Middlesbrough Development Corporation

Audit and Governance Committee

Date: Wednesday, 12 February at 2:00pm

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

Membership:

Jonathan Munby (Independent member) (Chair)
Matt Hewison (Independent member)
Kayleigh Fuller (Independent member)
Catherine Dillon-Goodier (Independent member)
Owen Williams (Independent member)
Councillor Nicky Walker (Elected Member for Middlesbrough Council and TVCA Audit and Governance Committee Representative)

Middlesbrough Development Corporation

AGENDA

1. **Apologies for Absence**

   To receive any apologies for absence.

2. **Declarations of Interest**

   To receive any declarations of interest.

3. **Minutes of the previous meeting and action tracker**

   To approve as a correct record the minutes of the meeting held on Wednesday, 4 December.

4. **Chief Executive's Update**

   To receive a report from the TVCA Chief Executive providing an update on key matters in relation to the Middlesbrough Development Corporation.

5. **Internal Audit Actions Update**

   To receive a report from the Group Financial Controller presenting an update on internal audit actions.

6. **Summary Internal Controls Assurance Update**

   To receive an update from the Director of Audit at TIAA, on the emerging Governance, Risk and Internal Control related issues and progress of work.

7. **Ernst and Young External Audit Actions Update**

   To receive a report from Ernst and Young, (External Audit), presenting the Middlesbrough Development Corporation External Audit Strategy, Audit Completion report, draft audit opinion and draft value for money commentary for 2023/2024.

8. **MDC Financial Statements 2023/2024**

   To receive a copy of the Middlesbrough Development Corporation Unaudited Statement of Accounts for 2023/2024.

9. Draft Annual Governance Statement

To receive a report from the Group Chief Legal Officer seeking approval of the Draft Annual Governance Statement 2023/2024.

10. Regulatory Update

To receive a report from the Group Chief Legal Officer in respect of Data Protection, Information Governance, Governance and Appointments and Freedom of Information.

11. Work Programme

To consider and approve the committee's work programme for the 2024/25 municipal year.

12. Update Risk Management Framework and Policy

To receive a report the Group Director of Finance and Resources presenting the up Updated Risk Management Policy and Framework.

13. Risk Management Report

To receive and consider a report from the Head of Performance, Risk and Assurance presenting the risk portfolio.

(This report is exempt from publication under the terms of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of schedule 12a to the Local Government Act 1972)

14. Date and Time of Next Meeting:

Wednesday, 28 May 2025 at 2.00pm

Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: tvcagovernance@teesvalley-ca.gov.uk

MDC | Middlesbrough Development Corporation

Middlesbrough Development Corporation Board

Procedure for Declarations of Interest

The purpose of this note is to provide advice and guidance to all members of the Development Corporation Board and Audit & Governance Committee on the procedure for declaring interests. The procedure is set out in full in the Development Corporation's Constitution under the "Code of Conduct for Members" (Appendix II).

Personal Interests

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

There are two types of personal interests covered by the Constitution:

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

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

Declarations of interest relating to the Councils' commercial role

Financial relationships between the Development Corporation and individual councils do not in themselves create a conflict of interest for Council Leaders who are also Development Corporation Board members. Nor is it a conflict of interest if the Development Corporation supports activities within a council boundary. Nevertheless, there are specific circumstances where the Board may consider entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, or in which that council is a co-funder. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

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

Register of Interests

4. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Development Corporation. If no declaration is received from elected members within 28 days the matter may be referred to the Head of Paid Service of your local authority and Leader of the political group you represent on your council for action. If a Declaration is not submitted within an appropriate timescale you may be prevented from attending committee meetings. Details of any personal interests registered will be published on the Development Corporation's website, with the full register available at the Development Corporation's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

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

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

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

Sensitive Information

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

Middlesbrough Development Corporation

MIDDLESBROUGH DEVELOPMENT CORPORATION

AUDIT AND GOVERNANCE COMMITTEE

Wednesday, 4 December at 10.00am

Middlesbrough Town Hall, Mandela Room, Albert Road, Middlesbrough, TS1 2QJ

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

ATTENDEES	
Members	
Jonathan Munby (Chair)	Independent Member
Catherine Dillon-Goodier	Independent Member
Kayleigh Fuller	Independent Member
Matt Hewison	Independent Member
Others in Attendance	
Gary Macdonald	Group Director of Finance and Resources, TVCA
Emma Simson	Group Chief Legal Officer and Monitoring Officer, TVCA
Angela Hart	Head of Performance, Risk and Assurance, TVCA
Guy Close	Governance and Scrutiny Manager, TVCA
Andrew McCulloch	Internal Auditor - TIAAA
Apologies	
Councillor Nicky Walker	TVCA Audit and Governance Committee representative

MDC-AG 01/2024	CHAIR'S OPENING REMARKS The Chair welcomed all in attendance to the first meeting of Middlesbrough Development Corporation (MDC) Audit and Governance Committee.
MDC-AG 02/2024	APOLOGIES FOR ABSENCE Apologies for absence were submitted as detailed above.
MDC-AG 03/2024	DECLARATIONS OF INTEREST There were no declarations of interest.
MDC-AG 03/2024	TERMS OF REFERENCE The Group Chief Legal Officer and Monitoring Officer submitted a report which presented draft terms of reference for the MDC Audit and Governance Committee to consider and agree. The draft terms of reference outlined the purpose, scope, structure, and responsibilities of the Committee. It provided clarity and guidance to ensure that the Committee functions aligned with the organisation's goals and met its statutory responsibilities. The key points of discussion were as follows: • It was requested that a link to the CIPFA Good Governance Framework be forwarded to the Committee. The Group Director of Finance and Resources undertook to provide this information. • There was a further request that the Committee be provided with a link to the Members' Code of Conduct contained in the MDC Constitution. The Governance and Scrutiny Manager undertook to provide this information. • There was a brief discussion about training provision. The Group Director of Finance and Resources advised that training was provided as part of members' induction with opportunities for more bespoke training to be provided throughout the course of the municipal year. • It was reported that Hartlepool Development Corporation (HDC) Audit and Governance Committee had requested a presentation on implementation of the Procurement Act (due to be introduced in February 2025). The Committee noted the potential for a joint

	presentation to be provided to members of Hartlepool and Middlesbrough Audit and Governance Committees. • One member emphasised the importance of identifying suitable training opportunities in relation to risk management. • It was noted that there was provision within the terms of reference for the appointment of a Vice Chair. Since this was the first meeting of MDC Audit and Governance Committee, it was considered appropriate to revisit Vice Chair arrangements as part of future training arrangements. • The Group Director of Finance and Resources provided an update on the recruitment of Independent Members to each of the Development Corporation Audit and Governance Committees. It was reported that four applications were under review. The Committee was to be kept updated on progress. RESOLVED – a) That the MDC Audit and Governance Committee approves the draft terms of reference. b) That requests for information in relation to CIPFA Good Governance Framework and Members' Code of Conduct be provided to the Committee. c) That the appointment of a Vice Chair be considered as part of future training arrangements.
MDC-AG 04/2024	CHIEF EXECUTIVE'S UPDATE The Chief Executive submitted a report which provided the Committee with an update on recent activity that had been undertaken across the Tees Valley area. The key updates were as follows: • Currently in the process of appointing a Chief Operating Officer for HDC and MDC. The intention was for the Chief Operating Officer to attend future meetings of HDC and MDC to provide an update on key areas. The Committee was to be updated on the outcome of the recruitment exercise. • An update on progress made against delivery of the Tees Valley Investment Zone, particularly in terms of the processes in place and associated timescales for delivery. • The Chair queried whether there were opportunities to shape the masterplan, exploring opportunities in relation to public health, families and development of a place-based approach. The Chair expressed the view that in relation to the Gresham development most of the engagement related to the private sector. It was felt that

	there was a need to ensure that the public and voluntary sector were encouraged to engage in the process. One member highlighted the importance of meeting the needs of hard-to-reach groups, underrepresented groups, vulnerable groups, and those with disabilities. RESOLVED – That subject to the above comments, the update be noted.
MDC-AG 05/2024	INTERNAL AUDIT PLAN 2024-25 The Group Director of Finance and Resources submitted a report which presented the TIAA indicative Audit Strategy for 2024/27 and Annual Audit Plan 2024/25 for Middlesbrough Development Corporation. The Committee was provided with an update on the latest opinion statement. It was reported that a governance review and the procurement of consultants had been scheduled into the audit plan and work was to commence over the next few months. The following questions and comments were discussed: • One member suggested that the audit plan included a review on implementation of the Procurement Act (to be introduced in February 2025). It was advised that there was scope within the audit plan to review the processes in place and readiness for implementation. • The Chair queried whether the sale of assets received the appropriate level of scrutiny. The Group Director of Finance and Resources provided an overview of the arrangements in place for public asset transfer. RESOLVED – That subject to the above comments, the TIAA indicative Audit Strategy for 2024/27 and Annual Audit Plan 2024/25 for Middlesbrough Development Corporation, be approved.
MDC-AG 06/2024	EXTERNAL AUDIT OVERVIEW The Group Financial Controller submitted a report which provided an overview of the current external audit market, the impact of new legislation on Middlesbrough Development Corporations external audit opinions and the appointment process undertaken to appoint external auditors. The Group Director of Finance and Resources reported that Ernst & Young (EY) had been appointed as external auditors via the Public Sector Audit Appointments (PSAA) process.

	It was advised that Mazars (external auditors) was to include a value for money assessment as part of its audit completion report. The audit of accounts in relation to 2021/22 and 2022/23 had been disclaimed. EY had reported that the audit of accounts for 2023/24 were also to be disclaimed and that current focus was on 2024/25. The Committee was advised that a representative from EY was to attend all future meetings to provide an update and respond to members' questions and comments. RESOLVED – That the appointment of Ernst & Young (EY) as external auditors via the Public Sector Audit Appointments (PSAA) process, be approved.
MDC-AG 07/2024	WORK PROGRAMME The Group Director of Finance and Resources submitted a report which presented the draft work programme for the remainder of the 2024/25 municipal year. The Committee was advised that the work programme covered areas of work in relation to internal audit, external audit and risk management. The work programme was a standing item for consideration at each meeting where it could be amended as the year progressed. It included standing items that were required at specific times of the municipal year, for example, group financial statements and annual reports and accounts. It also included other areas of work where specific audit and governance activity had been identified by the Committee. It was agreed to add the following items to the work programme for consideration at the next meeting: • Internal audit plan; and • An update on the Annual Governance Statement. RESOLVED – That the work programme, as amended, be approved.
MDC-AG 08/2024	RISK MANAGEMENT WORK PROGRAMME The Head of Performance, Risk and Assurance submitted a report which presented an update on recent risk management activity. *(This report and appendices were exempt from publication under the terms of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of schedule 12a to the Local Government Act 1972)*

	RESOLVED – That the risk analysis as detailed in the risk report, be noted.
MDC-AG 09/2024	DATE AND TIME OF NEXT MEETING Wednesday, 12 February 2025 at 2.00pm (Training session to take place prior to the Committee meeting at 1.00pm)
MDC-AG 10/2024	CHAIR'S CLOSING REMARKS / SUBSTITUTE ARRANGEMENTS The Chair considered that it would be helpful to establish provision for a substitute elected member to attend in place of the TVCA Audit and Governance elected member representative on MDC Audit and Governance Committee. The Chair then thanked everyone for their attendance. RESOLVED – That the Group Chief Legal Officer and Monitoring Officer explores the possibility of establishing provision for a substitute elected member to attend in place of the TVCA Audit and Governance elected member representative on MDC Audit and Governance Committee. (Meeting closed at 1.45pm)

Middlesbrough Development Corporation

AGENDA ITEM 4

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2025

REPORT OF THE CHIEF EXECUTIVE

CHIEF EXECUTIVE UPDATE

SUMMARY

This report provides an update to the Board on key activity not covered elsewhere on the agenda.

RECOMMENDATIONS

It is recommended that the Middlesbrough Development Corporation Audit and Governance Committee notes this update.

DETAIL

Tees Valley Investment Zone

1. The position with the Tees Valley Investment Zone remains the same as detailed in the update provided at the last meeting:

2. The government at the time published the Investment Zones (IZ) policy prospectus on 15 March 2023. Tees Valley Combined Authority (TVCA) was identified as one of eight areas (in England) to work with government to co-develop proposals for a Tees Valley Investment Zone (TVIZ). TVCA is working closely with Teesside University (as significant research institution/co-signatory) on the Tees Valley Investment Zone.

3. The total funding available to each IZ is £160m over 10 years, with an expectation of 60% match coming from private sector, third sector and local government. Places can also receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years.

4. The TVIZ was proposed by the Tees Valley Mayor and was being developed by TVCA in co-development with the Department for Levelling Up, Homes and Communities (the department at the time). TVCA is working closely with Teesside University (as significant research institution/co-signatory) and the Tees Valley Business Board on the Tees Valley Investment Zone.

5. The TVIZ is focused on creative and digital as sectors with high growth potential with identified high growth clusters in Middlesbrough and Hartlepool Development Corporation areas.

6. TVCA is seeking fully flexible spend of the £160m funding plus Business Rate Retention for dedicated sites in Middlesbrough and Hartlepool. Retained Business Rates will be over and above the £160m. Interventions have been developed from the full policy menu which includes infrastructure, skills, business support, planning and research & development and also includes a bespoke intervention around crime and safety.

7. The IZ is structured around a series of 'gateways' broadly covering:

    - Vision (gateway 1)
    - Sector and economic geography (gateway 2)
    - Governance (gateway 3)
    - Interventions (gateway 4)
    - Delivery (gateway 5)

8. Prior to the announcement of the UK General Election, the TVIZ had achieved sign off by Civil Servants of gateways 1-3, with gateway 4 recommended for sign off. Once all 5 gateways have been recommended by Civil Servants, it requires Ministerial confirmation.

9. At the time of the announcement of the General Election in the UK, TVCA was informed by the DLUHC (now MHCLG) that formal decision making on the Tees Valley Investment Zone was paused.

10. At the Labour Party Conference on 22 September, in her speech, Deputy Prime Minister Angela Rayner announced that Government was moving ahead with two Investment Zones elsewhere in the UK – in advanced manufacturing in the West Midlands and life sciences in West Yorkshire.

11. At the budget on 30 October it was confirmed that the national Investment Zone programme is continuing. TVCA was therefore able to restart the gateway process formally and it has provided MHCLG with all remaining information that is required to enable Ministerial sign off.

12. TVCA is working with partners to draft a delivery plan that covers years 1 and 2 for MHCLG sign off. This will be followed by a Memorandum of Understanding (MOU) being signed by MHCLG and TVCA in the early part of 2025.

FINANCIAL IMPLICATIONS

13. This report is an update for information only and therefore has no direct financial implications.

LEGAL IMPLICATIONS

14. This update is for information only and therefore has no direct legal implications.

RISK ASSESSMENT

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

CONSULTATION AND COMMUNICATION

16. This update is for information only therefore no further consultation and communication is necessary.

EQUALITY AND DIVERSITY

17. This update is for information only therefore it does not impact on groups of people with protected characteristics.

Name of Contact Officer: Julie Gilhespie
Post Title: Group Chief Executive Officer
Email Address: julie.gilhespie@teesvalley-ca.gov.uk

Middlesbrough Development Corporation

AGENDA ITEM 5

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION
AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2025

REPORT OF THE GROUP FINANCIAL CONTROLLER

INTERNAL AUDIT PLAN UPDATE

SUMMARY

The TIAA indicative Audit Strategy for 2024/27 and Annual Audit Plan 2024/25 for Tees Valley Combined Authority incorporate Middlesbrough Development Corporation. The plan allows for sufficient coverage for a robust annual Head of Internal Audit Opinion to be provided. Summary controls assurance reports will be provided to the Audit and Governance Committee by TIAA covering Governance, Risk and Internal Control.

RECOMMENDATIONS

It is recommended that the Middlesbrough Development Corporation Board approves and comments on page 7 of the TIAA indicative Audit Strategy for 2024/27 and Annual Audit Plan 2024/25 for Middlesbrough Development Corporation.

DETAIL

1. The indicative Audit Strategy for 2024/27 and Annual Audit Plan 2024/25 sets out details of the key risk considerations, the audit strategy methodology, the Audit Plan for 2024/25 and the Internal Audit Charter.

2. The Audit Plan for 2024/25 for Middlesbrough Development Corporation is outlined on page 7 of the TIAA report.

FINANCIAL IMPLICATIONS

3. There are no financial implications. Key Financial Controls audits are scheduled in the audit plan.

LEGAL IMPLICATIONS

4. This update is for information only and therefore has no direct legal implications.

RISK ASSESSMENT

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

CONSULTATION AND COMMUNICATION

6. No further consultation required. Consultation is with the Audit Committee.

EQUALITY AND DIVERSITY

7. This update is for information only therefore it does not impact on groups of people with protected characteristics.

Name of Contact Officer: Victoria Smith
Post Title: Group Financial Controller
Telephone Number: 01325 792600
Email Address: victoria.smith@teesvalley-ca.gov.uk

Tees Valley Combined Authority Group

Indicative Audit Strategy 2024/27 and Annual Plan 2024/25

October 2024

Revised Draft

Executive Summary

Introduction

The Audit Plan for 2024/25 has been informed by a risk assessment carried out across our clients in the sector and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks. This coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Risk Considerations

We have identified a number of key areas which require consideration when planning internal audit coverage.

Financial Management: Five local authorities since 2021 have declared themselves effectively bankrupt, with a number warning they may have to do the same. The LGA has identified a funding gap of three billion pounds over the next two years. This raises the importance of maintaining adequate financial controls.

Gap in Funding for Core Services: There is a risk that inflationary pressures and adverse financial circumstances might lead to a gap in funding to local councils and on key service pressures such as on the provision of social care, children's services, and homelessness.

Cyber Security: This continues to be one of the highest ranked risks for organisations and shows no sign of going away. Increased online service delivery and continued remote working has made organisations more vulnerable to phishing, malware, and ransomware attacks, particularly where there has been a lack of investment in infrastructure.

Project Management: Implementing collaboration between Councils, local authorities and other partners continues to be a significant challenge, Birmingham Council reported a £100 million hole in the EPR upgrade. As well as adding to financial pressures, project failure can impact services or residents' lives and result in significant reputational damage.

