance Sheet as at 31 March 2019

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

	Note	**Group** **31 March 2019 £000s**	**TVCA** **31 March 2019 £000s**	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s
Non-current assets					
Property, plant and equipment	6	24,910	-	-	-
Investment property	6	5,618	-		
Intangible assets	6	25,510	-	-	-
Long Term Debtors	12	8,582	60,766	6,448	6,448
Total non-current assets		64,620	60,766	6,448	6,448
Current assets					
Short term investments		27,500	27,500	65,000	65,000
Inventories		196	-	-	-
Debtors	13	15,443	13,630	5,060	5,282
Cash and Cash Equivalents	14	10,377	7,000	30,074	26,000
Total current assets		53,516	48,130	100,134	96,282
Current liabilities					
Cash and Cash Equivalents	14	(5,343)	(5,343)	(2,648)	(2,648)
Short Term Creditors	15	(15,831)	(15,172)	(5,378)	(5,375)
Total current liabilities		**(21,174)**	**(20,515)**	(8,026)	(8,023)
Long term liabilities					
Long Term Creditors	16	(2,831)	-	-	-
Other Long Term Liabilities	16 & 23	(2,512)	(2,330)	(2,051)	(2,051)
Provisions	16	(102)			
Total long term liabilities		**(5,445)**	**(2,330)**	(2,051)	(2,051)
Net Assets:		**91,517**	**86,051**	96,505	92,656
Reserves					
Usable reserves:					
General Fund Balance		1,011	962	1,033	961
P&L Reserve	8	(262)	-	-	-
Earmarked General Fund Reserves	8	56,480	54,656	50,313	47,458
Capital Grants Unapplied		35,425	32,916	47,432	46,507
		92,654	88,534	98,778	94,926
Unusable Reserves:					
Pensions Reserve	16 & 23	(2,512)	(2,330)	(2,051)	(2,051)
Minority Interest		1,541	-	-	-
Accumulated Absences Account		(166)	(153)	(222)	(219)
		(1,137)	(2,483)	(2,273)	(2,270)
Total Reserves:		**91,517**	**86,051**	96,505	92,656

Mayor Ben Houchen ....

Chair Tees Valley Combined Authority Cabinet
Date

Group & TVCA Cash Flow Statement For The Year Ended 31 March 2019

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

	Note	**Group 2018/19 £000s**	**TVCA 2018/19 £000s**	Group 2017/18 £000s	TVCA 2017/18 £000s
Net (surplus) or deficit on the provision of services		**6,333**	**6,887**	(11,031)	(7,181)
Adjustments to net surplus or deficit on the provision of services for non-cash movements:					
Depreciation, impairment and amortisation of non current assets		(227)	-	-	-
Adjustment for balances at date of Acquisition		(41)	-	-	-
Pension Fund adjustments		(613)	(561)	(385)	(386)
Increase/(Decrease) in Inventories (Stock)		196	-	-	-
Increase/(Decrease) in Revenue Debtors	13	10,383	8,348	(906)	(684)
(Increase)/Decrease in Revenue Creditors	15	(10,453)	(9,797)	(3,481)	(3,478)
(Increase)/Decrease in Long Term Creditors		(2,831)	-	-	-
Increase/(Decrease) in Long Term Debtors	12	2,134	54,318	1,435	1,435
Adjustment for intra-company transaction opening balance		753	-	-	-
		(699)	**52,308**	(3,337)	(3,113)
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		(12,007)	(44,293)	28,084	27,989
		(12,007)	**(44,293)**	28,084	27,989
Net cashflow from operating activities		**(6,373)**	**14,902**	**13,716**	**17,695**
Investing activities					
Purchase of short term and long term investments		55,000	55,000	71,000	71,000
Purchase of property, plant and equipment, investment property and intangibles		54,258	-	-	-
Proceeds from short term and long term investments		(92,500)	(92,500)	(56,056)	(56,056)
Other receipts from investing activities		12,007	44,293	(28,084)	(27,989)
Net cashflow from investing activities		**28,765**	**6,793**	(13,140)	(13,045)
Net (increase) or decrease in cash and cash equivalents		**22,392**	**21,695**	576	4,650
Cash and cash equivalents at the beginning of the reporting period		**(27,426)**	**(23,352)**	**(28,002)**	**(28,002)**
Cash and cash equivalents at the end of the reporting period	14	**(5,034)**	**(1,657)**	(27,426)	(23,352)
The cashflow for operating activities includes the following items:					
Interest received		**(687)**	**(687)**	(375)	(375)
Interest paid		**-**	**-**	**-**	**-**

Note 1: Group Structure

At the start of 2018/19 the Group consisted of Tees Valley Combined Authority and South Tees Development Corporation.

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.

During 2018/19 there have been a number of changes to Tees Valley Combined Authority group which has included:

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

Durham and Tees Valley Airport Limited ("DTVAL"):

- On the 15th February 2019 Goosepool 2019 Limited purchased 89% of the share capital of Durham Tees Valley Airport Limited for a consideration of £40m . This is the first acquisition made by the group.
- The vision for this purchase was to secure for Tees Valley an internationally connected airport and aviation orientated business park which will continue to support indigenous economic growth and act as a catalyst for enhanced inward investment and tourism activity.
- A 10 year business plan was developed which discussed the options relating to both the core functions of the airport - passenger numbers and logistical support - and the wider co-locational activities, relating to maximising the economic impact of the airports associated property offering.
- The 89% shareholding held by TVCA is a controlling share and thus will be recognised as a subsidiary.
- The financial statements of DTVAL 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.

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.

Business Combinations Acquisitions

As noted there have been a number of changes to the group in the year which in the main were through newly formed organisations. However, in the year an acquisition was made of Durham Tees Valley Airport. Goosepool 2019 Limited acquired 89% of the share capital of Durham and Tees Valley Airport Limited for a total consideration of £40m.

Management have estimated that the useful life of associated Goodwill is 10 years, this is consistent with the business plan that management have implemented to bring the airport back into profit.

