



Combined Authority Cabinet
Tees Valley Combined Authority Cabinet (Extraordinary Meeting) Agenda
Tees Valley Combined Authority Cabinet

Date: Wednesday, 14 May 2025, at 3pm

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

Membership:

Mayor Ben Houchen (Tees Valley Mayor) (Chair)
Councillor Stephen Harker (Leader of Darlington Borough Council)
Councillor Brenda Harrison (Leader of Hartlepool Borough Council)
Mayor Chris Cooke (Mayor of Middlesbrough)
Councillor Alec Brown (Leader of Redcar and Cleveland Borough Council)
Councillor Lisa Evans (Leader of Stockton-On-Tees Borough Council)
Siobhan McArdle (Chair of Tees Valley Business Board) (Non-voting member)

Tees Valley Combined Authority Cabinet
Agenda



Agenda

1. Apologies for Absence

To receive any apologies for absence.

2. Declarations of Interest

To receive any declarations of interest.

3. Tees Valley Combined Authority – External audit update and issuance of statutory recommendations- TVCA proposed response

To receive a report regarding a letter from External Auditors in respect of Statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2024 and the proposed response from Tees Valley Combined Authority.

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: The Governance Team, - tvccgovernance@teesvalley-ca.gov.uk



Tees Valley Combined Authority Declaration of Interests Procedures

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

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.
3. There are two types of personal interests covered by the constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. The constituent councils of the Combined Authority are closely integrated with its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict

Anything is possible

of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, 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

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

Register of Interests

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

Declaration of Interests at Meetings

8. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
9. 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.
10. 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



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

Tees Valley Combined Authority – External audit update and issuance of recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2024

SUMMARY

The purpose of this report is to seek acceptance of the recommendations under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2024 following receipt of a letter from the Authority's external auditors Ernst and Young LLP, and approval of the Tees Valley Combined Authority response.

The proposed Combined Authority response will be incorporated into the Best Value Notice Improvement Plan, to ensure a holistic approach to continued organisational improvement.

A summary table of the statutory recommendations and how they are proposed to be addressed is provided below with the full recommendation text shown at paragraph 4: -

Statutory recommendation	Report paragraphs	Appendix
Capacity of the Finance Team	10-12	3
Process for public inspection	13-15	4
2024-25 year-end timetable	16-17	5

RECOMMENDATIONS

It is recommended that the Cabinet:

- i. **NOTES** the content of the letter from Ernst & Young LLP, included at **Appendix 1**;
- ii. **ACCEPTS** the three statutory recommendations and other actions as detailed in the letter referred to in (i) above and detailed in Paragraph 4 of this Report;

- iii. APPROVES the action to be taken to address the three statutory recommendations and other actions set out within this report at paragraphs 8-17 and at **Appendices 2-5**; and
- iv. APPROVES the proposed reporting arrangements as identified in paragraph 19 of this Report.

DETAIL

Background

1. Ernst and Young LLP (“the External Auditors”) were appointed as the Combined Authority external auditors as part of the national Public Sector Auditor Appointments process, with work commencing for the 2023/24 financial year financial statements. The first Audit Completion report for those charged with Governance for the 2023/24 financial year concluded that the finance teams had insufficient capacity to properly manage the activities of the Authority. This was reported to Audit and Governance Committee on 26 February 2025 and management responded at that time to the Committee and External Auditors with updates regarding the additional new members of staff that had been recruited into the team to address this risk. Management updated the Audit and Governance Committee, including the External Auditors, on the risks of recruitment due to the ongoing Independent Review activity that had been running since January 2024.
2. The External Auditors have written to management on 15 April 2025 issuing three recommendations under Section 24, Schedule 7 (2) of the Local Audit and Accountability Act 2014.
3. Section 24, Schedule 7 (2) of the Local Audit and Accountability Act 2014 states that: -

“A local auditor of the accounts of a relevant authority may make a written recommendation to the authority relating to the authority or an entity connected with it, so that the recommendation can be considered under this Schedule.

(2) A recommendation may be made during or at the end of an audit.

(3) A recommendation must be sent at the time it is made—

 - (a) to the Secretary of State,
 - (b) where the recommendation relates to an entity connected with the relevant authority, to that entity and to any other relevant authority with which the entity is connected,

(c)where the relevant authority is itself a connected entity, to its related authority or authorities.”