Audit Strategy Methodology

In producing this audit strategy and annual plan, we have sought to build on our understanding of Tees Valley Combined Authority Group's operating environment and risk profile through a review of key documentation and discussions with key staff. We have taken into account:

- The Group's business strategy and corporate objectives
- The regulatory and legislative framework
- The Group's risk register
- External Audit recommendations
- Previous Internal Audit coverage

We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately prioritised and focused.

Our approach complies with the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and the Public Sector Internal Audit Standards (PSIAS).

Internal Audit Strategy and Plan

The Audit Strategy at Appendix A incorporates the proposed annual plan for 2024/25 and the indicative coverage for the following two years.

The Annual Plan at Appendix B sets out the assignments that will be carried out in 2024/25, the planned times and the high-level scopes for each of these assignments.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation; this will be formally reviewed with senior management and the Audit and Governance Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and Tees Valley Combined Authority Group. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where the Group agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Group Financial Controller and will be clearly set out in the terms of reference for the additional review(s).

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2024/25 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of Tees Valley Combined Authority Group's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

Disclaimer

This document has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent.

No responsibility to any third party is accepted as the document has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this document and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our document.

Release of Report

The table below sets out the history of this plan.

Draft Strategy and Plan:	18th June 2024
Revised Draft Strategy and Plan:	14th October 2024
Final Strategy and Plan:	

Appendix A: Rolling Strategic Plan TVCA

Review Area	Type	2024/25	2025/26	2026/27
Governance				
Governance – Strategic Control	Assurance	✓		
Equality, Diversity and Inclusion	Assurance	✓		
Performance Management and Management Information	Assurance		✓	
Procurement	Assurance		✓	
Governance -Business Planning and Stress Testing	Assurance			✓
Data Protection (GDPR)	Assurance			✓
Risk				
Business Continuity Planning	Assurance		✓	
Risk Management Framework	Assurance		✓	
Risk Management Mitigating Controls	Assurance			✓
ICT				
Cyber Security	Assurance	✓		
ICT Network Controls	Assurance		✓	
Finance				
Key Financial Controls (Rolling programme)	Assurance	✓	✓	✓
Operational Performance and Infrastructure				
Subsidiary Review (2024-25 Airport)	Assurance	✓	✓	✓
Projects	Assurance	✓		✓

Review Area	Type	2024/25	2025/26	2026/27
Follow Up				
Follow Up	Follow Up	✓	✓	✓
Management and Planning				
Annual Planning	Management	✓	✓	✓
Annual Report	Management	✓	✓	✓
Audit Management	Management	✓	✓	✓
Total Days		**69**	**69**	**69**

Appendix B: Annual Plan – 2024/25 TVCA

Quarter	Review	Type	Entity	Days	High-level Scope
3	Equality, Diversity and Inclusion	Assurance	TVCA	7	Scope The review considers the arrangements which the organisation has put into place in order to demonstrate that the organisation operates fairly and equally in accordance with legislation expected standards. This includes consideration of the organisation's Equality, Diversity and Inclusion Policy; how this is considered in relation to other policies the organisation has in place; how the organisation ensures that they comply with this policy; equality data; collection and storage of data; use of data; and monitoring and reporting arrangements.
3	Governance – Strategic Control	Assurance	TVCA	8	Scope The review considers the role and operation of the TVCA Cabinet, Boards and all Committees, and senior management groups; standing orders and financial regulations; and delegated authorities.
3	Cyber Security	Assurance	TVCA	8	Scope The scope of the review will assess the management processes in place to reduce the likelihood and impact of a cyber-incident. The review will consider the following: • Cyber Risk Management; • Engagement and Training; • Vulnerability Management; • Data Security; • Incident Management; and • Asset Management; • Architecture and Configuration; • Identity and access management; • Logging and Monitoring; • Supply Chain security.
4	Projects	Assurance	TVCA	8	Scope The review will focus on the organisation's project management approach and will review the UKSPF project, with emphasis on: • Project management methodology in use; • Structure of the project teams including roles and responsibilities; • Financial planning and identification of project risks; • Project documentation; Controls over costs associated with the project, monitoring and reporting.

Quarter	Review	Type	Entity	Days	High-level Scope
4	Subsidiary Review	Assurance	Airport	10	Scope This review will be in relation to Teesside International Airport operations and the audit area and scope will be agreed following further discussions with senior management and the Audit and Governance Committee.
4	Key Financial Controls - Payroll	Assurance	TVCA	5	Scope The review will consider the arrangements for: • The creation, amendment and deletion of payroll records; • The payment of allowances and pay awards; • The payment of salaries; • Month and year end disciplines; and • Reimbursement of travel and subsistence expenses. The scope of the review does not include determination of salary scales, appointment and removal of staff or the pension arrangements.
1 – 4	Follow-up	Follow up	Group	4	Follow-up of implementation of agreed actions from audit reports, ensuring the Group is implementing recommendations, and providing reports to the Audit and Governance Committee.
1	Annual Planning	Management		2	Assessing the Group's annual audit needs.
4	Annual Report	Management		2	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1 – 4	Audit Management	Management		15	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit and Governance Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
		Total days		**69**	

Annual Plan 2024/25 Middlesbrough Development Corporation (MDC)

Quarter	Review	Type	Days	High-level Scope
4	Governance - Strategic Control	Assurance	4	Scope The review considers the role and operation of the Middlesbrough Development Corporation Boards, to provide assurance that MDC has clearly defined governance arrangements in place and that they are operating in a robust and uniform manner.
4	Procurement of Consultants	Assurance	5	Scope The review considers the procurement of consultants and payment of professional fees. The audit will consider the procurement arrangements within MDC and will cover the processes in place the identification of need, sourcing, approving and receipt of goods and services, including tendering arrangements, monitoring and how value for money and conflicts of interest are considered in the overall procurement arrangements.
3 - 4	Audit Management	Management	3	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Corporation Board and liaising with External Audit.
		Total days	**12**	

Annual Plan 2024/25 Hartlepool Development Corporation (HDC)

Quarter	Review	Type	Days	High-level Scope
3	Project Management	Assurance	7	Scope The review will consider the Corporation's taking over of the long lease for Middleton Grange Shopping Centre including the project methodology, the appraisal and approval process, the purchase and the subsequent delivery and monitoring of financial performance of the Centre.
4	Governance – Strategic Control	Assurance	4	Scope The review considers the role and operation of the HDC Boards and Committees, and senior management groups; standing orders and financial regulations; and delegated authorities.
3 - 4	Audit Management	Management	2	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the HDC Board and liaising with External Audit.
		Total days	**13**	

Internal Audit Charter

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Tees Valley Combined Authority Group and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit and Governance Committee.

The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to Tees Valley Combined Authority Group's governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All Tees Valley Combined Authority Group's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that Tees Valley Combined Authority Group's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the Cabinet, Audit and Governance Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of Tees Valley Combined Authority Group and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within Tees Valley Combined Authority Group and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the Authority, the chair of the relevant Audit and Governance Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with Tees Valley Combined Authority Group's management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and Tees Valley Combined Authority Group's requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of Tees Valley Combined Authority Group and additional time will be required to carry out such testing. Tees Valley Combined Authority Group is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Liaison with the External Auditor

We will liaise with Tees Valley Combined Authority Group's External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and PSIAS/IIA standards.

Progress Reports: Progress reports will be prepared for each Audit and Governance Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow-Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of Tees Valley Combined Authority Group's governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has IS0 9001:2015 accreditation.

Audit and Governance Committee Responsibility

It is the responsibility of Tees Valley Combined Authority Group to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Audit and Governance Committee is also approving the Internal Audit Charter.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA's audit charter and PSIAS/IIA Standards.	100%

Middlesbrough Development Corporation

AGENDA ITEM 6

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION
AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2025

REPORT OF GROUP FINANCIAL CONTROLLER

SUMMARY OF INTERNAL CONTROLS ASSURANCE UPDATE

SUMMARY

The TIAA summary controls assurance report provides the Middlesbrough Development Corporation (MDC) Audit and Governance Committee with an update on the merging Governance, Risk and Internal Control related issues and the progress of TIAA's work at December 2024.

RECOMMENDATIONS

It is recommended that the Middlesbrough Development Corporation Audit and Governance Committee **notes** and **comments** on the findings within the SICA report.

DETAIL

1. The SICA report sets out details of planned audits for 2024/25 for review by MDC Audit and Governance Committee.

2. The report covers progress against the Annual Plan for 2024/2025.

FINANCIAL IMPLICATIONS

3. Financial implications are included in the body of the report.

LEGAL IMPLICATIONS

4. There are no legal implications in this report.

RISK ASSESSMENT

5. This document is categorised as low risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION AND COMMUNICATION

6. No consultation required. Consultation is with the Audit and Governance Committee.

EQUALITY AND DIVERSITY

7. This update is for information only therefore it does not impact on groups of people with protected characteristics.

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Middlesbrough Development Corporation

AGENDA ITEM 7

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION
AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2025

REPORT OF GROUP FINANCIAL CONTROLLER

ERNST AND YOUNG EXTERNAL AUDIT UPDATE

SUMMARY

This report provides Middlesbrough Development Corporation (MDC) committee members with EY's External Audit reporting for the year ended 31 March 2024. This reporting covers the audit Strategy and Completion report including the draft audit report for the year ended 31 March 2024 and the value for money reporting for the year ending 31 March 2024.

RECOMMENDATIONS

It is recommended that the Middlesbrough Development Corporation Audit and Governance Committee:

Notes the Audit Strategy and Completion report for the year ended 31 March 2024.
Notes the Draft Audit Report for year ended 31 March 2024.
Notes the Draft Value for Money reporting for the year ended 31 March 2024.

DETAIL

1. As reported and discussed at previous group Audit and Governance committees, there is a significant backlog of outstanding external audits across the public sector. Last year, just one per cent of councils and other local bodies published audited accounts on time.

2. The government is committed to overhauling the local audit system to enable taxpayers to get better value for money. A growing backlog will severely hamper necessary fundamental reforms to repair the system and will continue to undermine local accountability and governance.

3. The Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO), and organisations in the wider system has taken a number of actions, which are designed to address the backlog and put local audit on a sustainable footing.

4. The term “audit backstop” refers to a deadline set by authorities to ensure that all outstanding local government audits in England are completed by a specific date.

5. For financial year 2023/24 the back stop date has been set as 28 February 2025.

6. It has been confirmed with Claire Mellons, EY External Audit Partner, that the MDC Single Entity Statement of Accounts for the year 2023/24 would be impacted by the audit back stop date.

7. EY has determined that there is insufficient time to complete its audit procedures to obtain sufficient appropriate evidence, and, in its view, the effects of the resulting lack of evidence is pervasive to the financial statements as a whole. As a result, it intends to issue a disclaimer of opinion on the corporation's financial statements.

8. Appended to this report is the Audit Strategy and Completion report including the draft audit report for the year ended 31 March 2024 and the value for money reporting for the year ending 31 March 2024.

FINANCIAL IMPLICATIONS

9. The financial implications are covered in the body of this report.

10. Further delays in publishing audited accounts hinder transparency and accountability, which can affect public trust.

LEGAL IMPLICATIONS

11. The Statutory Instrument, laid alongside revised Code of Audit Practice from the National Audit Office (NAO), will introduce back stop dates for local bodies and their auditors to publish audited accounts, starting the process of repairing the foundations of local audit. This is led by the Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO).

RISK ASSESSMENT

12. This update is categorised as medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION AND COMMUNICATION

13. Consultation has taken place by relevant government departments.

EQUALITY AND DIVERSITY

14. There are no equality and diversity implications arising from the subject matter of this document.

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Middlesbrough Development Corporation

Summary Internal Controls Assurance (SICA) Report

January 2025

Final

Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Audit and Governance Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Middlesbrough Development Corporation as at 17th January 2025..

Investing in the Future of TIAA

2. TIAA welcomed our largest intake of talented and enthusiastic trainees in the summer across the UK. This initiative is a testament to our dedication to nurturing the next generation of professionals and ensuring that we continue to deliver the highest standards of service to you. This builds on past successes where staff who joined TIAA as trainees have obtained professional qualifications and progressed to audit management roles.

   We believe that investing in their development is crucial not only for their personal growth but also for the continued success of TIAA. To this end, we are sponsoring their professional qualifications, providing them with the necessary resources and support to excel in the internal audit profession and any relevant specialism they may choose.

   With each trainee mentored by an experienced Director of Audit, we have re-designed a comprehensive training programme that covers a wide range of skills and knowledge areas. All trainees have been guided by experienced audit staff and management, shadowing on audits to get to know our client base, following a high standard already set by our experienced team.

   By investing in our trainees, we are investing in the future of our company. We are confident that this initiative will enhance our capabilities. Our commitment to the quality of our services remains unwavering, and we are excited about the positive impact our new trainees will have on our work with you.

Audits completed since the last SICA report to the Audit and Governance Committee

3. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Audits completed since previous SICA report

		Key Dates			Number of Recommendations			
Review	**Evaluation**	**Draft issued**	**Responses Received**	**Final issued**	**1**	**2**	**3**	**OEM**
23/24 ICT Disaster Recovery	Reasonable	22/11/2024	06/01/2025	06/01/2025	0	3	3	0
23/24 Follow Up	N/A	08/01/2025	08/01/2025	08/01/2025	-	-	-	-

4. The Executive Summaries for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2024/2025 Annual Plan

5. Our progress against the Annual Plan for 2024/25 is set out in Appendix B.

Changes to the Annual Plan 2024/25

6. There are no proposed changes to the 2024/25 Annual Plan.

Progress in actioning priority 1 & 2 recommendations

7. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA.

Frauds/Irregularities

8. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Other Matters

9. We have issued a number of briefing notes and fraud digests, shown in Appendix C, since the previous SICA report.

Responsibility/Disclaimer

10. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Appendix A: Executive Summaries

The following Executive Summaries are included in this Appendix. Full copies of the reports are provided to the Audit Committee.

Review	Key Findings
ICT Disaster recovery	The TVCA Group has documented a Disaster Recovery Plan, however, it is in draft format and has not been formally approved and adopted. A Business Continuity Plan for the TVCA Group is not currently in place. An Incident Reporting Procedure was confirmed as being in place. Once the DR Plan is approved, a regular testing schedule will need to be implemented. There is a third party IT supplier Xentrall. Xentrall conducts backups and restores as required and where appropriate for the systems they host (e.g., Agresso, MyHR). A major incidents team is responsible for the recovery process.

Appendix B: Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Governance – Strategic Control	4	To commence 10th February 2025	
Procurement of Consultants	4	To commence 27th February 2025	

KEY:

	To be commenced
	Site work commenced
	Draft report issued
	Final report issued

Appendix C: Briefings on Developments in Governance, Risk and Control

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control, Counter Fraud and Security Management which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those briefings issued in the last three months which may be of relevance to the Corporation is given below:

Summary of recent Client Briefings and Alerts

Date Issued	Sector	Briefing Type	Subject	Web Link	TIAA Comments
20th December 2024	ALL	Security Alert	Company Sanctioned for Deploying Staff with Fraudulent SIA Licences	Company Sanctioned for Deploying Staff with Fraudulent SIA Licences - TIAA	A security company has been sanctioned for deploying 26 untrained staff with fraudulent SIA licences across the capital on 832 separate shifts. Our alert has the full story and advice.
12th December 2024	Education	Data Protection Alert	Government Updates to Data Protection in Schools	Government Updates to Data Protection in Schools - TIAA	Good data protection practices are essential for building trust in how personal data is collected, stored, and used. This is especially crucial when it comes to minors' data. The UK Government has recently updated guidelines on: Record Keeping and Management and Generative AI and Data Protection in Schools. Our alert has the full details.
12th December 2024	ALL	Security Alert	Increase in People Sheltering in Waste Containers	Increase in People Sheltering in Waste Containers - TIAA	With the rise in homelessness, the waste management industry is encountering an increasing number of rough sleepers seeking shelter in waste containers, which poses significant risks when waste is collected.
12th December 2024	Healthcare	Anti-Crime Alert	Covid Corruption Commissioner Appointed	Covid Corruption Commissioner Appointed - TIAA	This briefing covers the appointment of Tom Hayhoe as the new Covid Corruption Commissioner to investigate PPE fraud. His first task is to review the £8.7bn worth of PPE purchased during the pandemic that was written off. Our alert has all the details.
10th December 2024	Charities	Briefing	Charity Commission Refreshes Anti-Fraud Guidance	Charity Commission Refreshes Anti-Fraud Guidance - TIAA	The Charity Commission recently published updated guidance to help trustees protect their charities from fraud and cybercrime.
10th December 2024	ALL	TIAA Article	Festive Fraud	Festive Fraud - TIAA	The holiday season is a peak time for scams. Our article on festive fraud covers essential tips to safeguard yourself from online shopping scams, fake delivery notifications, and more.

Date Issued	Sector	Briefing Type	Subject	Web Link	TIAA Comments
6th December 2024	ALL	Publication	Security Industry Authority (SIA) Annual Report 2024 Summary	Security Industry Authority (SIA) Annual Report 2024 Summary - TIAA	TIAA's summary of the Security Industry Authority (SIA) Annual Report 2024. Dive into the figures, key points and developments that are shaping the security industry.
29th November 2024	ALL	Security Alert	Winter Vigilance Counter Terrorism Policing Campaign	Winter Vigilance Counter Terrorism Policing Campaign - TIAA	Counter Terrorism Policing's (CTP) winter campaign has been launched to keep the public safe this winter.
27th November 2024	ALL	Briefing	Failure to Prevent Fraud guidance published	Failure to Prevent Fraud guidance published - TIAA	On 6 November 2024, gov.uk published guidance to provide organisations with important advice on the new corporate criminal offence of 'failure to prevent fraud'. Introduced last year as part of the Economic Crime and Corporate Transparency Act, the offence is intended to hold large organisations to account if they profit from fraud.
27th November 2024	ALL	Briefing	The Economic Crime and Corporate Transparency Act Update	The Economic Crime and Corporate Transparency Act Update - TIAA	An update on The Economic Crime and Corporate Transparency, On 16 October 2024, gov.uk published their latest policy paper on the Economic Crime and Corporate Transparency Act, outlining the transition plan for Companies House.
12th November 2024	ALL	TIAA Article	Are you Scam Savvy?	Are you Scam Savvy? - TIAA	In today's digital age, scams are becoming increasingly sophisticated and prevalent. To help you stay informed and protected, we've compiled a series of articles that delve into some of the most common types of fraud.
12th November 2024	ALL	Campaign	International Fraud Awareness Week 2024	International Fraud Awareness Week 2024 - TIAA	International Fraud Awareness Week (IFAW) (17th – 23rd November 2024) raises awareness of fraud risks and key reporting lines. The campaign aims to start discussions amongst peers, co-workers, executives and stakeholders in the community about how important fraud prevention is to society as a whole. Our dedicated page has a range of information and resources.
1st November 2024	All	Newsletter	Fraud Stop All Sectors – Winter 2024	Fraud Stop All Sectors – Winter 2024 - TIAA	The Winter 2024 edition of our Fraud Stop All Sectors publication is now available. Our Fraud Stop publication features emerging fraud trends identified at organisations, case studies that our specialists have been involved in and methods of fraud prevention.