	£'000
Share Valuation	51,044
P&L Reserve	(52,647)
Capital Contribution	18,108
NET ASSETS (Fair Value)	**16,505**
Goodwill & Minority Interest	
Net Assets (Fair Value)	16,505
Less 11% Minority Interest	(1,815)
Less Acquisition	(40,200)
Goodwill	**25,510**

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.

2017/18				2018/19		
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**
1,540	49	**1,589**	Business Growth	4,514	450	**4,964**
7	3,863	**3,870**	Research Development Innovation & Energy	454	89	**543**
1,173	3,993	**5,166**	Education Employment & Skills	1,953	1,319	**3,272**
467	(256)	**211**	Culture	1,323	1,928	**3,251**
1,182	2,795	**3,977**	Transport	1,109	2,749	**3,858**
872	6,241	**7,113**	Enabling Infrastructure	872	2,988	**3,860**
3,350	(3,520)	**(170)**	Project Development	5,637	(3,085)	**2,552**
1,000	(2,091)	**(1,091)**	Core Running Costs	4,018	(2,705)	**1,313**
-	-	**-**	Concessionary Fares	-	-	**-**
-	5,202	**5,202**	SSI Related Schemes Not in the Investment Plan	-	1,567	**1,567**
-	-	**-**	Place	-	1,250	**1,250**
12,130	(20,617)	**(8,487)**	Not Directly Attributable to Themes	12,468	(24,928)	**(12,460)**
21,721	**(4,341)**	**17,380**	**Net Cost Of Services**	**32,348**	**(18,378)**	**13,970**
(22,086)	(6,325)	(28,411)	Other Income and Expenditure	(32,326)	24,689	(7,637)
(365)	**(10,666)**	**(11,031)**	Surplus or Deficit	**22**	**6,311**	**6,333**
668			**Opening General Fund Balance**	**1,033**		
365			Less/Plus Surplus or (Deficit)	**(22)**		
1,033			**Closing General Fund Balance at 31 March 2019**	**1,011**		

Note 2: Group Expenditure & Funding Analysis

Group Notes to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Business Growth	1,692	9	(1,251)	**450**
Research Development Innovation & Energy	341	6	(258)	**89**
Education Employment & Skills	3,217	33	(1,931)	**1,319**
Culture	3,156	21	(1,249)	**1,928**
Transport	3,381	-	(632)	**2,749**
Enabling Infrastructure	3,843	-	(855)	**2,988**
Project Development	1,687	-	(4,772)	**(3,085)**
Core Running Costs	-	496	(3,201)	**(2,705)**
Concessionary Fares	-	-	-	**-**
SSI Related Schemes Not in the Investment Plan	-	3	1,564	**1,567**
Place	1,250	-	-	**1,250**
Not Directly Attributable to Themes	-	-	(24,928)	**(24,928)**
Net Cost Of Services	18,567	568	(37,513)	**(18,378)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(6,922)	46	31,565	**24,689**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	11,645	614	(5,948)	**6,311**

Adjustments between Funding and Accounting Basis 2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Business Growth	1,394	9	(1,354)	49
Research Development Innovation & Energy	3,327	-	536	3,863
Education Employment & Skills	4,886	14	(907)	3,993
Culture	201	7	(464)	(256)
Transport	3,908	-	(1,113)	2,795
Enabling Infrastructure	6,875	3	(637)	6,241
Project Development	536	-	(4,056)	(3,520)
Core Running Costs	-	301	(2,392)	(2,091)
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	13	5,189	5,202
Not Directly Attributable to Themes	-	-	(20,617)	(20,617)
Net Cost Of Services `	**21,127**	**347**	**(25,815)**	**(4,341)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,989)	40	21,624	(6,325)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**(6,862)**	**387**	**(4,191)**	**(10,666)**

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

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

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

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

Expenditure and Income Analysed By Nature

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

	Group	Group
	2018/19	2017/18
	£000s	£000s
Expenditure		
Employee benefits expenses	6,368	3,694
Other services expenses	86,541	73,173
Interest payments	206	176
Total Expenditure	**93,115**	77,043
Income		
Fees, charges and other service income	(1,129)	(108)
Interest and investment income	(920)	(598)
Government grants and contributions	(84,733)	(87,368)
Total Income	**(86,782)**	(88,074)
(Surplus) or Deficit on the Provision of Services	**6,333**	(11,031)

Segmental Income

Income received on a segmental basis is analysed below:	**Group**	Group
	2018/19	2018/19
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	-	0
Research Development Innovation & Energy	-	0
Education Employment & Skills	(3)	(7)
Culture	(16)	0
Transport	(564)	0
Enabling Infrastructure	-	0
Project Development	-	0
Core Running Costs	(546)	(94)
SSI Related Schemes Not in the Investment Plan	-	(7)
Place	-	0
Not Directly Attributable to Themes	-	0
Total income analysed on a segmental basis	**(1,129)**	(108)

Note 2: Expenditure & Funding Analysis TVCA

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

2017/18				2018/19		
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**
1,540	49	**1,589**	Business Growth	4,514	450	**4,964**
7	3,863	**3,870**	Research Development Innovation & Energy	454	89	**543**
1,173	3,993	**5,166**	Education Employment & Skills	1,953	1,319	**3,272**
467	(256)	**211**	Culture	1,323	1,928	**3,251**
1,182	2,795	**3,977**	Transport	1,109	2,337	**3,446**
872	7,166	**8,038**	Enabling Infrastructure	10	3,838	**3,848**
3,350	(2,770)	**580**	Project Development	5,637	(3,085)	**2,552**
1,072	12	**1,084**	Core Running Costs	2,607	(2,008)	**599**
-	-	**-**	Concessionary Fares	-	-	**-**
-	5,202	**5,202**	SSI Related Schemes Not in the Investment Plan	-	1,567	**1,567**
-	-	**-**	Place	-	1,250	**1,250**
12,130	(20,617)	**(8,487)**	Not Directly Attributable to Themes	12,468	(24,928)	**(12,460)**
21,793	**(563)**	**21,230**	**Net Cost Of Services**	**30,075**	**(17,243)**	**12,832**
(22,086)	(6,325)	(28,411)	Other Income and Expenditure	(30,076)	24,129	(5,947)
(293)	**(6,888)**	**(7,181)**	Surplus or Deficit	**(1)**	**6,886**	**6,885**
668			**Opening General Fund Balance**	**961**		
293			Less/Plus Surplus or (Deficit)	**1**		
961			**Closing General Fund Balance at 31 March 2019**	**962**		