4. A copy of the External Auditor letter is provided at **Appendix 1** to this report and a summary of the three recommendations and other actions are set out within this letter, with the recommendations set out below:
 1. We recommend that the Authority review the capacity within the Finance team to ensure that there is sufficient capacity to support the breadth of its activities, including supporting the internal and external audit work programmes, and meet its statutory reporting obligations.
 2. We recommend that the Authority reviews its processes around the public inspection period to ensure that it fully understands the statutory requirements of the inspection period and has arrangements to ensure that these requirements are satisfied.
 3. We recommend that the Authority sets out a clear timetable for production of its 2024/25 Statement of Accounts, including the Annual Governance Statement, which supports commencement of the public inspection period by the statutory deadline of 1 July 2025, and support for the audit of those statements which concludes no later than 30 November 2025, and puts in place the resources necessary to support this timetable.
5. In line with the legislative requirements, a copy of this letter has also been sent to the Secretary of State and the External Auditors have confirmed within this letter that they intend to issue these recommendations to all three Development Corporations.
6. The letter states that the Authority must consider these statutory recommendations at a public meeting held before the end of the period of one month beginning with the day on which they were sent to the Authority. The deadline date for a response is therefore **14th May 2025**. At that public meeting, the Authority must decide whether the recommendations are to be accepted and what, if any, action to take in response to these recommendations. This report seeks full acceptance of these statutory recommendations and other actions, and approval of the proposed response.
7. The proposed Combined Authority response will be incorporated into the Best Value Notice Improvement Plan, to ensure a holistic approach to continued organisational improvement. There is a commitment to this continued improvement following the Independent Review, the recent Best Value Improvement Notice and these statutory recommendations. The proposed response contained within this report has been developed collaboratively with the constituent local authorities.

Planning and quality assurance

8. The management of the delivery of the response to the External Audit statutory recommendations will be through a master action plan that incorporates; key milestones of delivery, clear ownership of these milestone actions, transparent change control process and regular quality assurance meetings covering: -
 - Weekly – Audit Lead, Group Financial Controller & team members
 - Fortnightly – Audit Partner, Audit Lead, Group Director of Finance and Resources and Group Financial Controller
 - Monthly – Senior Audit Partner, Audit Partner, TVCA Chief Executive, Group Director of Finance and Resources and Group Financial Controller
9. A copy of the proposed action plan is provided at **Appendix 2**. A regular log of audit actions will be maintained and tracked throughout the duration of the audit and will incorporate any actions on the External Auditor portal to ensure all live actions are proactively managed.

Capacity and capability of the Finance team

10. The proposed approach to delivering further capacity and ensuring the appropriate level of capability across the Finance team has short, medium and long-term stages of activity. The first is short term Finance team resource needs to support the next 6-7 months of activity, which will incorporate additional interim resources to support the team through the financial year end period and provide project support to operational service areas. The second is medium term resource requirements that will be assessed and benchmarked as part of a review of the Finance team capacity and capability to ensure a sustainable solution that meets current and forecast future demands to support the objectives of TVCA. The third is the long-term embedding of this capacity and capability to ensure a high-performing finance function including services such as Internal Audit.
11. The current Finance Team has four new starters in place since previous year-end processes and continues to recruit further interim support resources with immediate availability to commence work for the first stage of resource needs. There is one further new starter confirmed and due to commence in this period alongside a further interim currently being finalised. The interim resources under consideration are fully qualified accountants with the appropriate capability and significant experience in the public sector accounting sector.
12. A review of the finance team capacity and capability requirements is underway, led by the Group Director of Finance and Resources, with initial benchmarking activity being undertaken across other similar organisations. This review will be coordinated by separate resources to the team focused on detailed 2024/25 year-end activity to ensure it does not compromise the effective delivery of the

2024/25 process. A scope and timetable for this review is set out at **Appendix 3** and this includes collaborative work with the constituent local authorities and the Local Government Association (LGA). This will also be reported to the Best Value Notice Independent Improvement Board alongside the full response to the statutory recommendations in this report. The detail at **Appendix 3** also provides the current baseline position in respect of capacity and capability within the team.

Review of processes around the public inspection period

13. The Combined Authority has reviewed all the legislative provisions in respect of the public inspection period for accounts and the internal processes within the organisation to ensure compliance with all public inspection periods going forward.
14. This work has led to the production of a plan providing detail of the legislative provisions and the accompanying internal processes. The details of this are set out at **Appendix 4** to this report. This appendix includes a full timetable for the 2024/25 financial year public inspection of accounts period based on the 2024/25 year-end timetable to ensure all steps are fully understood and have accountable officers within the organisation for delivery. This timetable is set to meet the commencement of the public inspection period by the statutory deadline of the 1 July 2025. Progress against the timetable will be monitored closely by the TVCA Chief Executive and Group Director of Finance & Resources and there will be close engagement at a senior level with the External Auditor.
15. The publication of the notice of the inspection of accounts period will also be included on the TVCA website in the following section: [Annual Statement of Accounts - About](#).