Middlesbrough Development Corporation

AGENDA ITEM 8

REPORT TO THE MDC AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2025

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

MDC DRAFT FINANCIAL STATEMENTS 2023/24

SUMMARY

This report provides a copy of the Middlesbrough Development Corporation (MDC) unaudited Statement of Accounts for 2023/2024

RECOMMENDATIONS

It is recommended that the Middlesbrough Development Corporation Audit and Governance Committee approves the unaudited MDC Single Entity Statements of Accounts for 2023/24.

DETAIL

2023/24 ACCOUNTS TIMESCALES

1. This report provides a copy of the MDC Single Entity unaudited Statements of Accounts for 2023/24.

2. The Accounts and Audit Regulations set out the requirements for the production and publication of the annual statement of accounts. The regulations set out that the unaudited accounts are to be certified as providing a true and fair view of the financial position of the corporation and group as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

3. It is good practice for the Audit Committee to have the opportunity to consider the draft unaudited accounts and the constitution requires the Audit Committee to approve the audited accounts.

4. The authority is required by the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 to present its Statement of Accounts (and associated documents) for public inspection for a period of 30 days, which must include the first 10 working days of June. This means that the deadline for publication of unaudited 2023/24 financial statements was 31 May 2024.

5. The Chartered Institute of Public Finance and Accountancy (CIPFA) has stated that, whilst it recognises the statutory nature of the publication deadline, in the context of recent challenges there is a balance to be struck for Chief Finance Officers between the timeliness and the quality of unaudited financial statements produced. MDC has published the accounts on the MDC website.

PRESENTATION OF THE ANNUAL ACCOUNTS

6. The MDC Statements of Accounts contain the following sections:

7. The Narrative Report, which sets out the background to the financial year including a summary of the Corporation's outturn position.

8. The Statement of Responsibilities for the Statement of Accounts, which details the responsibilities of the Corporation.

9. The primary Financial Statements of the accounts, comprising:

10. The Comprehensive Income and Expenditure Statement (CIES), which shows the accounting cost of the Corporation’s activities.

11. The Movement in Reserves Statement (MIRS), which explains the movement in the Corporation’s usable and unusable reserves during the financial year.

12. The Balance Sheet, which shows the total assets, liabilities and reserves of the Corporation as at the end of the financial year.

13. The Cash Flow Statement, which shows the reasons for the change in cash and cash equivalents during the financial year.

14. Each statement is preceded by a note explaining its purpose and followed by comprehensive notes explaining the statements.

FINANCIAL IMPLICATIONS

15. The financial implications are covered within the body of this report and the attached annual accounts reflect the results for the year ended 31 March 2024.

LEGAL IMPLICATIONS

16. There are no legal implications as a result of this report.

RISK ASSESSMENT

17. This document is categorised as low risk.

CONSULTATION AND COMMUNICATION

18. Draft Annual Accounts have been prepared by the Group Finance Team and reviewed by the Group Director of Finance and Resources.

EQUALITY AND DIVERSITY

19. There are no equality and diversity implications arising from the subject matter of this document.

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Middlesbrough Development Corporation
Statement of Accounts 2023/24

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Middlesbrough Development Corporation - Annual Financial Statements 2023/24

Narrative Report

Introduction

Welcome to the Middlesbrough Development Corporations Annual statement of Accounts for 2023/24 which have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The Middlesbrough Development Corporation (MDC) is a Mayoral Development Corporation established by the Tees Valley Mayor under powers first laid out in the Localism Act 2011 and then extended to the region in 2015's Tees Valley Devolution Agreement with Government. Along with the region's other Development Corporations – Hartlepool Development Corporation (HDC) and South Tees Development Corporation (STDC), MDC forms part of Tees Valley Combined Authority Group.

The purpose of this narrative report is to provide a guide to the Development Corporations accounts as well as setting out the Corporations financial position.

Organisational overview and external environment

In May 2022, it was announced that, following negotiations between the Tees Valley Mayor and elected Mayor of Middlesbrough, a Middlesbrough Development Corporation would be sought to be established in the town.

The Combined Authority opened a period of consultation on the proposal to create a Mayoral Development Corporation in Middlesbrough between June and August 2022. The purpose of the consultation was to review the establishment of the corporation and its boundaries and

In late 2022 the Mayor officially wrote to the Secretary of State to lay the orders to designate areas within Middlesbrough a Mayoral Development Corporations. MDC was confirmed into statue on 27 February 2023. Planning powers were conferred on to the Development Corporation on the 1 June 2023. Tees Valley Combined Authority Cabinet also approved an initial £10million of funding to kick-start the Development Corporation.

The Middlesbrough Development Corporation provides an opportunity to accelerate regeneration, influence government policy and leverage private investment to deliver a step change in the local economy, creating jobs and driving growth. The masterplan supports the transformation of Middlesbrough, making it a place to be proud of, a truly 21st-century town, full of opportunity, where its people live healthy, successful and prosperous lives, where their aspiration can be limitless. It supports world class skills and educational opportunities, encouraging and providing resources for business to invest, grow and thrive.

The MDC area covers the town centre, Historic Quarter, and Middlehaven. It includes the Boho zone, Riverside Stadium, train station, Centre Square, and the Union Village development at Gresham. Four "Focus Areas" have been established to bring together a range of indicative projects which collectively will support transformation.

Its vision for the town is "*Bold, Industrious & Open for Business; Middlesbrough reinvented as a great place for everyone*". In delivering this, it aims to create 4,000 new and high-quality jobs; 1,500 quality town centre homes; provide access to world-class educational opportunities; and become a vibrant and exciting place for arts and culture. Asset transfers and acquisition will also form part of the MDC's plans to ensure a joined-up approach to transformation.

The full MDC masterplan can be found at https://teesvalley-ca.gov.uk/about/wp-content/uploads/sites/2/2023/07/TV_MDC-masterplan_digital.pdf

Governance and transparency

MDC is part of the Tees Valley Combined Authority (TVCA) Group but retains its own separate Board and Planning Board (both chaired by the Mayor of the Tees Valley) and Audit and Governance Committee with members drawn from both the public and private sectors. The MDC constitution ensures alignment with the wider objectives of TVCA.

While the Middlesbrough Development Corporation is the Planning Authority responsible for determining planning applications with its area, Middlesbrough Council retains the responsibility for preparing and maintaining a Local Plan or Development Plan. The policies within the relevant Local Plans are the basis for making decisions on planning applications in the Mayoral Development Areas.

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A more detailed overview of MDC's governance arrangements is presented within its Constitution, which can be found here - https://teesvalley-ca.gov.uk/about/wp-content/uploads/sites/2/2023/07/Middlesbrough-MDC-Constitution.pdf

Further information on board meetings can be found at https://teesvalley-ca.gov.uk/meetings/

2023/24 performance

As powers were first conferred to the MDC in February 2023, the financial year 2023/24 is its first full year of operation. As such, initial steps were focused on seeking statutory powers such as Planning powers as detailed in the Organisational Overview.
In July 2023, the MDC Board officially approved the initial MDC masterplan, which meant that work could begin in earnest in developing the Focus Areas. A draft Design Code for the MDC was also established, underpinning the masterplan by outlining to developers and investors what types of development will be supported within the area while detailing the overarching principles to guide the MDC Planning Board in its decision-making on planning applications.

Work to develop Gresham, the first Focus Area, got under way in November after the MDC Board appointed Tarras Park Properties Limited as lead development partner on a £120million mixed-use redevelopment proposal for the area. Its Invitation to Tender set out the opportunity to provide a solution to deliver a "high-quality mixed-use scheme which will deliver professional living and student accommodation which moves away from the traditional town centre terraced housing offer, a secure multistorey car park, business incubation space, leisure facilities and improved pedestrian and green linkages to the Teesside University campus". iMpeC Developments Limited will also provide development management services for the scheme.

MDC has worked extensively with Middlesbrough Council to agree a list of assets that would be transferred from the Council to the MDC. The Secretary of State for the then Department of Levelling Up, Homes and Communities wrote to Middlesbrough Development Corporation to confirm that he had agreed to the transfer of assets in March 2024.

Although it falls outside of the financial year 2023/24, for completeness it should be noted that following an announcement of the General Election on 4 July, MDC was informed that the asset transfer would be a matter for the new administration. In August MDC was additionally informed that the asset transfer would be paused until the outcome of the independent Tees Valley Review into Teesworks Ltd, South Tees Development Corporation and Tees Valley Combined Authority which was commissioned on 25 May 2023. Ostensibly this was concluded by TVCA's final response delivered back to Government in September 2024. This was concluded by TVCA's final response delivered back to Government in September 2024. A response back from Government is expected imminently, and it is hope the transfer of assets to the Middlesbrough Development Corporation will then follow soon after.

Financial performance

In July 2022, TVCA Cabinet approved an allocation of £10m to MDC in the TVCA Investment Plan, to support the Development Corporation and £10m from within the Town Centre Accessibility Investment package for spend on eligible transport projects within the DC area. TVCA received £5m directly from government and this has been allocated for spend on the Gresham project.
The financial performance to 31 March 2024 shows spend on core running costs relating to staffing recharges of £138K. Capital grants of £1.38m were received and utilised in the period.

Future sustainability

MDC is committed to ensuring long term sustainability through the development, regeneration, influence government policy and leverage private investment to deliver a step change in the local economy, creating jobs and driving growth.

Outlook, strategy, and operating model

MDCs aims to create 4,000 new and high-quality jobs; 1,500 quality town centre homes; provide access to world-class educational opportunities; and become a vibrant and exciting place for arts and culture.

Regarding the pause in asset transfers detailed above, MDC continues to work with Middlesbrough Council to complete the required due diligence to ensure that they are able to progress the asset transfer as soon as there is an update from civil servants.

Key risks

As the MDC invests funds in projects it will become exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Corporation's Treasury Management Strategy. The risk of increased costs through economic factors is closely monitored, a robust business case development process reduces the risk of cost pressures of investments by ensuring sufficient contingencies are built in resulting in no additional asks of Corporation funds.

A number of varying projects fall within the scope of the MDC, each coming with their own risks including, but not limited to, achieving possession of key sites and assets; delays in regulatory approvals; expending funds prior to project financial packages being confirmed; levels of buy-in from public and private sector partners and private sector investment. All these risks will continue to be examined, reported and, where possible, and mitigated.

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Movement in Reserves Statement for the year ended 31 March 2024

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

	General Fund Balance	Capital Grants Unapplied	**Total Usable Reserves**	Capital Adjustment Account	Other Unusable Reserves	**Unusable Reserves**	**Total Corporation Reserves**
	£000s	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Movement in reserves during 2023/24							
Balance brought forward	-	-	**-**	-	-	**-**	**-**
Total Comprehensive Income and Expenditure	(1,380)	-	**(1,380)**	-	-	**-**	**(1,380)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	1,380	-	**1,380**	(1,380)		**(1,380)**	**-**
Increase/Decrease in Year	**-**	**-**	**-**	**(1,380)**	**-**	**(1,380)**	**(1,380)**
Balance at 31 March 2024 carried forward	**-**	**-**	**-**	**(1,380)**	**-**	**(1,380)**	**(1,380)**
General Fund analysed over:							
Amounts earmarked (Note 6)							
Amounts uncommitted							
Total General Fund Balance at 31 March 2024	**-**						

MDC Comprehensive Income and Expenditure Statement for the year ended 31 March 2024

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

2022/23				2023/24		
£000s Expenditure	£000s Income	£000s Net		£000s Expenditure	£000s Income	£000s Net
-	-	-	Core Running Costs	138	(138)	-
-	-	-	Development Costs	-	-	-
-	-	-	**Cost Of Services**	**138**	**(138)**	-
			Financing and Investment Income and Expenditure:			
-	-	-	Interest payable and similar charges	-	-	-
-	-	-	Net interest on the net defined benefit liability/asset	-	-	-
-	-	-	Interest and investment income	-	-	-
			Taxation and Non-Specific Grant Income:			
-	-	-	Capital grants and contributions	-	(1,380)	(1,380)
-	-	-	**(Surplus) or Deficit on Provision of Services**	**138**	**(1,518)**	**(1,380)**
		-	Re-measurements of the defined benefit liability			-
		-	**Other Comprehensive Income and Expenditure**			-
		-	**Total Comprehensive Income and Expenditure**			**(1,380)**

MDC Balance Sheet as at 31 March 2024

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by MDC. The net assets of the Corporation (assets less liabilities) are matched by the reserves held by the Corporation. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Corporation 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 Corporation are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	Note	31 March 2024 £000s
Non-current assets		
PPE	6	593
Development costs	6	787
		-
Total non-current assets		1,380
Current assets		
Debtors	10	1,555
Cash and Cash Equivalents	11	-
Total current assets		1,555
Current liabilities		
Short Term Borrowing		-
Capital Contributions In Advance		-
Short Term Creditors	12	(1,555)
Total current liabilities		**(1,555)**
Long term liabilities		
Long Term Borrowing		-
Total long term liabilities		**-**
Net Assets:		**1,380**
Reserves		
Usable reserves:		
General Fund Balance		-
Earmarked General Fund Reserves		-
		-
Unusable Reserves:		
Pensions Reserve		-
Capital Adjustment Account	7	(1,380)
Deferred Capital Receipts Reserve		
Accumulated Absences Account		
		(1,380)
Total Reserves:		**(1,380)**

Gary Macdonald ……

Group Director of Finance & Resources
Date

MDC Cash Flow Statement For The Year Ended 31 March 2024

The Cash Flow Statement shows the changes in cash and cash equivalents of MDC during the reporting period. The statement shows how the Corporation 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 Corporation 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 Corporation'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 Corporation.

	Note	2023/24 £000s
Net (surplus) or deficit on the provision of services		**(1,380)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements:		
Depreciation, impairment and amortisation of non current assets		
Pension Fund adjustments		
Increase/(Decrease) in Revenue Debtors	10	1,555
(Increase)/Decrease in Revenue Creditors	12	(1,555)
(Increase)/Decrease in Grants/Contributions Received in Advance		
Increase/(Decrease) in Long Term Debtors		
		-
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		-
		-
Net cashflow from operating activities		**(1,380)**
Investing activities		
Purchase of property, plant and equipment, investment property and intangibles	6	1,380
Proceeds from sale of property, plant and equipment, investment property and intangibles		-
Proceeds from short term and long term investments		-
Other investing activity expenditure		-
Other receipts from investing activities		
Net cashflow from investing activities		**1,380**
Financing activities		
Movement in short and long term borrowings		-
Net cashflow from financing activities		**-**
Net (increase) or decrease in cash and cash equivalents		**-**
Cash and cash equivalents at the beginning of the reporting period		**-**
Cash and cash equivalents at the end of the reporting period	11	**-**
The cashflow for operating activities includes the following items:		
Interest received		-
Interest paid		-

Note 1: Expenditure & Funding Analysis MDC

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Corporation in comparison with those resources consumed or earned by the Corporation in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Corporation'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.

	2023/24		
	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**
Core Running Costs	138	(138)	**-**
Development Costs	-	-	**-**
Net Cost Of Services	**138**	**(138)**	**-**
Other Income and Expenditure			
Surplus or Deficit	**138**	**(138)**	**-**
Opening General Fund Balance at 1 April	**-**		
Less/Plus Surplus or (Deficit)	**(138)**		
Closing General Fund Balance at 31 March	**(138)**		

Note 1: Expenditure & Funding Analysis MDC

Notes to the Expenditure and Funding Analysis: MDC

Adjustments between Funding and Accounting Basis 2023/24				
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**
Core Running Costs			138	**138**
Development Costs				**-**
Net Cost Of Services	-	-	138	**138**
Other Income and Expenditure from the Expenditure and Funding Analysis	-		(138)	**(138)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	-	-	-	**-**

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 service*s** 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 Corporation's expenditure and income is analysed as follows:

	2023/24
	£000s
Expenditure	
Employee benefits expenses	138
Other services expenses	-
Revaluation, Depreciation, amortisation and impairment	-
Interest payments	-
Total Expenditure	**138**
Income	
Fees, charges and other service income	-
Interest and investment income	-
Government grants and contributions	(138)
Total Income	**(138)**
(Surplus) or Deficit on the Provision of Services	**-**

Segmental Income

Income received on a segmental basis is analysed below:

	2023/24
	£000s
Services	**Income from Services**
Core Running Costs	-
Development Costs	-
Total income analysed on a segmental basis	**-**

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

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

- IFRS 16 Leases issued in January 2016

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
  - clarify how lending conditions affect classification, and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities.

- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

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

Note 3: Critical Judgements in Applying Accounting Policies

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by MDC 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 MDC's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Plant, Property and Equipment:** Valuations are carried out on a regular basis, meaning that there is a possibility of material changes in value between valuations. The risk is minimised by annual valuations of all significant assets and annual reviews of market conditions for all asset categories to ensure that the fair value of assets as at the 31 March are not materially misstated. See note 6 for full details.

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

2023/24	General Fund Balance £000s	Deferred Capital Receipts £000s	Capital Adjustment Account £000s	Other Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	-	o	(1,380)	1,380
Adjustments involving the Pensions Reserve	-	-	-	-
Adjustments involving the Accumulated Absences Adjustment Account	-	-	-	-
Total Adjustments	**-**	**-**	**(1,380)**	**1,380**

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Note 6: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s
Cost					
As at 1 April 2023	-	-	-	-	**-**
Additions	-	-	-	1,380	**1,380**
Reclassification	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
As at 31 March 2024	-	-	-	1,380	**1,380**
Depreciation					
As at 1 April 2023	-	-	-	-	**-**
Additions	-	-	-	-	**-**
Depreciation Charge	-	-	-	-	**-**
Impairments	-	-	-	-	**-**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2024	-	-	-	-	**-**
Net Book Value					
As at 31 March 2023	-	-	-	-	-
As at 31 March 2024	**-**	**-**	**-**	**1,380**	**1,380**

Basis of Classification

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

Note 7: Capital Adjustment Account

	2023/24 £000s
Balance at 1 April	-
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
Revenue expenditure funded from capital under statute	-
Impairments	-
Depreciation	-
Disposal of Non Current Assets	-
	-
Capital financing applied in the year:	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	138
Application of grants to capital financing from the Capital Receipts	-
Statutory provision for the financing of capital investment charged against the General Fund	(1,518)
	(1,380)
Balance at 31 March	**(1,380)**

Note 8: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year by MDC 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 Corporation, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Corporation that has yet to be financed. The CFR is analysed in the bottom part of this note.