Note 2: Expenditure & Funding Analysis TVCA

Notes to the Expenditure and Funding Analysis: TVCA

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	1,692	9	(1,251)	**450**
Research Development Innovation & Energy	341	6	(258)	**89**
Education Employment & Skills	3,217	33	(1,931)	**1,319**
Culture	3,156	21	(1,249)	**1,928**
Transport	3,381	-	(1,044)	**2,337**
Enabling Infrastructure	3,843	-	(5)	**3,838**
Project Development	1,687	-	(4,772)	**(3,085)**
Core Running Costs	-	442	(2,450)	**(2,008)**
Concessionary Fares	-	-	-	**-**
SSI Related Schemes Not in the Investment Plan	-	3	1,564	**1,567**
Place	1,250	-	-	**1,250**
Not Directly Attributable to Themes	-	-	(24,928)	**(24,928)**
Net Cost Of Services	18,567	514	(36,324)	**(17,243)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,976)	46	29,059	**24,129**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	13,591	560	(7,265)	**6,886**

Adjustments between Funding and Accounting Basis 2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Business Growth	1,394	9	(1,355)	49
Research Development Innovation & Energy	3,327	-	536	3,863
Education Employment & Skills	4,886	14	(907)	3,993
Culture	201	7	(464)	(256)
Transport	3,908	-	(1,114)	2,795
Enabling Infrastructure	7,800	3	(637)	7,166
Project Development	536	-	(3,305)	(2,770)
Core Running Costs	-	300	(288)	12
Concessionary Fares	-	-	-	-
SSI Related Schemes Not in the Investment Plan	-	13	5,189	5,202
Not Directly Attributable to Themes	-	-	(20,616)	(20,616)
Net Cost Of Services `	**22,052**	**346**	**(22,961)**	**(563)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,989)	40	21,624	(6,325)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**(5,937)**	**386**	**(1,337)**	**(6,888)**

Adjustments 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:

	2018/19	2017/18
	£000s	£000s
Expenditure		
Employee benefits expenses	5,080	3,579
Other services expenses	82,906	77,128
Interest payments	204	176
Total Expenditure	**88,190**	80,883
Income		
Fees, charges and other service income	(50)	(98)
Interest and investment income	(1,173)	(598)
Government grants and contributions	(80,080)	(87,368)
Total Income	**(81,303)**	(88,064)
(Surplus) or Deficit on the Provision of Services	**6,887**	(7,181)

Segmental Income

Income received on a segmental basis is analysed below:

	2018/19	2017/18
	£000s	£000s
Services	**Income from Services**	Income from Services
Business Growth	0	0
Research Development Innovation & Energy	(3)	0
Education Employment & Skills	(16)	(7)
Culture	(3)	0
Transport	0	0
Enabling Infrastructure	0	0
Project Development	0	0
Core Running Costs	(28)	(84)
SSI Related Schemes Not in the Investment Plan	0	(7)
Place	0	0
Not Directly Attributable to Themes	0	0
Total income analysed on a segmental basis	**(50)**	(98)

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

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

- Amendments to IAS 40 Investment Property: Transfers of Investment Property - Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property.

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

- IFRIC 22 Foreign Currency Transactions and Advanced Consideration - Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Authority does not have any material transactions within the scope of the amendment.

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

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

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

- The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities by other organisations in which the Council has an interest. The Combined Authority has considered its interests in this respect, both quantitatively and qualitatively, and has concluded that South Tees Development Corporation (STDC) and Goosepool 2019, are materially significant to the overall financial position of the Combined Authority and are therefore consolidated into the Group Financial Statements.
- The Group has applied its judgement in the classification of the assets of the Goosepool Group upon consolidation and conversion to the code. All assets that are intrinsic to the operations of the airport are classified as an infrastrcuture asset under the code and valued at historic 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 therfore 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.

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

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

The items in TVCA's and the Group Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

Tees Valley Combined Authority (and Group) - Annual Financial Statements 2018/19

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

	Land & Buildings	Plant & Equipment	Surplus Assets	TOTAL
	£000s	**£000s**	**£000s**	**£000s**
Cost				
As at 1 April 2018	-	-	-	**-**
Additions	12,273	1,980	10,930	**25,183**
Revaluation	(273)			**(273)**
Disposals	-	-	-	**-**
As at 31 March 2019	12,000	1,980	10,930	**24,910**
Depreciation				
As at 1 April 2018	-	-	-	**-**
Additions	-	-	-	**-**
Depreciation Charge	-	-	-	**-**
Impairments	-	-	-	**-**
Derecognition of Disposals	-	-	-	**-**
As at 31 March 2019	-	-	-	**-**
Net Book Value				
As at 1 April 2018	-	-	-	-
As at 31 March 2019	**12,000**	**1,980**	**10,930**	**24,910**

The Authority does not hold any fixed assets as a single entity.
The assets of Goosepool Group are held based on continuing operations as an operational airport

Note 6: Tangible Fixed Assets (Group) Investment Properties

	£000s
Cost	
As at 1 April 2018	-
Additions	5,618
Revaluation	-
Disposals	-
As at 31 March 2019	5,618
Depreciation	
As at 1 April 2018	-
Additions	-
Depreciation Charge	-
Impairments	-
Derecognition of Disposals	-
As at 31 March 2019	-
Net Book Value	
As at 1 April 2018	-
As at 31 March 2019	**5,618**

Investment properties are those that do not in any way to facilitate the delivery of services or production of goods, are held for sale or form part of a wider regeneration programme.

Note 6: Intangible Fixed Assets (Group)

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

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

Group

2018/19	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Grants Unapplied Account	12,007		(12,007)	-
Adjustments involving the Pensions Reserve	613			(613)
Adjustments involving the Accumulated Absences Adjustment Account	(56)			56
Total Adjustments	**12,564**	**-**	**(12,007)**	**(557)**

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

TVCA

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

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

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 2018/19.