Timetable for the production of 2024/25 Statement of Accounts, including the Annual Governance Statement

16. The 2024/25 year-end timetable has been updated to reflect the feedback from External Auditors and the first stage review of internal capacity and resources within the Finance Team as set out above. Following this work, a robust timetable for production of the 2024/25 Statement of Accounts, including the Annual Governance Statement, is provided at **Appendix 5**. This will support the commencement of the public inspection period by the statutory deadline of 1 July 2025 and support the audit of those statements, which must conclude no later than 30 November 2025.
17. The resource plan set out earlier in this report will ensure that there is sufficient resource in place to support delivery to this timetable.

Conclusion

18. It is proposed that Cabinet fully accepts the statutory recommendations and other actions set out in the External Auditor letter and agrees to the proposed actions set out in paragraphs 8-17 above, and covered in more detail in **Appendices 2-5**, to address these recommendations and other actions fully.
19. The proposed reporting of progress against these actions will be through the following means to ensure a collaborative approach through the appropriate governance: -
 - **TVCA Cabinet** – Cabinet will be provided with an update from the TVCA Audit and Governance Committee, which will incorporate Management and External Auditor progress updates on the 2024/25 year end timetable that are provided to the Committee. The plan is to provide Cabinet with updates at regular intervals throughout the year end timetable, including at the end of May, end of June, end of September, end of November.
 - **Local Authorities** – Tees Valley Finance Directors group will receive update reports on progress and will also provide advice and support as required for all activities listed within this report. Tees Valley Chief Executives group will also receive update reports on progress during the 2024/25 year-end process.
 - **TVCA Audit and Governance Committee** – has the following responsibilities within its Terms of Reference: -
 - i. **External Audit**
To consider:
 - the external auditor's annual letter/relevant reports/and the report to those charged with governance.
 - specific reports as agreed with the external auditor and comment on the scope and depth of external audit work, ensuring it gives value for money.
 - ii. **Financial Reporting**
To review the annual statement of accounts and to consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
 - iii. **Accountability Arrangements**
To report:
 - to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal/external audit functions

- **Best Value Notice Independent Improvement Board** – This Board is currently being established and the Terms of Reference for the Board are proposed to include the requirement to be provided with assurances that the statutory recommendations and other actions have been addressed. For information a copy of the Best Value Improvement Notice letter is also provided at **Appendix 6** of this report.

20. The TVCA Audit and Governance Committee Chair has received an initial briefing on the statutory recommendations letter and agreed that a full update on the letter, the TVCA response and action plan be reported to the next Committee meeting. The Committee will monitor performance of this plan throughout the year-end timetable and request updates from External Auditors as part of this activity.

21. The External Audit team have confirmed the following extract of the Local Audit and Accountability Act 2014 (Schedule 7, paragraph 10), which sets out the following requirement for work with the External Auditors following decisions for this paper: -

- 10(1)As soon as is practicable after making decisions under paragraph 5(6) or (7) or 6(6), a relevant authority must—
 - (a)notify the authority's local auditor of those decisions, and
 - (b)publish a notice containing a summary of those decisions which has been approved by the auditor.

FINANCIAL IMPLICATIONS

22. The additional initial capacity increases in the finance team are factored into the 2025/26 Budget. The TVCA Chief Executive has approved the additional resources necessary to deliver the annual financial statements and Governance statement requirements and is leading the work on the review of the Finance team capacity to meet current and future needs of the Authority.

23. The TVCA Chief Executive will also keep the sustainable resourcing of the Finance team under regular review to ensure that this level of resourcing is maintained and supported throughout each financial year.

24. The financial implications of any additional work due to additional activities required to be supported by the finance team, such as the Best Value Improvement Notice activity, will also be kept under review to ensure appropriate levels of resources are in place to manage these activities.

LEGAL IMPLICATIONS

25. The main body of this report sets out the legislative framework by which the External Auditors have made their statutory recommendations to the Combined Authority.
26. Under Section 24, Schedule 7 (5) of the Local Audit and Accountability Act 2014 ('the Act'), the Combined Authority must consider the recommendations at a meeting to be held one month from the date the letter was sent by the External Auditors. The Act states that at the meeting the Combined Authority must decide:
 - Whether the recommendation is accepted, and
 - What, if any, action to take in response to the recommendation.
27. On conclusion of the decision of Cabinet the Combined Authority is required under the Act to notify the Auditor of its decision and publish a notice containing a summary of those decisions which have been approved by the Auditor.
28. The Combined Authority is discharging its legal duty under the Act by holding this public meeting with Cabinet.