	31 March 2024 £000s
Opening Capital Financing Requirement	
Capital investment	
Revenue expenditure funded from capital under statute	138
PPE Additions	593
Development costs	787
Sources of Finance	
Government grants and other contributions	(1,518)
Capital Receipts	
Conversion of Loan to Grant	-
Sums set aside from revenue:	
Minimum Revenue Provision (MRP)	
Closing Capital Financing Requirement	**-**

Note 9: MDC Members' Allowances

MDC is part of the Tees Valley Combined Authority (TVCA) Group but retains its own separate Board (chaired by the Mayor of the Tees Valley) and governance committees with members drawn from both the public and private sectors. None of these members are paid any remuneration by either MDC nor the TVCA Group. Expenses claimed in 2023/24 for travel costs amounted to Nil.
The Mayor and his associated remuneration is reflected in the accounts of TVCA.

Note 10: Debtors

	31 March 2024 £000s
Central Government	
Local Government	1,555
Other entities and individuals	
	1,555

Note 11: Cash and Cash Equivalents

	31 March 2024 £000s
Bank and Imprests	-
Cash Equivalents	-
	-

Note 12: Short Term Creditors

	31 March 2024 £000s
Central Government	-
Local Government	(1,555)
Other entities and individuals	
	(1,555)

Note 13: Related Party Transactions

The Corporation 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 MDC 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 Corporation.

Central Government

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

Senior Officers

The Corporation's senior managers may influence financial and operating policies through the professional advice to elected Members and through the management decisions they make under delegated powers. Such officers are subject to the Corporation's Employee Code of Conduct and professional bodies' standards. There are no related party transactions between the Corporation and its senior managers that require disclosure in 2023/24 (none in 2022/23).

Related Parties

Middlesbrough Development Corporation was established by Tees Valley Combined Authority and is part of their overall group structure. Tees Valley Combined Authority Cabinet members are leaders from the constituent local authorities and therefore these organisations are classed as related parties to MDC.

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

2023/24	Income Received £000s	Expenditure £000s
Tees Valley Combined Authority	1,555	1,555
Total	**1,555**	**1,555**

As at 31 March 2024 the below balances were held in the Corporation's balance sheet in respect of the controlled organisations.

	Long Term Debtors £000s	Short Term Debtors £000s	Long Term Creditors £000s	Short Term Creditors £000s
Tees Valley Combined Authority	-	1,555		1,555
Total	**-**	**1,555**	**-**	**1,555**

Note 14: Grant Income

The Corporation credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24.

	2023/24 £000s
Credited to Services	
Development costs	-
Core running costs	138
	-
	138
Total	**138**

Note 15: Financial Instruments

Categories of Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Corporation 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 Corporation 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 Corporation. The financial assets held by the Corporation during the year are accounted for under the following classification:

Financial assets held at amortised cost. The amount presented in the Balance Sheet represents the outstanding repayment of intercompany balances.

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 Corporation.

Financial Liabilities

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

Financial Instruments

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

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

	Long Term		Short Term	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
	£000s	£000s	**£000s**	£000s
At Amortised Cost			1,555	
Total financial assets	**-**	-	**1,555**	-

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

	Long Term		Short Term	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
	£000s	£000s	**£000s**	£000s
At Amortised Cost			(1,555)	
Total financial liabilities	**-**	-	**(1,555)**	-

Note 15: Financial Instruments

Financial Instruments - Gains and Losses	Financial Liabilities £'000	Financial Assets £'000	2023-24 Total £'000	2022-23 Total £'000
Interest expense on liabilities held at amortised cost	-	-	-	-
Losses from changes in fair value of assets held at fair value through profit and loss	-	-	-	-
Interest Payable and Similar Charges	**-**	**-**	**-**	**-**
Interest income on assets held at amortised cost	-	-	-	-
Interest and Investment Income	**-**	**-**	**-**	**-**
Net Impact on surplus/deficit on provision of services	**-**	**-**	**-**	**-**

Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31st March 2024.

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

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

Financial Assets	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2024		31 March 2023	
		£000s	£000s	£000s	£000s
Other Long Term Assets	N/A	-	-	-	-
Other Short Term Assets	N/A	-	-	-	-
Total Financial Assets		**-**	-	**-**	-
Recorded on Balance Sheet as:-					
Long Term Debtors		-		-	
Short Term Debtors*		1,555		-	
Cash and Cash Equivalents		-		-	
Total Financial Assets		**1,555**		**-**	

* The short term debtors are owned.

Note 15: Financial Instruments

Financial Liabilities	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2024		31 March 2023	
		£000s	£000s	£000s	£000s
Long Term Loans	N.A	-	-	-	-
Other Short Term Liabilities	N/A	-	-	-	-
Total Financial Liabilities		**-**	-	**-**	-
Recorded on Balance Sheet as:-					
Short Term Creditors*		(1,555)		-	
Short Term Borrowing		-		-	
Long Term Borrowing		-		-	
Total Financial Liabilities		**(1,555)**		**-**	

* The short term creditors are owned.

Key risks

The Corporation'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 Corporation
- **liquidity risk** – the possibility that the Corporation might not have funds available to meet its commitments to make payments
- **market risk** – the possibility that financial loss might arise for the Corporation as a result of changes in such measures as interest rates and stock market movements

Credit Risk:

The corporation carries out financial checks on customers to ensure that all risks of non payment are assessed and minimised. Any treasury investments are only placed with organisations of high credit quality as set out in the Groups Treasury Management Strategy.

Credit Risk	Trade Receivables	Trade Receivables
	31 March 2024	31 March 2023
	£000s	£000s
Current / Past Due > than 3 months	-	-
Past Due 3-6 months	-	-
Past Due 6-12 months	-	-
Past Due 12+ months	-	-
Total Receivables	**-**	**-**

Liquidity Risk

The Corporation 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 Corporation 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.

Liquidity Risk	Borrowing	Investments	Borrowing	Investments
	31 March 2024		31 March 2023	
	£000s		£000s	
Within 1 Year	-	-	-	-
1-2 Years	-	-	-	-
2-5 Years	-	-	-	-
Over 5 Years	-	-	-	-
Total	**-**	**-**	**-**	**-**

Note 15: Financial Instruments

Market Risk

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

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

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

The Corporation does not carry any assets or liabilities at variable interest rates currently and therefore is not exposed to any market risks.

Price Risk

The Corporation, excluding the pension fund, does not invest in equity shares or marketable bonds.

Foreign Exchange Risk

The Corporation has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

Note 16: Provisions

There are no provisions for the Corporation.

Note 17: Contingent Liabilities

Since incorporation MDC has prepared its accounts on the assumption that, as a public body, it would be subject to an exemption from Corporation Tax . Accordingly, no Corporation Tax liabilities have been recognised in its accounts to date.

However, following recent dialogue, confirmation has yet to be received from HMRC that this treatment is acceptable. Accordingly, there remains a possibility that MDC will be required to account for Corporation tax from its date of incorporation.

In accordance with the International Financial Reporting Interpretations Committee's interpretation 23 MDC has continued to assume that a Corporation tax exemption applies as, MDC onsiders this treatment to be appropriate and the most probable agreed outcome with HMRC.

However, should HMRC determine that MDC is subject to Corporation Tax, our current estimate of the potential Corporation tax liability is £nil. Should a tax liability crystallise more work would be needed at the time to calculate the exact liability.

Note 18: Post Balance Sheet Events

The Draft Statement of Accounts was authorised for issue by the Group Director of Finance & Resources on 20 January 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no post balance sheet events to report for the Corporation

Statement of Accounting Policies - MDC

General Principles
The Statement of Accounts summarises MDC's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Corporation is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Corporation Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

Going Concern
The Corporation meets its working capital requirements through cash received via the form of Government Grants, borrowing from parent company Tees Valley Combined Corporation and cash generated from operations.
The functions of the Corporation will continue in operational existence for the foreseeable future from the date of issuing these financial statements and as such they are prepared on the basis of a going concern.

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 Corporation 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 Corporation.
- Income from the provision of services is recognised when the Corporation 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 Corporation.
  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.
- Investment income relates to Dividends received and is accounted for in the period which the relevant entity declares dividends for distribution.
- 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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 Corporation cash management.

Statement of Accounting Policies - MDC

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 Corporation'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.

Charges to Revenue for Non Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non current assets attributable to the service.

The Corporation is not required to raise taxes to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Corporation in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance [MRP], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement.

Statement of Accounting Policies - MDC

Statement of Accounting Policies - MDC

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 Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Corporation becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Corporation has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Corporation has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid within the general fund. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Corporation has a long term creditor relating to a loan from TVCA.

Financial Assets
The Corporation recognises expected credit losses on all of its financial assets held at amortised cost , 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 Corporation. For most of the loans that the Corporation has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

- the Corporation will comply with the conditions attached to the payments, and

Statement of Accounting Policies - MDC

- the grants or contributions will be received.

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

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

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

Statement of Accounting Policies - MDC

Overheads and Support Services

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation. A contingent asset arises where an event has taken place that gives the Corporation 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 Corporation. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Corporation 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 Corporation 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 Corporation.

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 Corporation has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of levy.

VAT

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

Statement of Accounting Policies - MDC

Fair Value Measurement
The Corporation 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 Corporation 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 Corporation 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 Corporation 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.

Statement of Accounting Policies - MDC

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment. The de-minimis level for the capitalisation of assets is £5,000

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Land and buildings are revalued by external independent professional valuers on a rolling basis of every 5 years. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in the asset revaluation reserve, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are recognised as a loss in the statement of comprehensive income.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Depreciation

Statement of Accounting Policies - MDC

Freehold land is not depreciated.

Buildings are depreciated using straight line method over 50 years.

Vehicles are depreciated using straight line method over the useful life of the asset between 4 and 10 years.

Plant, furniture and equipment – straight line over the useful life of the asset, as advised by a suitably qualified officer

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Disposal

On Disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within 'Other (losses)/gains - net'. Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

Capital Expenditure and Capital Financing

Capital expenditure in MDC has been financed by the TVCA Investment Plan for regenerative purposes in line with the masterplan.

Responsibilities for the Annual Financial Statements

The CorporationResponsibilities

The Middlesbrough Development Corporation is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this entity, that officer is the Chief Financial Officer;

  manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- approve the Annual Financial Statements by the date specified by the Secretary of State.

The Chief Financial Officers Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of Middlesbrough Development Corporation Accounts at the accounting date and its income and expenditure for the year ended 31 March 2024.

G Macdonald **Date:** 20/01/2025
Group Director of Finance & Resources

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLESBROUGH DEVELOPMENT CORPORATION

Appendix A

Glossary of Terms

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

Amortised cost
The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount. International Accounting Standard (IAS) 39 requires the amortised cost to be calculated using the effective interest method.
Middlesbrough Development Corporation &
Capital Charge
A charge to service revenue accounts to reflect the cost of non current assets used in the provision of a service.

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

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

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

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

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

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

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

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

Appendix A

Glossary of Terms

Finance Lease

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

Going Concern

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

Government Grants

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

Investments

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

Long Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Appendix A

Glossary of Terms

Non Current Assets

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

Non Operational Assets

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

Operational Assets

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

Post Balance Sheet Events

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

Prior Year Adjustments

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

Prudence

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

Usable Reserves

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

Unusable Reserves

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

Middlesbrough Development Corporation

AGENDA ITEM 9

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION
AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2025

REPORT OF GROUP CHIEF LEGAL OFFICER AND MONITORING OFFICER

ANNUAL GOVERNANCE STATEMENT

SUMMARY

This report presents to Middlesbrough Development Corporation (MDC) Audit & Governance Committee, its Annual Governance Statement for 2023/2024.

Middlesbrough Development Corporation Audit and Governance Committee is asked to consider the content of the Annual Governance Statement for 2023/2024, and either propose amendments to it before it is approved by Middlesbrough Development Corporation Board or recommend its approval to Middlesbrough Development Corporation Board.

RECOMMENDATIONS

It is recommended that Members note the content of the draft Annual Governance Statement for 2023/2024 included at **Appendix 1** and either:

i. **Provide comments** for consideration when submitted to the next meeting of the MDC Board; or
ii. **Recommend** to the MDC Board that the Statement be approved as drafted.

DETAIL

1. The Accounts and Audit Regulations 2015 require all public authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement which will be published online to accompany its Statement of Accounts.

2. The Annual Governance Statement will be presented for approval to the MDC Board at its next meeting on 20 March 2025.

3. Following recommendation of this Committee to MDC Board for approval, and approval by the MDC Board, the Annual Governance Statement will be signed by the Chair of the Board and the Group Chief Executive. A key objective of this signing off process is to secure corporate ownership of the Statement's contents.

4. This is the first Annual Governance Statement of MDC, since the organisation's creation in February 2023. Although produced annually, it is good practice to review an Annual Governance Statement more regularly to ensure the statements made in it remain accurate, that the methods for securing good governance are still in place and are working effectively, and to address any in-year governance challenges faced by the organisation.

5. It is proposed therefore that this Committee, and the MDC Board receive a mid-year review of its Annual Governance Statement. This will be included in the Committee's work programme and that of the Board. It is acknowledged that as the work of the Corporation increases, and the Audit and Governance Committee carries out more of its work there will be benefit in reviewing the Annual Governance Statement to ensure it remains reflective of MDC's approach to governance.

6. The Annual Governance Statement acknowledges the MDC's responsibility for ensuring that proper arrangements are in place around the governance of its affairs. Guidance on producing an effective Governance Statement confirms that approvers of the Statement should be aware of the process followed in order to draft it. MDC's Annual Governance Statement includes a description of the key elements of its governance framework, how good governance is ensured in each of those elements, a description of the process applied in reviewing the effectiveness of this framework and an outline of the actions taken, or proposed to be taken, to deal with significant governance issues.

7. The Annual Governance Statement for 2023/2024 is attached at Appendix 1. At this time the Development Corporation has not identified any significant issues that are not being addressed within the Statement.

FINANCIAL IMPLICATIONS

8. There are no direct financial implications as a result of the content of this report.

LEGAL IMPLICATIONS

9. Publishing an Annual Governance Statement, approved by MDC Board meets the Authorities obligations under the Accounts and Audit Regulations 2015.

RISK ASSESSMENT

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

CONSULTATION AND COMMUNICATION

11. No consultation or communication was required in order to compile the content of this report or its appendix.

EQUALITY AND DIVERSITY

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

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Middlesbrough Development Corporation

DRAFT Middlesbrough Development Corporation Annual Governance Statement 2023/24

1. Introduction

Middlesbrough Development Corporation is a Mayoral Development Corporation, created by Statute in February 2023, pursuant to the Localism Act 2011. It is responsible for ensuring that its business is conducted in accordance with the law and proper standards of governance are employed.

Good governance is key to the delivery of our organisational objectives. The Middlesbrough Development Corporation governance function is delivered through a shared services agreement with the Tees Valley Combined Authority.

The effective and transparent oversight of our growing responsibilities are reliant upon maintaining robust governance arrangements which ensure the effective delivery of our activities, good decision making, transparency and the active identification and management of risk. This ensures that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Middlesbrough Development Corporation provides an opportunity to accelerate regeneration, influence government policy and leverage private investment to deliver a step change in the local economy, creating jobs and driving growth.

Its vision for the town is "*Bold, Industrious & Open for Business; Middlesbrough reinvented as a great place for everyone*". In delivering this, it aims to create 4,000 new and high-quality jobs; 1,500 quality town centre homes; provide access to world-class educational opportunities; and become a vibrant and exciting place for arts and culture.

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

It is also our ambition that our Governance Framework continues to add genuine value to the decision and policymaking of the Development Corporation.

At the point of creation, Middlesbrough Development Corporation had clear ambitions and as a result, it has ambitious plans to regenerate the derelict Gresham site.

2. The Scope of Responsibility

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

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

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

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

Middlesbrough Development Corporation was created by Statute pursuant to Section 197 of the Localism Act 2011, following a request from the Tees Valley Mayor. As such, and following the Government commissioned Tees Valley Review which was published in January 2024, there are a number of learnings which Middlesbrough Development Corporation will weave into its Governance structure.

3. The Purpose of our Governance Framework

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

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

Good governance is at the heart of ensuring successful delivery of our ambitions and plans for Middlesbrough. In 2023, the Middlesbrough Development Corporation Board approved a Masterplan for the Development Corporation area. The Masterplan aims to make the area *"Bold, Industrious & Open for Business; Middlesbrough, reinvented as a great place for everyone."*

Created with stakeholders and partners, the Masterplan sets out key target areas of Gresham, the town centre, the area around Middlesbrough station and Middlehaven and St Hilda's with ambitions to:

- Build 1,500 new homes
- Attract up to 4,000 new jobs
- Create a Middlesbrough to be proud of, with better streets, spaces and places where people want to spend time
- Put skills, learning and innovation at the heart of the town

These bold plans will capitalise on the town's existing assets such as Teesside University, the Boho Zone, Middlesbrough Station, the Northern School of Art, Centre Square and others to tie them together more closely and help them work in lock-step to drive transformation.
A strong governance framework will enable us to monitor the achievement of these ambitious plans, ensuring transparency, public accountability and a system of internal control which allows us to manage and report on risk at a realistic level.

Risk Management Framework

The Development Corporation operates a comprehensive and proactive Risk Management Framework and Policy adopting ISO 31000 best practice and Orange Book guidance. The Risk Management Framework and Policy outlines our commitment to Risk Management and the approach to be followed to ensure effective identification, evaluation and response to risk. Risk Management is an essential part of good operational and project management and is the responsibility of all those working across the Corporation. A comprehensive Strategic Risk Register is managed through a Risk Management automated platform, reviewed by Senior Officers and scrutinised by the Development Corporation's Audit & Governance Committee.