Group

Earmarked Reserves	Balance at 31 March 2018 £000s	Transfers Out 2018/19 £000s	Transfers In 2018/19 £000s	Balance at 31 March 2019 £000s
Revenue Reserves				
Development Pot	(1,939)	909	-	(1,030)
Investment Fund	(31,386)	1,308	(13,155)	(43,233)
SSI	(16,988)	4,771	-	(12,217)
P&L Reserve	-	262	-	262
Total Revenue Reserves	**(50,313)**	**7,250**	**(13,155)**	**(56,218)**

TVCA

Earmarked Reserves	Balance at 31 March 2018 £000s	Transfers Out 2018/19 £000s	Transfers In 2018/19 £000s	Balance at 31 March 2019 £000s
Revenue Reserves				
Development Pot	(1,939)	909	-	(1,030)
Investment Fund	(28,531)	277	(13,155)	(41,409)
SSI	(16,988)	4,771	-	(12,217)
Total Revenue Reserves	**(47,458)**	**5,957**	**(13,155)**	**(54,656)**

Note 9: Capital Adjustment Account
Group and TVCA

	GROUP 2018/19 £000s	2017/18 £000s
Balance at 1 April 2018		
Revenue expenditure funded from capital under statute	51,940	43,151
	51,940	43,151
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	(30,716)	(18,279)
Application of grants to capital financing from the Capital Grants Unapplied Account	(18,929)	(22,052)
Capital expenditure charged against the General Fund balance	(2,295)	(2,820)
	(51,940)	(43,151)
Balance at 31 March 2019	**-**	**-**

	TVCA	
	2018/19	**2017/18**
Balance at 1 April 2018	**£000s**	**£000s**
Revenue expenditure funded from capital under statute	51,564	43,151
	51,564	43,151
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	(30,702)	(18,279)
Application of grants to capital financing from the Capital Grants Unapplied Account	(18,567)	(22,052)
Capital expenditure charged against the General Fund balance	(2,295)	(2,820)
	(51,564)	(43,151)
Balance at 31 March 2019	**-**	**-**

Note 10: TVCA Members' Allowances

Details of the amounts paid to each elected member of the Authority are published annually. Elected members from the constituent local authorities sit on various TVCA boards and receive no allowance for carrying out this role from the Authority. Councillor Harker was re-imbursed £26 during the year for travel costs incurred whilst representing TVCA.

During the year payments were made to the Mayor totalling £38,406 which consisted of £36,537 Mayoral Allowance and £1,869 travel and subsistence.
The Chair of the Local Enterprise partnership, Paul Booth, sits on TVCA Cabinet and during the year he was re-imbursed £3,406 in relation to accommodation and travel costs incurred whilst representing TVCA.

Note 11: Employee remuneration (TVCA and Group)

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

Remuneration of Senior Employees 2018/19						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefits in kind £**	**Total Remuneration excluding pension contributions 2018/19 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2018/19 £**
Chief Executive	46,359	246	-	**46,605**	7,371	**53,976**
Managing Director	42,994	1,245		**44,239**	6,836	**51,076**
Interim Managing Director	71,012	771	-	**71,783**	11,291	**83,073**
Strategy Director	91,044	672	-	**91,716**	14,476	**106,192**
Investment Director	90,520	483	-	**91,003**	14,476	**105,479**
Business Director	91,044	896	-	**91,940**	14,476	**106,416**
Director of Finance	14,877	-	-	**14,877**	2,365	**17,242**
Head of Skills Education & Employment	76,997	99	-	**77,096**	12,243	**89,339**
Head of Culture & Tourism	76,997	-	-	**76,997**	12,243	**89,240**
Head of Transport	73,221	-	-	**73,221**	7,141	**80,362**
Head of Comms & Marketing	76,997	802	-	**77,799**	12,243	**90,042**
Head of Finance, Resources & Housing	76,997	-	-	**76,997**	12,243	**89,240**
TVCA TOTAL	**829,059**	**5,214**	**-**	**834,273**	**127,404**	**961,677**
Engineering and Project Director	124,583	-	-	**124,583**	21,179	**145,762**
Assistant Director of Regeneration	58,395	-	-	**58,395**	-	**58,395**
Senior non executive Director	20,556	-	-	**20,556**	-	**20,556**
Interim Commercial Director	41,129	-	-	**41,129**	-	**41,129**
GROUP ENTITIES TOTAL	**244,663**	**-**	**-**	**244,663**	**21,179**	**265,842**
GROUP TOTAL	**1,073,722**	**5,214**	**-**	**1,078,936**	**148,583**	**1,227,519**

TVCA - In July 2018 the Managing Director left his post and interim arrangements were put in place with the Finance Director taking on the role as Interim Managing Director. In December this interim arrangement ended and the Managing Director post was replaced by a Chief Executive post. The Finance Director post has been vacant since the above interim arrangements were put in place with the previous Head of Homes & Communities taking on the role of Head of Finance & Resouces. The Head of Transport role has been vacant since December. All other posts have been in post for the full year.

STDC Group - The Chief Executive was employed by the South Tees Site Company, a Government ran organisation responsible for the safety, security and upkeep of the former SSI site. The postholder left the role in September 2018 and no recharge took place for his salary.
The Senior Non Executive Director deputised for the CEO from that date.
The Director of Finance is employed by Tees Valley Combined Authority.
Neither of the above received direct remuneration from STDC, however a proportion of the Director of Finance salary is recharged to STDC by TVCA and in 2018/19 this amounted to £11,461

Goosepool Group - As a result of Goosepool Group only forming part fo TVCA Group for six weeks of the year there are no material amounts to report.

Remuneration of Senior Employees 2017/18						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefits in kind £**	**Total Remuneration excluding pension contributions 2017/18 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2017/18 £**
Managing Director	136,350	734	-	**137,084**	32,817	**169,901**
Strategy Director	89,259	549	-	**89,808**	14,192	**104,000**
Investment Director	89,259	599	-	**89,858**	14,192	**104,050**
Business Director	89,259	1,473	-	**90,732**	14,192	**104,924**
Head of Skills Education & Employment	56,387	-	-	**56,387**	8,965	**65,352**
Head of Culture & Tourism	75,487	-	-	**75,487**	12,002	**87,489**
Director of Finance	75,057	-	-	**75,057**	12,002	**87,059**
Head of Transport	75,487	-	-	**75,487**	12,002	**87,489**
Head of Comms & Marketing	13,190	-		**13,190**	2,097	**15,287**
Head of Homes & Communities	75,487	-	-	**75,487**	12,002	**87,489**
TVCA TOTAL	775,221	3,354	-	**778,576**	134,466	**913,042**

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		TVCA	
Remuneration Summary Salary Range	**Number of Employees 2018/19**	**Number of Employees 2017/18**	**Number of Employees 2018/19**	**Number of Employees 2017/18**
£50,001 - £55,000	2	1	1	1
£55,001 - £60,000	2	-	1	-
£60,001 - £65,000	-	-	-	-
£65,001 - £70,000	-	-	-	-
£70,001 - £75,000	-	-	-	-
£75,001 - £80,000	-	-	-	-
£80,001 - £85,000	-	-	-	-
£85,001 - £90,000	-	-	-	-
£90,001 - £95,000	-	-	-	-
£95,001 - £100,000	-	-	-	-
£100,001 - £105,000	-	-	-	-
£125,001 - £130,000	-	-	-	-
£130,001 - £135,000	-	-	-	-
£135,001 - £140,000	-	-	-	-

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

Note 12: Long Term Debtors

	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s
Central Government	-	-	-	-
Local Government	6,570	17,785	6,414	6,414
Other entities and individuals	2,012	42,981	34	34
	8,582	**60,766**	**6,448**	**6,448**

Note 13: Debtors

	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s
Central Government	6,016	6,016	1,576	1,569
Local Government	6,589	6,589	3,254	3,483
Other entities and individuals	2,838	1,025	230	230
	15,443	**13,630**	**5,060**	**5,282**

Note 14: Cash and Cash Equivalents

	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s
Bank and Imprests	(1,966)	(5,343)	(2,648)	(2,648)
Cash Equivalents	7,000	7,000	30,074	26,000
	5,034	**1,657**	**27,426**	**23,352**

Note 15: Short Term Creditors

	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s
Central Government	(6,137)	(6,062)	(90)	(90)
Local Government	(3,903)	(7,057)	(2,650)	(2,650)
Other entities and individuals	(5,791)	(2,053)	(2,638)	(2,635)
	(15,831)	**(15,172)**	**(5,378)**	**(5,375)**

Note 16: Other Long Term Liabilities

	Group 31 March 2019 £000s	TVCA 31 March 2019 £000s	Group 31 March 2018 £000s	TVCA 31 March 2018 £000s
Net pensions liability	(2,512)	(2,330)	(2,051)	(2,051)
Long Term Creditors	(2,831)	-	-	-
Deferred Tax Provision	(102)	-	-	-
	(5,445)	**(2,330)**	**(2,051)**	**(2,051)**

Note 17: Related Party Transactions (Group)

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

TVCA Constituent Authorities

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

2018/19	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,451	6,157
Middlesbrough Borough Council	4,636	7,285
Redcar & Cleveland Borough Council	5,156	10,166
Hartlepool Borough Council	2,427	7,127
Darlington Borough Council	3,235	3,169
Total	**19,905**	**33,904**

2017/18	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,266	6,464
Middlesbrough Borough Council	4,966	13,112
Redcar & Cleveland Borough Council	5,049	4,330
Hartlepool Borough Council	2,349	7,151
Darlington Borough Council	3,177	9,084
Total	**19,807**	**40,141**

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

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

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

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Stockton On Tees Borough Council	-	120	750
Middlesbrough Borough Council	3,552	675	241
Redcar & Cleveland Borough Council	-	2,318	246
Hartlepool Borough Council	1,763	139	158
Darlington Borough Council	1,100	1	688
Total	**6,415**	**3,253**	**2,083**

Note 17: Related Party Transactions (TVCA)

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

Central Government

Central government has effective control over the general operations of TVCA – it is responsible for providing the statutory framework within which they operate, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that they have with other parties. Grants received from government departments are set out in the subjective analysis in Note 18. During the year the Group incurred expenditure totalling £15k in relation to Central Government Departments excluding HMRC.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members’ allowances paid in 2018/19 is shown in Note 8. During 2018/19, there were no related party transactions between members and TVCA.

Entities Controlled or Significantly Influenced by the Authority

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

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

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

2017/18	Income Received £000s	Expenditure £000s
South Tees Development Corporation	-	2,399
Goosepool 2019	-	-
Total	**-**	**2,399**

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

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

2017/18	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
South Tees Development Corporation	-	229	-
Goosepool 2019	-	-	-
Total	**-**	**229**	**-**

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.

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

2017/18	Income Received £000s	Expenditure £000s
Stockton On Tees Borough Council	4,266	6,464
Middlesbrough Borough Council	4,966	13,112
Redcar & Cleveland Borough Council	5,049	4,330
Hartlepool Borough Council	2,349	7,151
Darlington Borough Council	3,177	9,084
Total	**19,807**	**40,141**

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

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

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

	Long Term Debtors £000s	Short Term Debtors £000s	Short Term Creditors £000s
Stockton On Tees Borough Council	-	120	750
Middlesbrough Borough Council	3,552	675	241
Redcar & Cleveland Borough Council	-	2,318	246
Hartlepool Borough Council	1,763	139	158
Darlington Borough Council	1,100	1	688
Total	**6,415**	**3,253**	**2,083**

Note 18: External Audit Costs (TVCA and Group)

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

	Group 2018/19 £000s	**TVCA 2018/19 £000s**	Group 2017/18 £000s	TVCA 2017/18 £000s
Fees payable to Mazars LLP with regard to external audit services	50	29	48	30
Fees payable to MHA Tait Walker with regard to external audit services	13	-	-	-
	63	**29**	48	30
Rebate from Public Sector Audit Appointments Ltd				(4)

Note 19: Leases (TVCA and Group)

Operating leases: TVCA as lessee

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

Future minimum lease payments due	**2018/19 £000s**	2017/18 £000s
Not later than one year	152	152
Later than one year & not later than five years	608	608
Later than five years	418	570
	1,178	1,330

Within STDC group leases are held to cover pipework across the site which do not have an end date, the annual expenditure associated with these leases is £202k.