4. The Key Elements of our Governance Framework

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

The Constitution

The responsibilities of those delivering services to the Development Corporation and its Members is clearly laid out in the Development Corporation's Constitution. This document – subject to annual review – explicitly documents how the Development Corporation operates, responsibilities for specific functions, schemes of delegation and how decisions are made.

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

The Middlesbrough Development Corporation Constitution may only be amended following approval by the Tees Valley Combined Authority Cabinet, following proposal from the Development Corporation Board.

Following establishment of the Development Corporation in February 2023, the Board formally adopted its Constitution on 22 March 2023. Following adoption of the Development Corporation Constitution, there have been a number of updates and revisions. The Constitution will therefore be updated fully before the end of the 2024/2025 municipal year.

Decision Making & Oversight

Middlesbrough Development Corporation Board

This the decision-making Board of the Development Corporation. The Development Corporation Constitution provides that the Tees Valley Mayor and an Elected Member of Middlesbrough Council be amongst the Development Corporation's membership. For the remainder of the Board, the membership is derived accordance with the Localism Act 2011, the Membership of the Board is approved by the Tees Valley Combined Authority Cabinet, at the recommendation of the Tees Valley Mayor.

When considering appointment of Members to the Corporation Board, prospective members are asked to complete a Skills Matrix highlighting the skills that a particular Member will bring to the Board. This will be reviewed alongside the skills matrix for the wider Board as a whole for the time being, to ensure that the skills of the Board are appropriate for the ambitions of the Development Corporation.

Members should be clear about what is expected of them and in turn should receive appropriate support and training from the Development Corporation. Consideration will be given to ensuring members are aware of what is expected of them, and what support is

available from the Development Corporation. Following this, a process of Members appraisals will be implemented for the Municipal Year 2025/26.

Audit & Governance Committee

The Audit and Governance Committee is a Statutory Committee, assuring sound governance and financial management of the Development Corporation. The majority of the Members of the Audit & Governance Committee are independent members, derived from the public and private sector, based on their skills and experience. The Tees Valley Combined Authority Audit & Governance Committee also appoints a representative to the Development Corporation Audit & Governance Committee – for this year, it is the Middlesbrough Council representative. This ensures that there is a clear link between the oversight of the Development Corporation and the oversight of the Tees Valley Combined Authority.

This committee oversees the operation of the Development Corporation risk management arrangements and financial management, considers and reviews its Internal Audit arrangements and reviews its Financial Statements.

To ensure that the Committee meets all of its statutory responsibilities, the Committee approves annually and keeps up to date, an annual work plan.

Planning Board

On its creation and pursuant to Section 202 of the Localism Act 2011, Middlesbrough Development Corporation became the Planning Authority for the Development Corporation area. To that end, the Development Corporation has a Planning Board which discharges these responsibilities in accordance with all appropriate regulations and legislation.

The Development Corporation has an approved Planning Scheme of Delegation to enable certain planning decisions to be taken by its Head of Planning, under delegation. All other relevant planning applications are considered by the Planning Board.

Monitoring Officer

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Development Corporation utilises the Tees Valley Combined Authority's appointed Group Chief Legal Officer, who is the Development Corporation's Monitoring Officer, through a shared services arrangement.

In addition to the Monitoring Officer, the Development Corporation has a dedicated legal advisor provided through the shared services arrangement with the Tees Valley Combined Authority. This is to ensure that the Monitoring Officer is able to advise on statutory responsibilities and the qualified legal advisor can focus on advising the Board on legal matters. It also ensures that the risk of any conflict of interest is reduced.

Internal Audit

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

As internal auditors, TIAA is afforded a period of time prior to the start of an Audit & Governance Committee to enable Members to speak with the Auditor without officers in the room to enable the Auditors and Members to discuss any concerns should they exist.

Internal Audit plans for the year are approved by the Development Corporation Audit & Governance Committee, following a discussion with Members and Senior Officers. The Audit & Governance Committee will receive regular updates on the Internal Audit Plan and Internal Audit reports throughout the year, and it will provide an annual report to the Development Corporation Board towards the end of the Municipal Year.

External Audit

The Development Corporation's External Audit service for the years 2023/2024 to 2028/2029 is provided by Ernst & Young (EY). The purpose of the External Auditors is to provide an opinion on the accounts and the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The external auditors, EY, are the regulated and independent professional firm appointed with a statutory mandate to audit the Corporation. They are responsible to 'those charged with governance'.

The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities, including development corporations.

Chief Financial Officer and Financial Arrangements

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

This Chief Finance Officer is responsible for:

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

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

Declarations of Interest and Code of Conduct

All Development Corporation members are subject to a formal Code of Conduct –forming part of the Development Corporation's Constitution and must complete, at least annually, a formal Declaration of Interest, ensuring that this is kept up to date throughout the year.

- All members of the Development Corporation Board and Audit & Governance Committee completed Declarations of Interest for the year 2023/24.

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

Gifts and Hospitality

The Development Corporation maintains a register of offers of Gifts and Hospitality made to its members and officers, even if these offers are declined. The Officer and Member Codes of Conduct prescribe how offers of gifts and hospitality should be dealt with.

Governance Arrangements

Through a Shared Services Agreement with the Tees Valley Combined Authority, a dedicated Governance team is in place to ensure that the Development Corporation is compliant with its regulatory responsibilities and to advise both members, employees and partner organisations. The team oversees a number of areas including transparent decision making, Declarations of Interest, whistleblowing and Freedom of Information request handling.

Freedom of Information and Environmental Information Regulation Requests

The Development Corporation is subject to the provisions of the Freedom of information Act 2000 and the Environmental Information Regulations 2004. The Governance team processes such requests on behalf of the Development Corporation. A full time Governance Officer is employed as a dedicated Freedom of Information Officer to handle all Freedom of Information requests along with support from the wider Governance team.

During the financial year 2023/2024 the Development Corporation has received no Freedom of Information requests and no requests under the Environmental Information Regulations.

To ensure transparency and oversight of performance in respect of Freedom of Information, quarterly statistics are published on the Development Corporation's website, and they are reported to each Development Corporation Audit & Governance Committee.

5. Review of Effectiveness

The Development Corporation is under a duty to review its own Board effectiveness and that of its committees. By the end of the 2024 municipal year, the Development Corporation will have been in existence for over 2 years, and consideration will need to be given to how effective it has been in the active part of that period.

Internal Audit

Due to the limited activity in MDC since incorporation, a standalone audit plan and report was not possible for the financial year 2023/2024. Therefore, MDC was incorporated into the TVCA group internal audit plan.

'TIAA is satisfied that, for the areas reviewed during the year, Tees Valley Combined Authority has reasonable and effective risk management, control and governance processes in place.'

TIAA carried out five reviews during 2023/24, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve TVCA's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided.

A summary of the reviews performed is provided below:

Assurance Assessments	Number of Reviews
Substantial Assurance	2
Reasonable Assurance	3
Limited Assurance	0
No Assurance	0

System	Type	Assurance Assessment	Comments
Governance - Strategic Control	Assurance	-	Deferred to 2024/25 plans
Key Financial Controls	Assurance	Substantial	Final Report issued
ICT Disaster Recovery	ICT	Reasonable	Final Report issued
Data Protection - GDPR	Assurance	Reasonable	Final Report issued
Risk - Mitigating Controls	Assurance	Reasonable	Final Report issued
Control of Major Accident Hazards (COMAH)	Assurance	Substantial	Final Report issued
Follow Up	Follow Up	-	Final Report issued
Annual Planning	Management	-	Annual Plan issued
Annual Report	Management	-	Annual Report issued
Audit Management	Management	-	-

External Audit

Our auditor's report, for the period 2023/2024, is anticipated from EY on the 28th February 2025 and is expected to conclude that no opinion can be expressed on the financial statements. This is due to the introduction of the Accounts and Audit (Amendment)

Regulations 2024 ('The Amendment Regulations') that came into force on 30th September 2024.

The Amendment Regulations require the Corporation to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31st March 2024, by 28th February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded EYs ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

EY as part of the audit report are required to report on the MDC's arrangements for securing economy, efficiency and effectiveness in its use of resources.

It is anticipated that EY will report on these arrangements on the 28th February 2025.

6. Conclusion

Based on the sources of assurance set out in this Statement, we are satisfied that, throughout the year 2023/24 Middlesbrough Development Corporation has in place a satisfactory system of internal control and this is able to facilitate good governance of the Development Corporation's affairs and the effective exercise of its functions.

Middlesbrough Development Corporation

AGENDA ITEM 10

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION
AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2024

REPORT OF THE GROUP CHIEF LEGAL OFFICER AND MONITORING OFFICER

REGULATORY UPDATE

SUMMARY

This report provides the Committee with an update on a number of regulatory matters for the Middlesbrough Development Corporation (MDC).

RECOMMENDATIONS

It is recommended that the Middlesbrough Development Corporation Audit and Governance Committee notes the content of this report.

DETAIL

1. It is proposed that this Committee receive an update on a number of regulatory matters to ensure member oversight of matters of interest.

2. This report includes an update on the following matters:

    a. Freedom of Information
    b. Complaints
    c. Data Protection Matters

Freedom of Information

3. The Development Corporation publishes Freedom of Information statistics on its website. The information can be found here Freedom of Information Requests - About and the data is updated every quarter.

4. For the period October 2024 to December 2024, Middlesbrough Development Corporation can report the following statistics in relation to Freedom of Information requests:

   Freedom of Information Requests Received: 0
   Freedom of Information Requests responded to within 20 working days: n/a
   Freedom of Information extended deadlines: n/a
   FOI responses due by end January 2025: n/a
   Internal Review Requests Received: n/a
   Information Commissioner Complaints Received: n/a
   Information Commissioner Complaints upheld (in the complainant's favour): n/a
   Information Commissioner Complaints not upheld (in the Authority's favour): n/a

Complaints

5. Since its establishment, Middlesbrough Development Corporation has received no complaints.

6. It is noted that Middlesbrough Development Corporation has not yet formally adopted a Complaints Policy. A draft Complaints Policy will be brought to the next meeting of this Committee for approval.

Data Protection Matters

7. Since the Development Corporation was established, there has been no notifications of any personal data breaches.

8. For the period between October 2024 to December 2024, Middlesbrough Development Corporation has received one Subject Access Requests (SARs).

FINANCIAL IMPLICATIONS

9. There are no financial implications in respect of the content of this Report

LEGAL IMPLICATIONS

10. As a public authority, Middlesbrough Development Corporation must comply with the requirements of the Data Protection Act 2018 in relation to the protection of personal data and the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

11. Failure to comply with the above-mentioned legislation can lead to enforcement action by the Information Commissioner. Repeat enforcement by the Information Commissioner may also identify weaknesses within the Development Corporation's approach to Freedom of Information and Data Protection matters.

12. The data provided in this report does not identify any concerns or consistent weaknesses in the Authority's approach to the legislation referred to in 11 above.

RISK ASSESSMENT

13. The subject matter of this report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION AND COMMUNICATION

14. No consultation has taken place in respect of the information contained within this report.

EQUALITY AND DIVERSITY

15. It is not expected that the content of this report will have an effect on any individual with protected characteristics.

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Middlesbrough Development Corporation

AGENDA ITEM 11

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION
AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2025

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

WORK PROGRAMME

SUMMARY

Members are invited to consider the Committee's work programme for the 2024/25 municipal year. The work programme has been developed covering areas of work in relation to internal audit, external audit and risk management, particularly ensuring that the Middlesbrough Development Corporation is meeting its legislative requirements.

RECOMMENDATIONS

i. Members are requested to consider and agree the Committee's work programme for the 2024/25 municipal year.

DETAIL

1. The work programme is presented at **appendix one** for members' information.

The work programme is a standing item for consideration at each meeting where it can be amended as the year progresses.

Items include standing items that are ordinarily required at specific times in the municipal year, for example, group financial statements and annual reports and accounts.

It may also include other areas of work where specific audit and governance activity has been identified by the Committee.

FINANCIAL IMPLICATIONS

2. To ensure that risk is being mitigated as far is reasonably practicable.

LEGAL IMPLICATIONS

3. To ensure that the Committee complies with legislative requirements pertaining to the Middlesbrough Development Corporation.

CONSULTATION AND COMMUNICATION

4. The Audit and Governance Committee is consulted on the work programme.

EQUALITY AND DIVERSITY

5. It is not expected that the content of this report will impact on groups of people with protected characteristics.

Appendix – Draft work programme for 2024/25

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Middlesbrough Development Corporation

Appendix Item 11.1

Middlesbrough Development Corporation - Audit and Governance Committee

Work Programme 2024/2025

Standing Items

- Declarations of Interest
- Minutes from the Previous Meeting and Action Tracker
- Executive Update
- Internal Audit Actions Update
- Internal Audit Progress Report (Summary of Internal Controls (SICA) from TIAA)
- External Audit Progress Report
- Work Programme
- Regulatory Update
    - Freedom of Information
    - Complaints
    - Data Protection
- CONFIDENTIAL – Risk Management Report
- Date of the Next Meeting

Items to be scheduled	
Date	**Item**
Q2 – October – December 2024	• Draft Terms of Reference • Internal Audit Plan 2024/2025 • Draft Forward Programme
Q3 – January – March 2025	• 2023/2024 Completion Report to those charged with Governance including Value for Money Commentary • Risk Management Policy and Framework • Draft Financial Accounts for 2023/2024
Q4 – April – June 2025	• 2024/2025 Audit Planning Reports • Complaints Policy

Middlesbrough Development Corporation

Q1 2025
Annual Review of Terms of Reference
Draft Financial Statements 2024/2025
Draft Annual Governance Statement

TEES VALLEY

Middlesbrough Development Corporation

AGENDA ITEM 12

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION
AUDIT AND GOVERNANCE COMMITTEE

WEDNESDAY, 12 FEBRUARY 2025

REPORT OF THE HEAD OF PERFORMANCE, RISK AND ASSURANCE

UPDATED RISK MANAGEMENT POLICY AND FRAMEWORK

SUMMARY

The purpose of this report is to present the updated Risk Management Policy and Framework to the Committee for approval.

RECOMMENDATIONS

It is recommended that the Middlesbrough Development Corporation Audit and Governance Committee:

i. Approve the Risk Management Policy and Framework;
ii. Notes that the policy referred to in (i) above is to be brought back to this Committee for an annual review in early 2026.

DETAIL

1. The Risk Management Policy and Framework is to be reviewed and approved at least annually.

2. The Policy and Framework communicates the Development Corporation commitment to implementing a comprehensive and proactive Risk Management culture, adopting ISO 31000 best practice and Orange Book guidance in the identification, evaluation and effective management of threats and opportunities.

3. Risk Management is an essential part of good operational and project management and is the responsibility of all those working across the Corporation, roles and

responsibilities are communicated through the Framework to ensure a compliant and collaborative approach.

4. The technical application of the Risk Management Process is established within the Framework to ensure consistent and effective management and reporting of threats and opportunities.

FINANCIAL IMPLICATIONS

5. There are no financial implications arising from the subject matter of this report.

LEGAL IMPLICATIONS

6. There are no legal implications as a result of this report.

RISK ASSESSMENT

7. There has been no additional risk assessment completed as a result of this report.

CONSULTATION & COMMUNICATION

8. There has been no additional consultation and communication completed as part of this report.

EQUALITY AND DIVERSITY

9. It is not expected that the content of this report will have an effect on any person with protected characteristics.

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Risk Management Framework
Ref: TVCA-RMF-001

Risk Management Framework Ref: TVCA-RMF-001

Version Control				
Issue No	**Version**	**Date**	**Responsible**	**Approved for issue**
1	Draft	16-Jul-18		
2	Draft	8-Feb-19		
3	Draft	15-Feb-19		
3.2	Draft	25-Feb-19		
3.3	RMF approved subject to Board approval of Policy	6-Mar-19		
3.4	Draft	12-Mar-19		
3.5	Approved	29-Mar-19		
3.6	Updated to reflect TVCA group applicability	27/10/20	Group RM	
3.7	Further updates to formatting and templates	08/01/21	Group RM	
4.0	Approval of document	24/02/21	Group RM	STDC ARC
4.1	Rebrand to TVCA template Removal of STDC and replacement with TVCA Group	04/05/21	Group RM	
4.2	Annual review of Framework	31/05/22	Group RM	
4.3	Approval of Document	02/08/22	Group RM	TVCA AGC
4.4	Rebrand to new TVCA branding	31/05/23	Head of P,R and A	
4.5	Approval of document	28/07/23	Head of P,R and A	TVCA AGC
4.6	Updates to roles and responsibilities	23/11/23	Head of P, R and A	

5.0	Review and update to framework to include newly established Middlesbrough and Hartlepool Development corporations.	16/12/24	Head of P, R and A	

Risk Management Policy

Purpose

The purpose of Risk Management is the creation and protection of value. It improves performance, encourages innovation, and supports the achievement of our objectives. The purpose of this risk policy is to ensure that Risk Management is an integral, visible, and consistent part of routine management activity across the corporation.

Commitment

Managing risk and opportunity is critical to the successful delivery of The Group regeneration programme. Teesworks is accountable to transform the area into an international scale, world class industrial business park; but it must do so with incomplete knowledge of future events, in a complex environment and within known funding and timing constraints.

The TVCA group are committed to implementing an enterprise-wide Risk Management culture, adopting ISO 31000 best practice in the identification, evaluation and effective management of threats and opportunities. Risk Management is an essential part of good operational and project management and is a central responsibility of all those working within the Corporation.

We are an enterprise that:

- Makes Risk Management a part of strategic and tactical decision making ensuring identified risks that could significantly affect enterprise operations, projects and programmes, resources are deployed proportional to these risks.
- Maintains an attitude for risk appetite and tolerance, communicates this Risk Framework across the enterprise, and makes decisions about operations and projects consistent with this policy.
- Provides clearly defined and documented accountabilities for Risk Management, with risks managed at the lowest level at which the manager has the authority, responsibility, and resources to take effective action.
- Establishes and maintains Group-wide procedures, practices, and processes to ensure compliance with applicable standards and contractual provisions.
- Includes measurement and reporting of risks within the organisation's performance indicators so that decision-making at all levels is informed by an assessment of risk.

- Regularly reviews and updates risks facing the business and how they are escalated.
- Ensures risks are managed in an integrated way across all levels of the organisation.
- Requires the involvement of all managers to ensure that all staff understand their responsibilities in relation to risk management.
- Ensures effective assurance arrangements are in place to monitor the effectiveness of the Risk Management framework on a routine basis.
- Reviews and updates our Risk Management processes to recognised good practices, guidelines and standards and incorporates lessons learnt from inside and outside of the business.