At the end of 2018/19 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	**2018/19 £000s**	2017/18 £000s
Not later than one year	445	-
Later than one year & not later than five years	516	-
Later than five years	857	-
	1,818	-

Within STDC group leases are held to cover pipework across the site which do not have an end date, the annual income associated with these leases is £255k.

At the end of 2018/19 TVCA did not grant any leases.

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

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

	GROUP	
	31 March 2019	31 March 2018
	£000s	£000s
Opening Capital Financing Requirement	**-**	**-**
Capital investment		
Revenue expenditure funded from capital under statute	51,564	43,151
Sources of Finance		
Government grants and other contributions	(49,269)	(40,331)
Sums set aside from revenue:		
Direct revenue contributions	(2,295)	(2,820)
Closing Capital Financing Requirement	**-**	**-**

	TVCA	
	31 March 2019	31 March 2018
	£000s	£000s
Opening Capital Financing Requirement	**-**	**-**
Capital investment		
Revenue expenditure funded from capital under statute	51,940	43,151
Sources of Finance		
Government grants and other contributions	(49,645)	(40,331)
Sums set aside from revenue:		
Direct revenue contributions	(2,295)	(2,820)
Closing Capital Financing Requirement	**-**	**-**

Note 21: Grant Income (TVCA and Group)

The Authority and Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

	Group	**TVCA**	Group	TVCA
	2018/19	**2018/19**	2017/18	2017/18
	£000s	**£000s**	£000s	£000s
Credited to Taxation and Non Specific Grant Income				
Local Growth Fund	-	-	27,989	27,989
Transforming Cities Fund	2,921	2,921	-	-
National Productivity Investment Fund	1,555	1,555	-	-
DfT Local Majors	500	500	-	-
South Tees Development Corporation Praire Site	1,946	-	-	-
Total	**6,922**	**4,976**	27,989	27,989
Credited to Services				
Adult Education Budget Transition	285	285	16	16
AGE	-	-	379	379
BEIS Local Energy Capacity Support	294	294	-	-
BIES Growth Hub	246	246	246	246
DECC - City Deal / Carbon	33	33	7	7
Devolution	15,000	15,000	15,000	15,000
DfT Access Fund	1,109	1,163	1,163	1,163
DfT Local Majors		-	100	100
DWP Routes To Work	1,157	1,157	133	133
ERDF Business Compass	4,196	4,196	-	-
ESFA Apprenticeship	5	5	-	-
ESIF	-	-	1,337	1,337
ESIF Technical Assistance	25	25	-	-
Heat Network District Unit	70	70	-	-
HLF Great Places	521	521	85	85
LEP Core	500	500	500	500
Local Growth Fund	13,708	13,708	-	-
Local industrial Strategy	20	20	-	-
Local Transport Plan	13,943	13,943	13,952	13,952
Mayoral Capacity Funding	1,000	1,000	-	-
MCA Funding	199	199	-	-
National Productivity Investment Fund	1,719	1,719	2,298	2,298
One Public Estates	-	-	359	359
Pothole Action Fund	253	253	1,929	1,929
South Tees Development Corporation OPEX	2,000	-	2,399	-
South Tees Development Corporation Praire Site	14	-	-	
Transforming Cities Fund	1,079	1,079	-	-
	57,376	**55,416**	39,903	37,504

Capital and Revenue Grants Receipts in Advance

	Group	**TVCA**	Group	TVCA
	2018/19	**2018/19**	2017/18	2017/18
	£000s	**£000s**	£000s	£000s
Adult Education Budget Transition	18	18	50	50
BEIS Local Energy Capacity Support	933	933	772	772
DWP Routes To Work	2,210	2,210	-	-
EU Exit Fund	91	91	-	-
Heat Network District Unit	191	191	-	-
Homeless Veterns Fund	91	91	-	-
Local Industrial Strategy	180	180	-	-
One Public Estates	136	136	136	136
Pothole Action Fund	534	534	-	-
Rural Community Energy Fund	1,500	1,500	-	-
Skills Analysis Panel	75	75	-	-
Total	**5,959**	**5,959**	958	958

Note 22: Financial Instruments (Group)

Categories of Financial Instruments

IFRS9 Financial Instruments is the new accounting standard for investments, borrowing, receivables and payables, which came into affect for all Local Authorities from the 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 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 a 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 2019	31 March 2018	**31 March 2019**	31 March 2018
	£000s	£000s	**£000s**	£000s
At Amortised Cost	8,582	6,448	52,441	100,014
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**8,582**	6,448	**52,441**	100,014

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

	Long Term		**Short Term**	
	31 March 2019	31 March 2018	**31 March 2019**	31 March 2018
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(2,933)	-	(20,806)	(7,799)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(2,933)**	-	**(20,806)**	(7,799)

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

Note 22: Financial Instruments (Group)

Credit Risk: Treasury Investments

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

	2018/19		2017/18	
	Long Term	Short Term	Long Term	Short Term
Credit Rating	**£000s**	**£000s**	**£000s**	**£000s**
AAA				23,000
AA+				
AA				
AA-				
A+	7,500	6,500		
A			30,000	
A-		500		
Unrated Local Authorities	20,000		35,000	3,000
Total financial assets	**27,500**	**7,000**	65,000	26,000

Liquidity Risk

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

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

As at 31 March 2018, all of the group's deposits were due to mature within 364 days.

Market Risk

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

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

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

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

	2018/19	2017/18
	£000s	£000s
Increase in interest receivable on variable rate investments	(384)	(258)
Impact on (Surplus) or Deficit on the Provision of Services	**(384)**	(258)

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

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

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

Note 22: Financial Instruments (TVCA)

Categories of Financial Instruments

IFRS9 Financial Instruments is the new accounting standard for investments, borrowing, receivables and payables, which came into affect for all Local Authorities from the 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 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 a 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 2019	31 March 2018	**31 March 2019**	31 March 2018
	£000s	£000s	**£000s**	£000s
At Amortised Cost	60,766	6,448	47,263	95,940
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**60,766**	6,448	**47,263**	95,940

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

	Long Term		Short Term	
	31 March 2019	31 March 2018	**31 March 2019**	31 March 2018
	£000s	£000s	**£000s**	£000s
At Amortised Cost	-	-	(20,259)	(7,799)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**-**	-	**(20,259)**	(7,799)

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
- **re-financing risk –** the possibility that the Authority might be requiring to renew a financial instrument on maturity
- **market risk –** the possibility that financial loss might arise for the Authority as a result of changes in such measures

Note 22: Financial Instruments (TVCA)

Credit Risk: Treasury Investments

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

	2018/19		2017/18	
	Long Term	**Short Term**	**Long Term**	**Short Term**
Credit Rating	**£000s**	**£000s**	**£000s**	**£000s**
AAA				23,000
AA+				
AA				
AA-				
A+	7,500	6,500		
A			30,000	
A-		500		
Unrated Local Authorities	20,000		35,000	3,000
Total financial assets	**27,500**	**7,000**	65,000	26,000

Liquidity Risk

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

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

As at 31 March 2018, all of the Authority's deposits were due to mature within 364 days.

Market Risk

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

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

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

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

	2018/19	2017/18
	£000s	£000s
Increase in interest receivable on variable rate investments	(384)	(258)
Impact on (Surplus) or Deficit on the Provision of Services	**(384)**	(258)

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

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

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

Note 23: Defined Benefit Pension Schemes (Group)

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

The 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 Group resources is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Note 23: Defined Benefit Pension Schemes (Group)

	Local Government Pension Scheme	
	2018/19 £000s	2017/18 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service cost	1,176	715
• Past service cost	10	15
Financing and Investment Income and Expenditure		
Net interest cost	45	40
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**1,231**	770
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)	(341)	(47)
• Actuarial gains and losses arising on changes in financial assumptions	447	(1)
• Actuarial gains and losses due to liability experience	-	-
• Actuarial gains and losses due to changes in demographic assumptions	(389)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(283)**	(48)
Movement in Reserves Statement		
• Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,231)	(770)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**669**	385

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.569m).

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 2018/19 £000s	Local Government Pension Scheme 2017/18 £000s
Present value of defined benefit obligation	(9,629)	(7,705)
Fair value of assets	7,117	5,654
Net liability recognised in the Balance Sheet	**(2,512)**	(2,051)

Note 23: Defined Benefit Pension Schemes (Group)

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

	Local Government Pension Scheme 2018/19 £000s	Local Government Pension Scheme 2017/18 £000s
Opening fair value of scheme assets	5,654	5,001
Interest income	160	136
Remeasurement gains and (losses)	341	47
Contributions from the employer	617	385
Contributions from employees into the scheme	291	187
Net increase from acquisitions	-	-
Benefits paid	54	(102)
Closing balance at 31 March 2019	**7,117**	5,654

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

	Local Government Pension Scheme 2018/19 £000s	Local Government Pension Scheme 2017/18 £000s
Opening balance at 1 April	(7,705)	(6,715)
Current service cost	(1,176)	(715)
Interest cost	(205)	(176)
Contributions by scheme participants	(291)	(187)
Actuarial gains and losses - financial assumptions	(447)	1
Actuarial gains and losses - demographic assumption	389	-
Actuarial gains and losses - liability experience	-	-
Benefits paid	(54)	102
Net increase from acquisitions	(130)	-
Past service cost	(10)	(15)
Closing balance at 31 March 2019	**(9,629)**	(7,705)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2018/19 £000s	2018/19 %	Fair value of scheme assets 2017/18 £000s	2017/18 %
Equity investments (Quoted)	5,117	71.9%	4,518	79.9%
Property (Quoted)	655	9.2%	413	7.3%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	1,196	16.8%	628	11.1%
Other Investments	149	2.1%	96	1.7%
	7,117	**100%**	5,654	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

Note 23: Defined Benefit Pension Schemes (Group)

The principal assumptions used by the actuary have been:

	2018/19	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2	22.9
Women	24.1	25.0
Longevity at 45 for future pensioners:		
Men	23.9	25.1
Women	25.9	27.3
Other assumptions:		
Rate of inflation (RPI)	3.2%	3.1%
Rate of inflation (CPI)	2.1%	2.0%
Rate of increase in salaries	3.1%	3.0%
Rate of increase in pensions	2.1%	2.0%
Rate of Pension accounts revaluation rate	2.1%	2.0%
Rate for discounting scheme liabilities	2.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum	80.0%	80.0%

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (increase or decrease in 1 year)	9,794	9,499	9,215
Rate of increase in salaries (increase or decrease by 0.1%)	9,596	9,499	9,215
Rate of increase in pensions payment (increase or decrease by 0.1%)	9,647	9,499	9,215
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	9,265	9,499	9,215

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 2019.

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

The Group anticipates to pay £0.827m contributions to the scheme in 2019/2020.

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

Note 23: Defined Benefit Pension Schemes (TVCA)

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

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

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

Note 23: Defined Benefit Pension Schemes (TVCA)

	Local Government Pension Scheme	
	2018/19	2017/18
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
· Current service cost	1,042	708
· Past service cost	10	15
Financing and Investment Income and Expenditure		
Net interest cost	46	40
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**1,098**	763
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)	(338)	(48)
· Actuarial gains and losses arising on changes in financial assumptions	436	(1)
· Actuarial gains and losses due to liability experience	-	-
· Actuarial gains and losses due to changes in demographic assumptions	(380)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(282)**	(49)
Movement in Reserves Statement		
· Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,098)	(763)
Actual amount charged against the General Fund Balance for pensions in the year:		
· Employers’ contributions payable to scheme	**537**	377

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.515m).