Applicability

This policy applies to all aspects of the TVCA Group, it's legal entities and its programmes. Implementation within the organisation through the Assurance Framework while implementation by suppliers and industry partners is achieved through contracts and agreements developed by the TVCA Group in accordance with the Management Policies.

The Chief Executive Officer has the ultimate responsibility and accountability for ensuring that risk is managed across the TVCA Group supported by the team of Directors.

The Chief Executive Officer and the Audit and Governance Committees provide governance leadership, agree the strategic direction, Risk Appetite, and promote the culture 'tone from the top', all to ensure the best outcome.

This policy is to be reviewed at least annually to ensure its continuing relevance to our appetite and tolerance of risk and meeting our objectives.

The Framework will be agreed every year by the Audit and Governance Committees.

Introduction

It is incumbent on The TVCA Group to understand the internal and external risks that may impact the delivery of its organisational goals and have processes in place to identify, mitigate, manage, and monitor those risks to ensure the best outcome for The Group, staff, and the community.

The ISO standard on Risk Management describes ***risk*** as "*the effect of uncertainty on objectives".* Risk is the probability of an internal or external situation (an incident) with the potential to impact upon TVCA regeneration programme; preventing The Group from successfully achieving its objectives, delivering its services, or capitalising on its opportunities. Risks are an everyday occurrence that could potentially positively or negatively impact on The Group's ability to meet its obligations to stakeholders and the community. The Group recognises that while some risks cannot be fully eliminated, they can be identified, controlled, and managed to an acceptable level.

Risk management is defined as *"the coordinated activities to direct and control an organisation with regard to risk".*

The Group's Risk Management ('Framework') is aligned to the ISO Standard and shall be applied to all activities. The framework will be agreed every year by the Audit & Governance Committee (A&GC). This framework document should be read in conjunction with The Group's Risk Management Policy. The following are not included in the scope of this Framework: the projects initiated by investors and developers.

Risk needs to be considered and addressed by everyone, including the Governing Board, Executive Staff, Senior Management, Employees, Partners, and related stakeholders. The Group is committed to promoting an organisational culture where risk management is embedded in all activities and business processes.

The Group undertakes proactive risk management because:

- It provides a rigorous decision-making and planning process to understand the strategic, project and operational risks facing The Group in order to make informed decisions and meet organisational and strategic goals.
- It equips the organisation to evaluate and take advantage of opportunities as they arise.
- The Group and its subsidiaries will have service agreements and contractual obligations with government and nongovernment agencies and organisations.
- It equips managers with tools to anticipate changes and threats that face The Group and to allocate appropriate resources.
- It provides assurance to committee members, management, and stakeholders that critical risks are managed appropriately.

The scope of this Risk Management framework is enterprise-wide to provide the architecture for a common platform for all risk management activities undertaken by The Group; from individual function, process, or project-based assessments to whole-of-organisation assessments, with the aim of enabling comparative analysis and prioritisation of those assessments either individually or cumulatively. The framework is directly linked to the achievement of objectives of The Group and delivery of the programme of investment projects.

Risk Management Objectives

The primary objective of the framework is to support the achievement of The Group's strategic objectives and to safeguard the resources, people, finance, property, knowledge, and reputation through:

- Provision of a structured and consistent approach to Risk Management.
- Assist decision makers to make good management decisions within an environment of tolerable strategic and enterprise risk limits, including identifying and leveraging opportunities.
- A Risk Appetite statement which is used to challenge and inform strategic decisions.
- A culture where staff understand and assume responsibility for managing the risks for which they are responsible and the controls to mitigate those risks.
- Provision of relevant, accurate and timely information across clear reporting structures.
- Independent assurance and audit activities to provide feedback to management that quality processes and controls are in place and are effective.
- Provide relevant tools to enable risk owners to track and update risks.

For the framework to be effective it must be integrated into The Group's strategic and business planning cycles.

Roles and Responsibilities

Risk Management within the Group is an integral element of good business practice. The assessment process is integrated with the strategic planning and business planning processes.

It is therefore the responsibility of everyone within the Organisation to manage risk - the accountability for managing any specific risk sits with the person most appropriate to manage that risk. This is reflected in position descriptions (with varying degrees of responsibility at the various levels) and the performance management process.

Notwithstanding our "whole of organisation" approach to risk management responsibility, our Risk Management Framework has specific elements which require defined alignment of roles and responsibilities. The responsibilities for each of the roles identified are as follows:

Cabinet

- Responsible for setting moral standards, the tone and influence of the culture of Risk Management across the business.
- Approve the Risk Management Policy and note the Risk Management Framework.
- Approve the Organisations Risk Appetite Statement and Risk Tolerance measures.
- Appoint the Audit and Governance Committee.
- Be satisfied that the Strategic/Corporate risks are identified, managed and controlled properly.

STDC Board

- Responsible for setting moral standards, the tone and influence of the culture of Risk Management across the business.
- Approve the Risk Management Policy and note the Risk Management Framework.
- Approve the Organisations Risk Appetite Statement and Risk Tolerance measures.
- Appoint the Audit and Governance Committee.
- Be satisfied that the Strategic/Corporate risks are identified, managed and controlled properly.

Group Chief Executive Officer

- The CEO, supported by the Executive Team is accountable to ensure appropriate risk management within The Group.
- Endorse the Risk Management Policy for approval by The Group, approve the Risk Management Framework and monitor implementation.
- Provide executive leadership in the management of strategic, programme and project risk and generally champion risk management within The Group.
- Report expeditiously to Audit and Governance Committee on any fraud and corruption incidents or material risk mitigation failures and actions taken.

Audit and Governance Committee

The A&GC assists the Executive board in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of significant risks inherent in the business and mitigation planning with respect to such risks.

- Ensure that the STDC Board has an adequate framework and policy system in place
- Oversee the Risk Management Policy and review the mechanisms in place to comply with the framework.
- Monitor the systems and process via The Group's risk profile and consider the risk profile when developing and implementing the Internal Audit and Compliance Programme.

- Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to The Group.
- Identify and refer specific projects or investigations deemed necessary to assess risk management through the Chief Executive Officer, The Internal Auditor and The Group.
- Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- Ensure the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

Audit and Governance Committee Middlesbrough Development Corporation

The A&GC assists the Executive board in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of significant risks inherent in the business and mitigation planning with respect to such risks.

- Ensure that the MDC Board has an adequate framework and policy system in place
- Oversee the Risk Management Policy and review the mechanisms in place to comply with the framework.
- Monitor the systems and process via The Group's risk profile and consider the risk profile when developing and implementing the Internal Audit and Compliance Programme.
- Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to The Group.
- Identify and refer specific projects or investigations deemed necessary to assess risk management through the Chief Executive Officer, The Internal Auditor and The Group.
- Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- Ensure the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

Audit and Governance Committee TVCA

The A&GC assists the Executive board in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of significant risks inherent in the business and mitigation planning with respect to such risks.

- Ensure that the TVCA Board has an adequate framework and policy system in place
- Oversee the Risk Management Policy and review the mechanisms in place to comply with the framework.
- Monitor the systems and process via The Group's risk profile and consider the risk profile when developing and implementing the Internal Audit and Compliance Programme.
- Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to The Group.

- Identify and refer specific projects or investigations deemed necessary to assess risk management through the Chief Executive Officer, The Internal Auditor and The Group.
- Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- Ensure the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

Audit and Governance Committee Hartlepool Development Corporation

The A&GC assists the Executive board in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of significant risks inherent in the business and mitigation planning with respect to such risks.

- Ensure that the HDC Board has an adequate framework and policy system in place
- Oversee the Risk Management Policy and review the mechanisms in place to comply with the framework.
- Monitor the systems and process via The Group's risk profile and consider the risk profile when developing and implementing the Internal Audit and Compliance Programme.
- Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to The Group.
- Identify and refer specific projects or investigations deemed necessary to assess risk management through the Chief Executive Officer, The Internal Auditor and The Group.
- Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- Ensure the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

Internal Audit

- Act as the 3rd line of defence providing independent assurance.
- Consider strategic and operational risks in the development and implementation of the Internal Audit and Compliance Plan recommending improvements.
- Periodically audit The Group's Risk Management practices and provide recommendations on improvement to Management and the Audit and Governance Committee.

Finance and Resources Director

- Quality assure financial risk management reporting in co-ordination with the Head of Performance, Risk and Assurance.

- Ensure the Financial function has the appropriate culture, capability, processes, and systems to deliver on this policy and the Risk Management Framework.

Operations Director

- Provide assurance in the development, implementation and review of the Risk Management Policy, Risk Management Framework, and general risk management practice across The Group.
- Quality assure risk management reporting in co-ordination with the Head of Performance, Risk and Assurance.
- Ensure operations have the appropriate culture, capability, processes, and systems to deliver on this policy and the Risk Management Framework.

Head of Performance Risk and Assurance

- Assurance checks if the programme complies with the established processes, performance standards and ensures right capability is in place.
- Develop, maintain and quality assure enterprise risk registers and monitor implementation of controls and agreed treatment actions.
- Prepare various risk management reports in accordance with this framework and the Risk Management policy.
- Provide risk management training, advice and support and conduct risk assessments as agreed.
- Liaise with the Internal Auditor and provide Risk support to the Audit and Governance Committee.
- Lead the refinement, implementation, and review of the Risk Management Policy, Risk Management Framework, and supporting processes and systems.
- Develop, maintain and update an automated risk platform to provide a live risk dashboard accessible by risk owners.
- Measure enterprise risk management maturity and report on the implementation of actions to achieve target maturity.

Project Managers

- Ensure that this framework is applied to the projects under their overview.
- Where the project is considered to materially influence the achievement of The Group's Corporate Objectives, ensure that the project risk register is facilitated by The Group Head of Performance, Risk and Assurance.
- Ensure coordination of activities such as risk register, assessments and reporting are completed.
- Liaise with Head of Performance, Risk and Assurance and Risk Officers.
- Identify gaps in areas such as training awareness.
- Provide timely updates on current threats and opportunities in their area.
- Assist with communications and training.

Business Function Managers

- Ownership of risk management within their Function or as delegated by the CEO/Directors in accordance with the Risk Management policy and Framework.
- Championing risk management within their Function and appropriate risk management practice by staff, volunteers, contractors, and service providers.
- Ensures coordination of activities such as risk register, assessments and reporting are complete on a regular basis.
- Liaises with Head of Performance, Risk and Assurance and Risk Officers.
- Identifies gaps in areas such as training awareness.
- Assists with communications and training.

Risk Owners

- Identify, assess and manage risks through the automated risk management platform on a regular basis.
- Responsibility that risk remains within defined tolerances.
- Ensure risks are escalated where appropriate.
- Triggers out-of-cycle review of the risks if material change occurs (e.g., restructuring, new IT systems or process change).
- Ensure personal compliance with risk management policies and procedures in performance of duties/activities.
- Ensure controls mitigating risks are designed and operating effectively to reduce the risk exposure to a level which is acceptable to The Group.
- Responsible for annual attestation of risks with Control Owner.

Control Owner

- In charge of ensuring that controls (which may be outside responsibility of risk owners e.g., IT controls) are identified, documented and effective.
- Understands the importance of the effective operation of the control and potential impact of failure on all areas that rely upon the control activity and,
- Provide appropriate communication when their controls fail or do not operate as expected.

Staff, Contractors, and Service Providers

- Applying risk management practices in their area of work and ensuring that management are aware of risks associated with The Group's operations.
- Recommending or providing suitable plans to manage risks; obtaining appropriate approval prior to action (where required) reporting on risk management practices.
- Awareness of The Group's culture and ethos to report any perceived risks or failures in existing measures to senior management.

Organisational Risk Culture

The Group will actively consider risks during strategic and tactical decision-making processes as will all levels of management and will determine the level of residual risk/appetite they are willing to accept. This will be done on at least an annual basis. The Group will take a risk-based approach to managing internal and external projects, operational and strategic risks: i.e., risks will be managed and monitored according to severity.

Management will conduct at least an annual review of their function or project risks (facilitated by the Head of Performance, Risk and Assurance) with monthly monitoring of priority and high risks. Management will also conduct out-of-cycle reviews of operational, project or strategic risks if material changes occur, if there is a breakdown of controls or if new risks emerge.

The Group will invest the appropriate time and resources into training and awareness for all staff in line with responsibility and involvement this includes but is not exclusive to; managers, and nominated risk and control owners and staff with specified risk and emergency management roles.

Guidelines for a Culture of Risk Management

The Group has finite resources, time, and budget to manage all aspects of its activities. It is therefore vital that The Group apportion resources into the areas of most need, or that will have the greatest impact. The Group will therefore take a risk-based approach to managing operational risks as follows:

- Risks are initially identified and assessed on an inherent basis - the risk that an activity would pose if ***no controls*** or other mitigating factors were in place. Determining the likelihood and impact of the risk occurring allows TVCA to understand which risks are of greater concern and must therefore be mitigated accordingly.
- The Residual Risk - the risk that remains after the implementation of controls can then be determined by assessing the effectiveness of controls in place to mitigate the likelihood and impact of the risk occurring.
- All risks will be captured in automated risk management system and reported regularly through the various Management and Committee structures.

Risk Management Structure

To understand the risks faced by The Group and the resulting implications, risks will be identified and assessed at a hierarchy of three levels:

- **Strategic**: Those Corporate risks that, if realised, could have a significant detrimental/beneficial effect on The Groups Corporation key business processes and activities.
- **Programme & Enterprise:** Those business risks that, if realised, could have a significant detrimental/beneficial effect on the key objectives and activities of The Group's programme.
- **Project:** Those business risks that, if realised, could have a significant detrimental/beneficial effect on the outcome of a project.

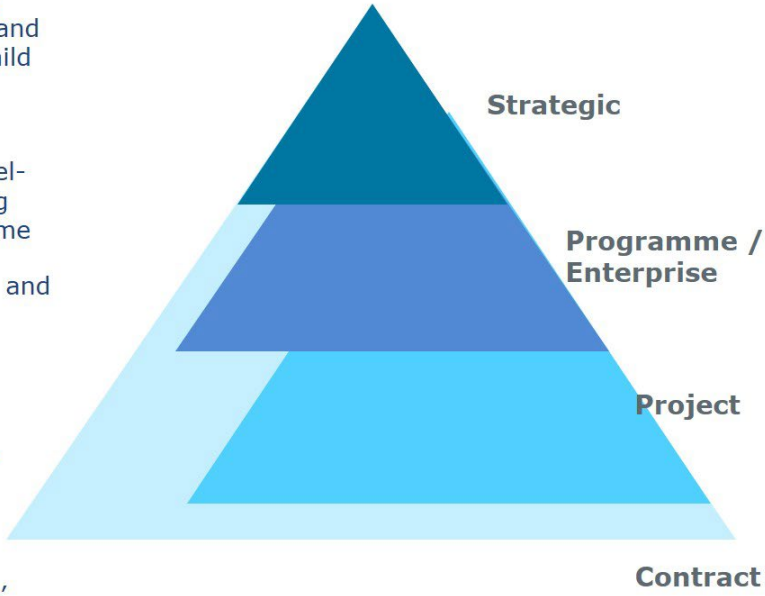
Illustration of hierarchy of risk groups indicating levels outlined below with discrete registers and ownership. Escalation, parent/child connectivity, quantification and tracking protocols

Strategic – Board level-owned risks, including external facing/extreme

Delivery Programme and Function/Site risk separately logged

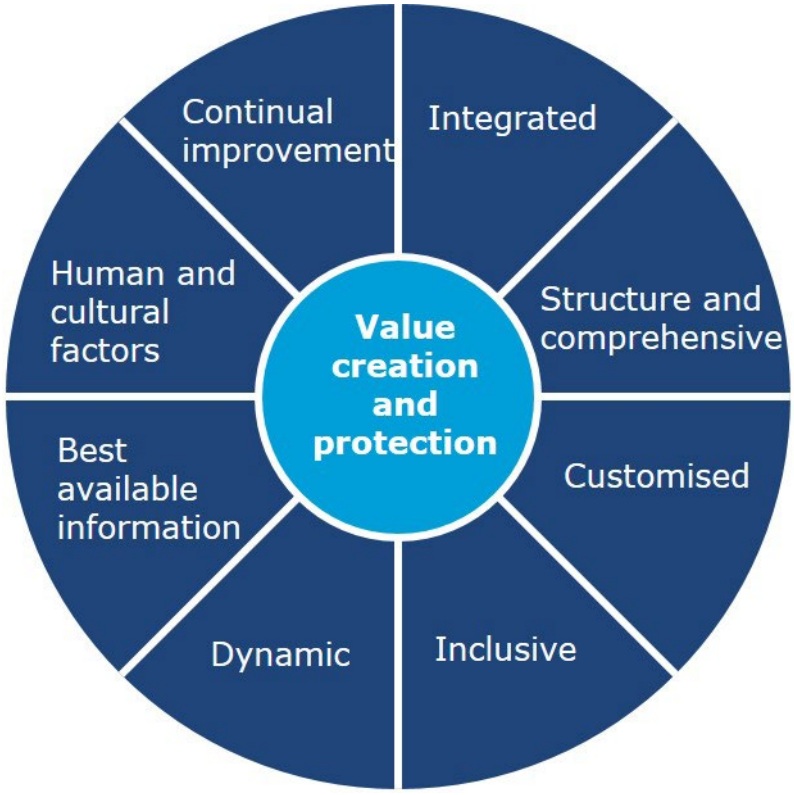
Project Risk registers

Contract – risks transferred for others' management



Risk Management Principles

All levels of the TVCA shall commit to incorporating the following principles from the ISO Standard.