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	
	2018/19	2017/18
	£000s	£000s
Present value of defined benefit obligation	(9,314)	(7,694)
Fair value of assets	6,984	5,643
Net liability recognised in the Balance Sheet	**(2,330)**	(2,051)

Note 23: Defined Benefit Pension Schemes (TVCA)

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

	Local Government Pension Scheme	
	2018/19	2017/18
	£000s	£000s
Opening fair value of scheme assets	5,643	5,001
Interest income	158	136
Remeasurement gains and (losses)	338	48
Contributions from the employer	537	377
Contributions from employees into the scheme	252	183
Net increase from acquisitions	-	-
Benefits paid	56	(102)
Closing balance at 31 March 2019	**6,984**	5,643

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

	Local Government Pension Scheme	
	2018/19	2017/18
	£000s	£000s
Opening balance at 1 April	(7,694)	(6,715)
Current service cost	(1,042)	(708)
Interest cost	(204)	(176)
Contributions by scheme participants	(252)	(183)
Actuarial gains and losses - financial assumptions	(436)	1
Actuarial gains and losses - demographic assumption	380	-
Actuarial gains and losses - liability experience	-	-
Benefits paid	(56)	102
Net increase from acquisitions	-	-
Past service cost	(10)	(15)
Closing balance at 31 March 2019	**(9,314)**	(7,694)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2018/19		2017/18	
	£000s	**%**	£000s	%
Equity investments (Quoted)	5,021	71.9%	4,509	79.9%
Property (Quoted)	643	9.2%	412	7.3%
Government Bonds	-	0.0%	-	0.0%
Corporate Bonds	-	0.0%	-	0.0%
Cash	1,173	16.8%	626	11.1%
Other Investments	147	2.1%	96	1.7%
	6,984	**100%**	5,643	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

Note 23: Defined Benefit Pension Schemes (TVCA)

The principal assumptions used by the actuary have been:

	2018/19	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2	22.9
Women	24.1	25.0
Longevity at 45 for future pensioners:		
Men	23.9	25.1
Women	25.9	27.3
Other assumptions:		
Rate of inflation (RPI)	3.2%	3.1%
Rate of inflation (CPI)	2.1%	2.0%
Rate of increase in salaries	3.1%	3.0%
Rate of increase in pensions	2.1%	2.0%
Rate of Pension accounts revaluation rate	2.1%	2.0%
Rate for discounting scheme liabilities	2.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum	80.0%	80.0%

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

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

Impact on the Authority’s Cash Flows
The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2019.
The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates to pay £0.745m contributions to the scheme in 2019/2020.

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

Note 24: Termination Benefits (TVCA and Group)

The Group terminated the contract of three employees in 2018/19, incurring liabilities of £50k.
The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2018/19	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18
							£000s	£000s
£1 to £20,000	-	-	2	-	2	-	20	-
£20,001 to £40,000	-	1	1	-	1	1	30	27
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-		-	-	-	-
Total	**-**	1	**3**	-	**3**	1	**50**	27

TVCA terminated the contract of two employees in 2018/19, incurring liabilities of £40k.
The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2018/19	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18
							£000s	£000s
£1 to £20,000	-	-	1	-	1	-	10	-
£20,001 to £40,000	-	1	1	-	1	1	30	27
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-		-	-	-	-
Total	**-**	1	**2**	-	**2**	1	**40**	27

Note 25: Provisions (TVCA and Group)

The Group has made a deffered tax provision in relation to fair value adjustment of assets in Goosepool Group.
(2017/18 Nil)

Note 26: Contingent Liabilities (TVCA and Group)

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Without action by Government there would have been an inequality of benefits between male and female members who have GMP after April 2016 when Additional Pension (AP) element of the old state pension was removed. In March 2016 the government introduced an interim solution to members in public sector schemes with GMPs who were set to lose out from the removal of AP. This was done by paying full increases on GMP pensions for individuals reaching State Pension Age (SPA) from 5 April 2016 through 6 December 2018. In January 2018 the interim solution was extended for individuals reaching SPA before 5 April 2021. The additional liability from extending the interim solution was not measured over the year ending 2018 as it was deemed extremely unlikely to be material and would have been complex to measure accurately without undertaking a full valuation of the liability. Any action with regard to individuals reaching SPA after April 2021 is also unlikely to be material. Broadly, if HM Treasury's solution was to extend the interim solution indefinitely we would expect the impact to be an increase in liabilities of between 0.2% and 0.3% which would equate to approximately £28k for the Authority.

The McCloud judgement relates to age discrimination cases brought relating to previously reformed pension schemes, including most significantly, moving from final salary arrangements to career averages. The age discrimination cases arise because protection was provided for some, but not all employees, when the arrangements were introduced. A Court of Appeal judgement has ruled that there was age discrimination in a test case.
The latest figures provided estimate the increase in liabilities to be 2.1% this would equate to a liability of £196k for the Authority.

(2017/18 Nil)

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

Within the group company South Tees Developments Ltd trades with British Steel. On 22nd May 2019 British Steel was placed in compulsory liquidation. It is therefore uncertain at this stage what amounts of the trading balances will be settled.

The Directors have taken a prudent view of the recoverability of the amounts owed and have made a 100% bad debt provision against the debt due to the company. Contractually it is STDC which is liable therefore the provision has been made in STDC accounts.
(2017/18 Nil)

Note 28: Statement of Accounting Policies (Group)

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

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

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

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

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

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

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

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

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

Note 28: Statement of Accounting Policies (Group)

The Local Government Pension Scheme

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

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

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

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

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

Service cost comprising:

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

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

Remeasurements comprising:

- *the return on plan assets -* excluding amounts included in the net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

Contributions paid to the Teesside Pension Fund:

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

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

Note 28: Statement of Accounting Policies (Group)

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

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

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

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

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

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

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

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

Note 28: Statement of Accounting Policies (Group)

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

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

Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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

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

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

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

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

Measurement
Assets are initially measured at cost, comprising:

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

Note 28: Statement of Accounting Policies (Group)

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Note 28: Statement of Accounting Policies (Group)

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

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

Reserves
The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Group expenditure.
Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Group.

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

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

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.