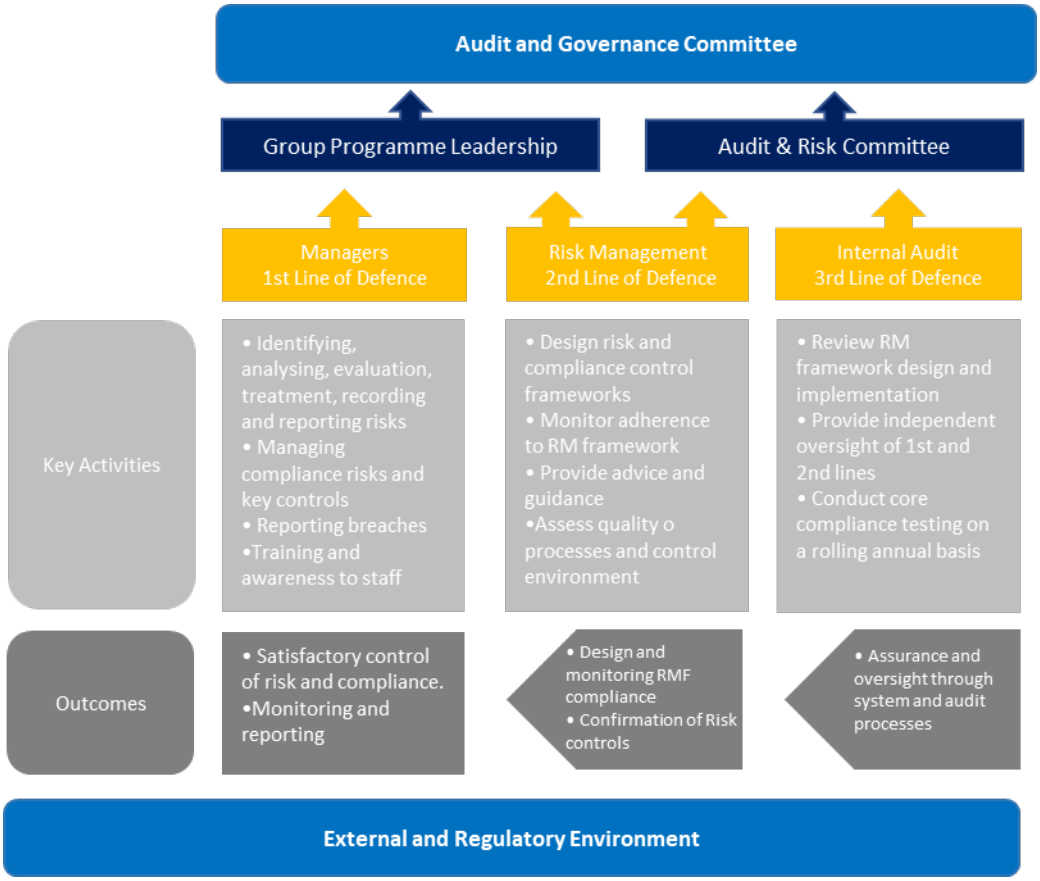
ISO 31000 Risk Management Principles

Principle	
Integrated	Risk management is an integral part of all organizational activities.
Structured and comprehensive	A structured and comprehensive approach to risk management contributes to consistent and comparable results.
Customized	The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.
Inclusive	Appropriate and timely involvement of stakeholders enables their knowledge, views, and perceptions to be considered. This results in improved awareness and informed risk management.
Dynamic	Risks can emerge, change, or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges, and responds to those changes and events in an appropriate and timely manner.
Best available information	The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such

	information and expectations. Information should be timely, clear, and available to relevant stakeholders.
Human and cultural factors	Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
Continual improvement	Risk management is continually improved through learning and experience.

Three Lines of Defence Model

The Three Lines of Defence model provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties.



1st Line of Defence – Project and Function Managers

Each function or project has primary responsibility for the ownership and day-today management of its own risks and is also responsible for implementing corrective actions to address process deficiencies. Each function & project naturally serves as the 1st line of defence as controls are designed into systems and

processes under their guidance, as they bear the consequences of loss through economic risk capital allocation. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

2nd Line of Defence: Programme and Head of Performance, Risk and Assurance.

The Head of Performance, Risk and Assurance provides oversight to ensure that the framework is embedded, operational and to monitor the 1st line controls so that risks are effectively managed. It is a risk management function that facilitates and monitors the implementation of effective risk management practices by management and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organisation. The Head of Performance, Risk and Assurance has a degree of independence from the first line of defence.

3rd Line of Defence: Internal Audit

Internal audit (IA) is outsourced and provides reporting to the Audit & Governance Committee to provide independent assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the 1st and 2nd lines achieve risk management and control objectives. IA provides The Group and Senior Management with comprehensive assurance based on the highest level of independence and objectivity.

Risk Escalation

Risk should be managed by the party best placed to manage the risk and at the most appropriate level in the organisation. Risks may need to be escalated up the management chain – either within or between the levels of hierarchy (i.e., Strategic, Programme and Enterprise, Project, or Contractor).

The accountable Managers, with the assistance of the Head of Performance Risk and Assurance, are to identify any risks which are to be considered for escalation in their regular reporting cycle. These will then be reviewed with line management at risk review meetings, as specified within the programme controls governance structure, in order to review and approve the escalation of the risk. This cycle of review is repeated up the organisation structure.

When selecting risks to escalate, these factors should be considered:

- Is any single risk so significant that it should be escalated to the next level?
- Are there any common causes of risk that should be escalated?
- Do any of the identified risks have consequential effects to the wider programme which are significant enough for that risk to be escalated to the next level?
- Do any risks require responses which can only be implemented by the next level of management?

Note that escalating risk does not transfer the ownership of risk, but allows the manager at the higher level to understand the risks within their responsibility.

Risk Appetite

Risk appetite is the amount of risk exposure, or potential adverse impact from an event, that the A&GC is willing to accept in pursuit of its objectives.

Risk Appetite Statement

The Group will maintain a current risk appetite statement.

This statement communicates with sufficient precision that the organisation has a proactive approach on its appetite for risk across all of it objectives.

Once the risk appetite threshold has been breached, risk management controls and actions are required to bring the exposure level back within the accepted range by considering:

- Emerging risks
- Risks that might be outside The Group's control (i.e., political change)
- Where best to allocate scarce resources
- Where the Group might want to take on additional risk to pursue a strategic objective or expectation of above average returns

Risk appetite should be set for each individual strategic risk and tolerance levels agreed, using relevant performance indicators which are monitored through the monthly enterprise reports.

TVCA's risk appetite will inform the annual risk process, controls and assurance activities and is generally defined as follows:

Risk Rating	Minimum treatment required	Description
Severe risk	Reject and avoid or mitigate	Immediate action required in consultation with A&GC to either avoid the risk entirely or to reduce the risk to a low, medium, or high rating.
High risk	Accept and mitigate	These risks need to be mitigated with actions as required and managers need to be assigned these risks.
Medium risk	Accept	Manage by specific monitoring or response procedures.
Low risk	Accept	Manage by routine procedures.

Risk Tolerance

Whilst risk appetite is about the pursuit of risk, tolerance is about what the organisation is allowed to deal with. Risk tolerance differs from risk appetite in that it is:

- Derived from risk appetite.
- Looks at risk at a granular level (e.g., on specific risk, at a transactional level);
- Measured in the form of limits (financial risks) and thresholds (non-financial risks)
- Assists in day to day/operational decision making.

Risk tolerance therefore relates to risk appetite but differs in one fundamental way in that it represents the application of risk appetite to specific objectives. Whilst risk appetite is broad, risk tolerance is tactical and operational and must be expressed in such a way that it can be:

- Mapped into the same metrics as the organisation uses to measure success.
- Implemented by staff throughout the Organisation.

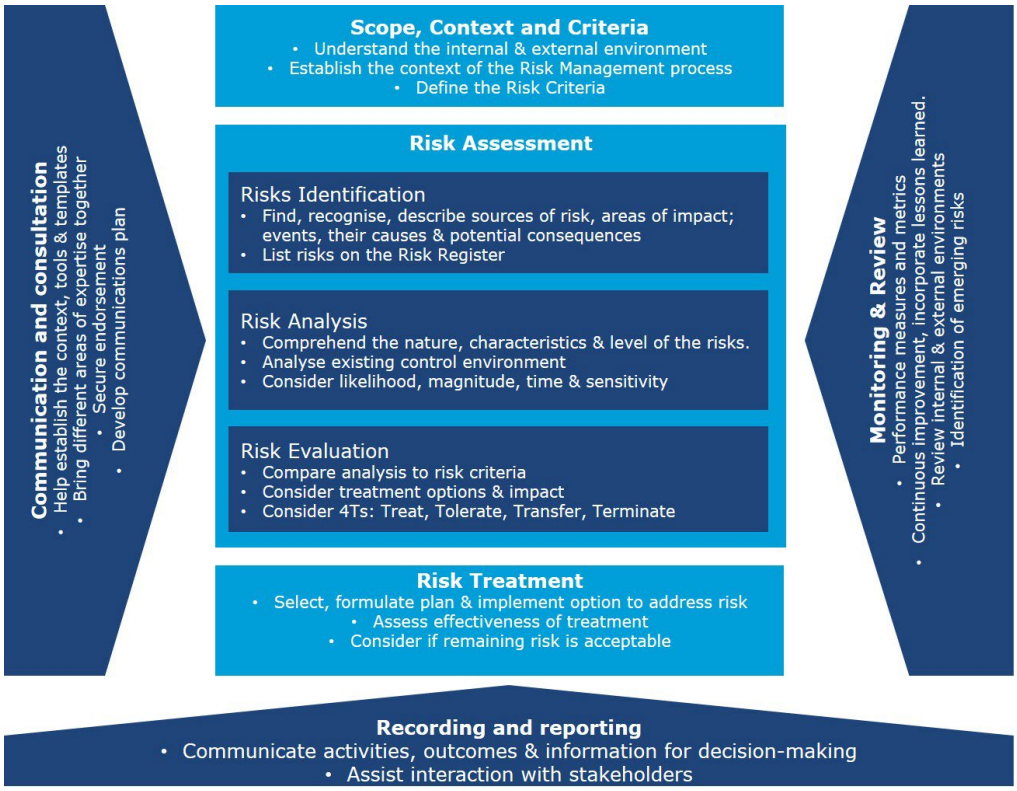
As risk tolerance is defined within the context of objectives and risk appetite, it should be communicated using the metrics in place to measure performance. Risk tolerances guide project and functional areas as they implement the risk appetite within their sphere of activity.

Risk tolerances communicate a degree of flexibility whilst risk appetite sets a limit beyond which additional risk should not be taken. Some tolerances are easy to express in qualitative terms, e.g., an organisation may have a low-risk appetite for non-compliance with laws and regulations and may communicate a similarly low tolerance for violations. Tolerance may also be stated in quantitative terms, e.g., by setting % targets.

Example Risk impact on project cost or time

Risk Management Process

The risk management process is the "how to" element of the Framework and is defined in the ISO Standard as "the systematic application of management policies, procedures and practices to the task of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk." [4]



The Group Risk Management Framework[1]

Risk Management Scope

The level of detail that will be entered into during the risk management process must be considered prior to commencement and should be commensurate with the extent and nature of the inherent level of risk. The extent and scope of the risk management process will depend on the goals and objectives of The Group's activity that is to be addressed, as well as the budget that has been allocated to that activity.

Consideration must also be given to the roles and responsibilities for driving and undertaking the risk management process.

[1] BS ISO 31000:2018 Chapter 6

Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. The Group will conduct risk assessment systematically, iteratively, and collaboratively, drawing on the knowledge and views of involved stakeholders.

Risk identification

The purpose is to identify all risks; what, when, why and how incidents might impact on the achievement of objectives. A Risk can be raised by anyone associated with the enterprise, programme, or project. Comprehensive identification using a well-structured systematic process is critical, as a risk not identified will be excluded from further analysis, so identification should include all risks, whether or not they are under the control of The Group. A comprehensive risk identification process is delivered through consideration of the potential influence of each of the elements on the internal and external operating environment on The Group's objectives.

A systematic process includes working through each goal, objective, or planned implementation action, identifying the things that may inhibit, detract from, or prevent the achievement of the goal or enhance the opportunity to meet the objective. The Group will use a range of tools and approaches to determine potential risks, including:

- Team based brainstorming with experienced and knowledgeable staff.
- Structured techniques (such as SWOT analysis, process mapping, flow charting, systems analysis, or operational modelling)
- Annual strategic, TVCA planning, budget, and risk identification workshops.
- Examination and analysis of past reports and incidents.
- Regular compliance reviews (internally and externally).
- Internal review by the Audit and Risk Committee.
- Reviews by external service providers.
- Automated risk management platform where the risk management approach is integrated. For live risk management as part of operational activity.

A risk event relates to the failure of people, processes, and systems or from external factors (e.g., fire, flood, assault, or damage). In other words, something has gone or may go wrong: a control failed to operate as expected, was not performed, was circumvented or perhaps there was no control in place. Incidents can have multiple and varied impacts

Capturing incidents, investigating them, and understanding their root causes are critical as these provide us with important and timely information on the operation and effectiveness of our controls, threats to our business operation and the extent and nature of The Group risks.

The organisational strategic risks are developed annually by the Senior Leadership Team in conjunction with the Audit and Governance Committee. The Enterprise operating risks are identified in conjunction with

Function Managers on an annual basis as a minimum, at meetings with the Head of Performance, Risk and Assurance which run parallel with The Group's annual business planning cycle.

Recording identified risks occurs through the development of a description of the risk and entry into the appropriate risk register. The risk description should contain a statement of the risk and include those factors which could cause or contribute to the occurrence of the risk event. A risk, by definition, is a potential for something to happen and not the actual occurrence of an event, consequently the language used to describe risks should express this element of possibility.

Risk analysis

Analysis involves developing an understanding of the risk, the likelihood of the risk occurring and the full range of potential impact/consequences. Identification of likelihood and impact is not scientific: it is a qualitative exercise based on perception and history.

The initial analysis provides the inherent likelihood, the inherent impact, and the inherent risk rating. At this stage, the analysis assumes that all controls have failed or there were no effective controls in place. Whilst this is unlikely, this allows The Group to understand which risks have the greatest potential for disrupting the business operation and therefore require strong and effective controls with appropriate and ongoing oversight.

Risk registers

Risk registers provide a mechanism for documenting, managing, monitoring, reviewing, updating, and reporting risk information. Risk register design, use and related processes are developed and maintained by the Head of Performance, Risk and Assurance. The Group has adopted a master risk register template, which is incorporated into the automated risk management platform , all risk owners are to use this system to ensure consistent management of risks

Inherent likelihood

The inherent likelihood of a risk occurring is defined as the probability and frequency of its occurrence. It may be easier to ask: 'How likely is it that the risk event will occur?'

The table below is a commonly used format with five levels of Likelihood from Rare (an event that occurs only in exceptional circumstances) to Almost Certain (occurring frequently within a year). Each criterion is assigned a number from 1 to 5.

Inherent impact

This is defined as the potential impact or consequence of a risk occurring and is generally expressed as a financial loss, non-financial loss (e.g., damage to reputation, client impact, regulatory impact) or occasionally a gain. Asking 'what would be the impact/consequence of risk XYZ occurring?' may elicit a better response.

Accurately determining the possible multiple impacts is to be achieved by utilising the Impact table, which is divided into nine categories and five levels of impact

A risk may fit into a single category or fall across multiple types and similarly the level of impact may fit into more than one row. It is up to management (with assistance from the Head of Performance, Risk and Assurance) to determine the type with the highest consequence for inclusion into the risk register.

The impact table should be reviewed at least every year with business subject matter experts as part of the framework review to ensure that categories and descriptions are relevant and reflective of TVCA's internal and external environments.

Risk Evaluation

The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required.

This can lead to a decision to:

- Escalate as you lack the authority to take the necessary actions.
- Maintain existing controls and do nothing further – Tolerate, (ignore opportunity).
- Consider risk treatment control and action options – Treat.
- Undertake further analysis to better understand the risk.
- Reconsider objectives – *potentially* terminate.
- Change owner of the risk – Transfer.
- Try to realize the opportunity – Enhance.
- Ensure that the opportunity is realised – Exploit.
- Involve others in order to realise the opportunity – Share.

Decisions should take account of the wider context and the actual and perceived consequences to external and internal stakeholders.

Inherent risk rating

For each of the risks listed from the risk identification process, the likelihood of the risk occurring, and its impacts are to be plotted using the criteria matrices (see below) by multiplying the numbers associated to each criteria of likelihood and impact. For example, the risk of a fraud occurring in the payroll process, *in the absence of effective controls*, could be assessed as follows:

The likelihood is considered as 'Likely' (= 4) with the Impact assessed as 'Major' (= 4).

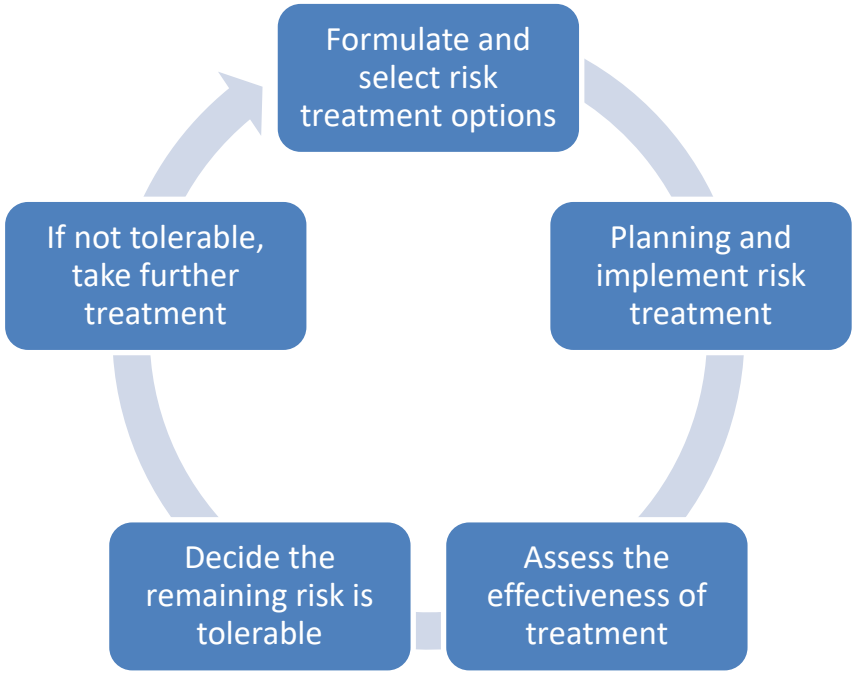
The resulting level of risk will be shown as the intersection of the two dimensions on the Risk likelihood Matrix. This provides the Inherent Risk Rating of 16 = High.

The risk matrix is broken into four shaded areas reflecting the increasing level of risk.

	Low Risk		High Risk
	Medium Risk		Severe Risk

Risk Treatment

Risk mitigation/treatment involves identifying the most appropriate responses to reducing the inherent risk level to a status acceptable within the TVCA's risk tolerance. Both controls and treatments are designed to mitigate the risk by reducing the likelihood of negative risks occurring and/or reducing the impact of risks should they occur.



Risk treatment cycle

Treat the risk. There are a number of treatment options available, and more than one can be applied to any risk. Typical treatment options include the establishment and operation of controls designed to mitigate, discourage, identify and/or limit the impact and likelihood of a risk from occurring. Most risks will have

multiple different controls in place, some intended to prevent a risk occurrence, and some will detect an occurrence whilst others are designed to respond to an occurrence. Controls are not always performed by the risk owner. For example, project or functions will have a key reliance on technology to manage controls to ensure systems are available and operating as required.

Directive Controls are those designed to establish desired outcomes.

- Setting TVCA policies, project, or functional policy/procedures
- Setting spending limits
- Setting IT configuration standards
- Laws and regulations
- Training seminars
- Job descriptions
- Meetings

Preventive Controls are designed to discourage errors or irregularities from occurring. They are proactive controls that help to ensure project or functional objectives are met.

- Training on applicable policies, project, or function policy/procedures
- Review and approval for purchase requisitions to ensure they are appropriate before purchase.
- IT access authorisations to ensure access is appropriate.
- The use of passwords to stop unauthorised access to systems/applications.
- Segregation of duties (authorisation, record keeping & custody of the related assets should not be performed by the one same individual)
- Physical control over assets
- Locking office door to discourage theft.
- Shredding documents with confidential information

Detective Controls are designed to find errors or irregularities after they have occurred.

- Cash counts; bank reconciliation
- Review of payroll reports
- Compare transactions on reports to source documents.
- Monitor actual expenditures against budget.
- Review logs for evidence of mischief
- Exception reports which list incorrect or invalid entries or transactions
- Reviews and comparisons
- Physical counts of inventories.

Corrective Controls are intended to limit the extent of any damage caused by an incident e.g. by recovering the organisation to normal working status as efficiently as possible.

- Submit corrective journal entries after discovering an error.
- Complete changes to IT access lists if individual's role changes
- Anti-virus
- System upgrades
- Additional training
- Changes to procedures.

Transfer the risk. Risk transfer may be achieved by taking out insurance to facilitate financial recovery against the realisation of a risk**:**

- Compensating a third party to own the risk because the other party is more able to effectively manage the risk.
- Risk may be wholly transferred, or partly transferred (that is, shared).
- It is important to remember that it is almost impossible to transfer risk completely. In almost all risk sharing arrangement, a degree of the original risk remains and there is inevitably financial or other consideration for the sharing of the risk. In addition, a new risk is inherited; one dependent on a third party to manage the original risk.

Terminate the risk**.** Some risks may only return to acceptable levels if the activity is terminated. Seek to eliminate the event leading to the risk while staying within the current programme baseline.

Tolerate the risk. Seeks to reduce (or eliminate) the impact, probability, or both, of the risk to some acceptable level. A risk may be accepted because:

- The probability or consequences of the risk is low or minor.
- The cost of treating the risk outweighs any potential benefit.
- The risk falls within the agency's established risk appetite and/or tolerance levels.
- TVCA has limited/no control over the risk. E.g., natural disasters, international financial market impacts, terrorism, and pandemic illnesses. To manage such risks, TVCA should have a business continuity plan in place to provide effective prevention and recovery.

Exploit the opportunity. Take actions to make the opportunity certain or to maximise the effect to improve the programme's ability to meet its objectives.

- Multiple activities are created and tracked in the programme as funded exploitation steps with start/finish dates.

Share the opportunity. Seeks to develop teaming or partnerships that will increase the opportunity's probability.

- Allocate ownership to another stakeholder to maximise the benefit for the stakeholder or to improve the performance of the programme or function.

- Collaborate with suppliers, teammates, or customers on the opportunity to increase the probability and/or benefit.

Enhance the opportunity. Seek to enhance the event or modify the exposure leading to the opportunity while staying within the current programme baseline to increase the probability of an outcome to the benefit of the programme's objectives.

- Early life cycle decision change requirements, to adjust design, acquisition method.
- A possible enhancement identified in the function or during the project that does not require additional task funding.

Ignore the opportunity. The effort (funding, schedule, labour) required for the investment outweighs the return or benefit effect of the opportunity.

- Place on a watch list to monitor.
- The benefit is not greater than the cost at this time given programme funding and resources.

When determining the most appropriate treatment, The Group should consider:

- How will the treatment modify the level of risk or opportunity?
- How do costs balance out against benefits?
- How compatible is the treatment with the overall business objectives?
- Does it comply with legislation?
- Does it introduce new or secondary risks or opportunities?

Often more than one response may be necessary to address an identified risk. In those cases, a combination of responses (controls / mitigations) should be taken into consideration.

Current control environment

To understand the extent to which the likelihood and/or impact of a risk occurring is mitigated, the full suite of controls in place must be documented and assessed for effectiveness of design and operation. The assessment should only assess controls that are currently in operation, not those that are planned.

Where controls are operated by a third party (e.g., Supplier, Technology), discussions with the control owner should take place to ensure there is an appropriate assessment of the control that takes into consideration the views of the control owner and the risk owner.

Control Rating

The table below should be provided to assist in the assessment of the controls in use. The control rating is the subjective view of the risk owner and the control owner(s) and is reflective of the effectiveness of all the controls i.e., controls are not rated individually.

Control Rating	Description
Excellent	Controls are well designed, documented and address the root cause. Controls are effective and reliable at all times Nothing more to be done except review and monitor the existing controls Likely to be automated and regularly performed
Good	Most controls are designed correctly and in place, documented and effective Some work needs to be done to improve operating effectiveness Management has some doubts about operational effectiveness or reliability
Fair	Design of the controls may be largely correct in that they treat most of the causes of the risk, they are currently not effective, or Some controls are not correctly designed - they do not operate effectively May be manually performed and/or infrequent
Poor	Significant control gaps exist. Controls do not treat root causes, do not operate effectively, or are not documented Manual and infrequently performed
Unknown	Controls and status are unknown

Residual risk

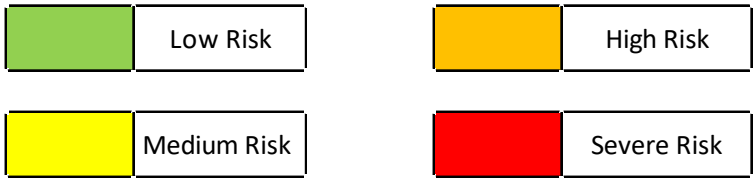
When the controls have been assessed and rated, the residual risk (the amount of risk left over after inherent risks have been reduced by controls) rating is determined.

For each of the risks listed from the risk identification process, the residual likelihood of occurrence and potential impacts is plotted by multiplying the numbers associated to each criteria of likelihood and impact. For example, the risk of a fraud occurring in the payroll process, *taking into consideration the effectiveness of controls in place (considered 'Good')*, could now be reassessed as follows:

The likelihood is rare (= 1) with the impact assessed as now moderate (= 3).

The resulting residual risk (1 x 3 = 3) will be shown as the intersection of the two dimensions on the matrix (see below). This provides the residual risk level of 3 = Low. It is likely that no further actions would be required to further mitigate this risk.

The matrix is broken into four shaded areas reflecting the increasing level of risk.



Alternatively, if controls in place to mitigate a fraud occurring in the payroll process are determined to be 'Poor', the inherent risk could be reassessed as follows:

The likelihood is possible (= 3) with the impact assessed as still major (= 4).

The resulting residual risk (3 x 4 = 12) would be High. In these circumstances, the residual risk would be outside of appetite and would require actions to address the controls gaps or weaknesses to further mitigate the likelihood or impact of the risk occurring.

Target Risk

Each risk will be allocated a target risk score which every endeavour must be made to attain. This gives confidence that the threat/opportunity is being managed at the optimal level.

Action plans

Where control weaknesses are identified and the decision is taken that further mitigation is required (i.e., the residual exposure is not accepted), an action plan must be established.

For project-based risk assessments, the risk treatment action plan provides the project manager with a tool to continuously monitor project improvement through the implementation of the plan. Issues and delivered risks identified through the course of the project must be assessed and included in the project risk register, having gone through the full risk assessment process outlined above. This will ensure the continuing relevance of the risk assessment.

All actions must be:

- Owned: who is responsible for ensuring the action is addressed
- Specific: the exact activities that will be undertaken
- Timely: must be completed within appropriate time frames, commensurate with the significance of the gap/weakness
- Achievable: the action/activities must be realistic to ensure appropriate mitigation
- Measurable: it must be possible to quantify the action or have a means of assessing progress
- Justified: can demonstrate a further reduction in the residual likelihood and/or impact
- Governed: tracked, managed, and reported.

Monitor and review.

The risk assessment process provides a snap shot of The Group risks, controls and action plans at a given point of time as shown in the risk register. An individual risk lifecycle is shown below.

Aggregated programme risk reporting is to be conducted at a 2-monthly interval with project and business functions reporting through the Head of Performance, Risk and Assurance. Monthly reviews of risk occur at the function and project-to-programme level.

The residual risk impact and likelihoods and control effectiveness ratings are to be reflected on a one-page impact matrix with supporting opinion and insight on risks, controls, and actions – the risk profile.

The context in which TVCA operates is fluid, therefore the threats on our objectives continually change. So, assumptions must be reviewed and the response strategies which have been made are to be assessed to ensure they remain adequate. As a result, the risk management process is iterative and should be the subject of a structured monitoring and review process.

Risk Closure, Issue realisation

Risk could be closed in three cases:

- When the period in which a risk event can occur has passed;
- When the scope of a project is amended, and a risk becomes irrelevant (avoided);
- When a risk is addressed well and reduced to acceptable level.

Closed risks become part of a project's legacy information. Otherwise, a risk should stay active.

When a risk is realised it is an **Issue**. Issues require a response with an action plan using the organisation's project management tools. The contingency plan for an issue may be included within the risk register. The contingency plan outlines what to do if the risk is in close proximity and likelihood is increasing or the current controls are not working. Issues are to be owned, actioned, and reported.

Continuous review of risks

Risk and the effectiveness of control measures to manage risk need to be monitored on an ongoing basis to ensure changing circumstances, such as the political environment and the TVCA's strategic objectives and risk appetite do not alter the risk evaluation profiles and adequacy assessments. New risks or deficiencies in existing mitigation strategies may be identified via a number of sources:

- Changes in the strategic objectives
- Regular review of the identified risks and mitigation strategies
- The annual internal audit programme
- Ongoing monitoring by various Committees
- New legislation
- New accounting standards, guidelines, or information from any regulator
- IT outages
- Complaints
- Regulatory / Compliance breaches
- Incidents
- External Audit
- Projects or Change Initiatives

Internal audit will provide particular attention to those controls, mitigation activities or other responses identified through the risk assessment as having significant priority. In addition, the risk assessment process, including the framework, will be monitored, evaluated, and reviewed by the Internal Auditor.

Risks are to be monitored and reviewed by the responsible manager/officer on an ongoing basis and reported to committees on at least a two-monthly interval. The effectiveness of risk responses will be continuously monitored by the responsible manager/officer and reviewed six monthly.

Any material change to the master plan will trigger a review of the risk management framework, most particularly the risk appetite and the risk management process.

Communication and consultation

Communication and consultation with internal and external stakeholders are important elements at each step of the risk management process. Effective communication is essential to ensure that those responsible for implementing risk management and those with a vested interest understand the basis on which risk management decisions are made and why particular actions are required.

Output from the strategic risk assessment and business unit risk assessments are to be used as input to the business planning process. That input will include risk response plans. Internal audit will use the information from the business planning risk assessments, in particular the risk response plans, to assist with development of the internal audit plan.

Risk Framework Performance Monitoring

Risk management performance indicators include:

- Report to Audit & Governance Committee on status High & Severe rated risks, overall distribution and direction of identified risks, % Audit Actions completed on time.
- Reports to Senior Leadership team on status high & severe rated risks, overall distribution, and direction of identified risks, % of high & severe risk control actions on track, risk management maturity improvement targets met.

Risk Training

To ensure the successful implementation of risk management throughout the organisation, it is planned that appropriate training in risk management will be provided to staff and managers. Training should encompass the risk management process, application of risk management tools, assistance with identification and analysis of TVCA's risk exposures, risk profiling and reporting.

In addition, the organisation's Risk Management Team will coordinate with People and HR Function/Business Function Managers and all projects to work towards ensuring:

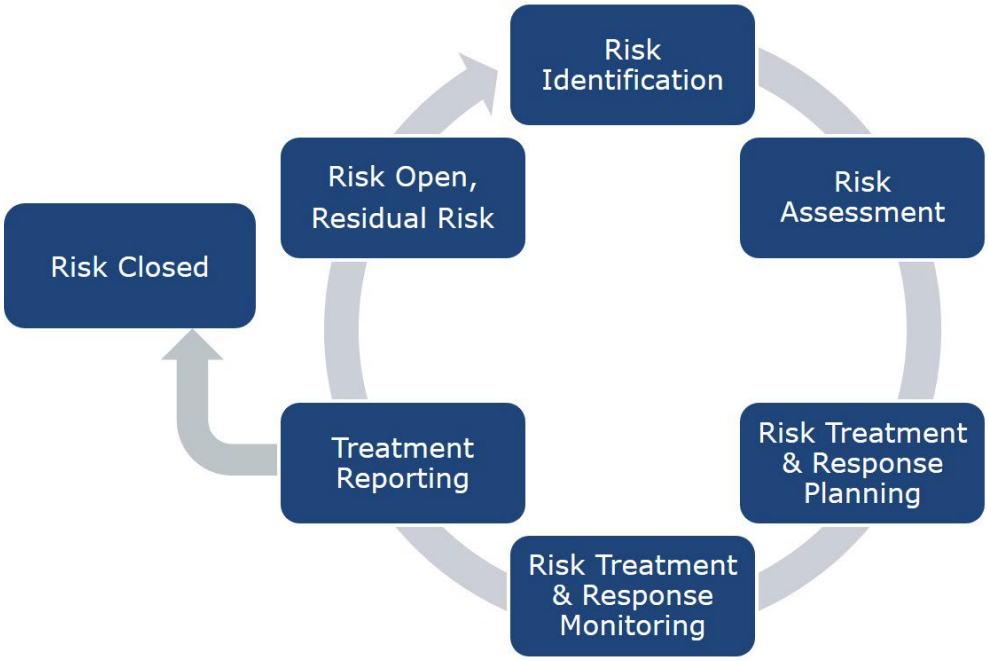
- Induction training will include Risk Management, Fraud awareness and Employee Code of Conduct.
- Employees receive regular Risk Management awareness update training.
- Any updates and changes to the Risk Management Policy, framework related policies, procedures.
- Codes of Conduct, ethics etc. are circulated to all employees via the Intranet or email where deemed necessary.

Appendix 1. Risk Glossary

TVCA has adopted the following Risk Management definitions from the ISO 31000:2018

Terminology	Explanation
Risk	The effect of uncertainty on objective described as the combination of likelihood and impact, including perceived importance.
Risk Appetite	The level of risk that the A&GC is prepared to accept, tolerate, or be exposed to at any point in time.
Risk Assessment	The overall process of risk analysis and risk evaluation.
Risk Analysis	A systematic use of available information to determine what events may occur, the likelihood of occurrence and the magnitude of their consequences.
Likelihood	The possibility of an event happening (probability).
Impact	The outcome of an event expressed either in financial terms or qualitatively, being a loss, injury, disadvantage, or gain (impact).
Inherent Risk	The risk that an activity would pose if no controls or other mitigating factors were in place (the gross risk or risk before controls)
Control	Controls or mitigating actions in place to prevent, detect, minimise the impact of an identified risk.
Residual Risk	The risk level remaining after taking account the effectiveness of current controls or mitigating actions in place.
Target risk	The risk level which is required to ensure the best possible outcome of the organisation is attained.
Risk Treatment / Action Plan	The additional controls / mitigation action required to ensure that the risk appetite level is achieved.
Risk Profile	The residual risk impact and likelihoods and control effectiveness ratings can be reflected on a one-page Heat Map with supporting opinion and insight on risks, controls, and actions – the Risk Profile.
ALARP	As low as is reasonably practicable. That the degree of risk in a particular activity or environment can be balanced against the time, trouble, cost, and physical difficulty of taking measures to avoid the risk.

Appendix 2. Risk Lifecycle



Appendix 3. Opportunity Lifecycle

Appendix 4. Risk Appetite Statement

The HM Orange Book and ISO principles have been considered to ensure these align with standard risk management processes and frameworks. These risk types have also been allocated an approach in how we classify and prioritise responses to manage and mitigate risk; Minimalist, Cautious, Open.

Risk Type	Description	Approach
Strategy	Pursuing a strategy which is poorly defined and/or not aligned to objectives.	Minimalist
Financial	Poor management of finances, assets, and liabilities.	Cautious
Security	Failing to prevent unauthorised/inappropriate access (including cyber).	Minimalist
Governance	Unclear authorities, accountabilities, and oversight.	Minimalist
Commercial	Weak management of commercial partnerships, supply chains and contracts.	Cautious
Project/Programme	Project/Programmes are not aligned with priorities, or fail to deliver on cost, quality, time.	Cautious
Operations	Inadequate internal processes.	Minimalist
People	Poor leadership & engagement, culture, behaviours.	Cautious
Reputation	Ethical violations, poor sustainability, repeated failures, or poor quality.	Cautious
Legal	Defective transactions, claims, failure to meet legal/regulatory requirements.	Minimalist
Technology	technology not delivering the expected services.	Cautious
SHE	Deficiencies/poor management leading to non-compliance or harm.	Minimalist
Information	Failing to produce and exploit data/information to its full potential.	Cautious

Appendix 5. Risk Approach

Risk Approach	Description	Tolerance
Open	Flexible to reasonable risk taking, fully willing to accept uncertain outcomes. Where options exist, will choose the option with highest benefit, and accept possibility of failure. Willing to trade-off this objective against the achievement of other objectives.	Thirteen - Eighteen
Cautious	Accept uncertainty when it can be actively monitored and measured. Limited willingness to accept uncertain outcomes. Where options exist, will accept limited if favourable risk-reward outcome. Prefer to avoid trading off this objective for the achievement of others.	Six - Twelve
Minimalist	Close to zero tolerance for risk, unwilling to accept uncertain outcomes. Where options exist, will select thew lowest risk option. Unwilling to trade-off this objective for others.	One to Five