RISK ASSESSMENT

29. The following key risks are being updated and managed as part of the process to deliver these recommendations.
 - *RISK00002990*: Risk that Finance Team Capacity leads to failure to deliver required services - this has been updated to reflect the receipt of the latest External Auditor letter, Best Value Improvement Notice, financial year end and the latest operational planning requirements for service delivery going forward.
 - *RISK00002495*: Risk that failure to publish our draft accounts on time may result in significant reputational damages.

CONSULTATION & COMMUNICATION

30. This report has been consulted with Tees Valley Finance Directors, Chief Executives, Monitoring Officers and Cabinet to ensure all statutory officers have



been briefed on the content of this report and the proposed actions arising from the report. The Chair of TVCA Audit and Governance Committee has also received briefings and provided feedback incorporated into the proposals within this report.

31. This report has also been shared and consulted on with the LGA as part of the ongoing work in respect of the Best Value Improvement Notice. The LGA team have provided feedback that has been incorporated into the proposals contained within this report.

EQUALITY & DIVERSITY

32. There are no equality or diversity issues associated with the recommendations in this report.

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Post Title:
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with confidence

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Members of Cabinet
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15 April 2025

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Dear Members of Cabinet

Tees Valley Combined Authority – External audit update and issuance of recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014

Background

In our Completion Report for Those Charged with Governance for our 2023/24 audit presented to the Audit and Governance Committee on 26 February 2025 we reported that we had observed evidence which lead us to conclude that there was insufficient capacity within the Authority's Finance and Risk and Assurance teams to properly manage the Authority's activities, and those activities of other group bodies for which the Authority's Finance and Risk and Assurance teams have responsibility, during the 2023/24 financial year.

We also reported that these capacity limitations meant the Authority did not comply with its statutory reporting obligations, including timeliness of financial statements publication, and impacted the level of assurance the Authority was able to obtain over the operating effectiveness of its internal controls by delaying the work of its internal auditor. Since 31 March 2024, the Authority has transferred responsibility for supporting internal audit in the delivery of their work from the Risk and Assurance team to the Finance team.

A full extract of the relevant commentary from our Completion Report for Those Charged with Governance is provided below:

The Accounts and Audit Regulations 2015 required the Authority to commence the public inspection period of its draft 2023/24 financial statements no later than 1 June 2024. The Authority did not meet this deadline, as it published its draft financial statements on 29 September 2024 and commenced the public inspection period on 1 October 2024. A significant contributor to the delays in the publication of the Authority's draft financial statements was the impact on the Authority's finance team of both the 2021/22 and 2022/23 external audits being ongoing (both concluded in December 2024) and the need to support the independent review into South Tees Development Corporation and the Teesworks joint venture.

In addition, the Accounts and Audit Regulations 2015 require that the draft financial statements made available during the inspection period are accompanied by the Annual Governance Statement and the Narrative Report. Our view is that the Authority did not meet this requirement as it did not publish the Annual Governance Statement alongside the draft financial statements. This was raised to the Authority in December 2024 and management acknowledge that the Annual Governance Statement should have been published for inspection at the same time as the financial statements. The Annual Governance Statement has subsequently been published on the website as part of the public January 2025 Audit and Governance Committee papers, and management is looking in to whether this is sufficient to meet the requirements of the

regulations. At the time of writing this report we are yet to receive management's conclusion on this matter, and the supporting rationale for the conclusion reached. Given the inspection period has not been re-commenced as we recommended in December, and should management conclude that they believe they have complied with the Regulations we will be required to go through an internal consultation process on whether we can accept this view, the Authority will now miss the 28 February 2025 backstop date for finalisation of its 2023/24 Statement of Accounts.

The Authority has three wholly-controlled subsidiaries (STDC, Hartlepool Development Corporation (HDC) and Middlesbrough Development Corporation (MDC)) for which the Authority's finance team is also responsible for the production of the entity's annual financial statements. Commencement of the public inspection period for the draft 2023/24 financial statements for these entities also did not meet the requirements of the Accounts and Audit Regulations 2015, commencing on 19 September 2024 (for STDC) and 20 January 2025 (for HDC and MDC). As for the Authority, our view is that the inspection period for STDC also did not meet the requirement for the Annual Governance Statement to be made available for inspection. The Annual Governance Statements were made available for inspection for HDC and MDC, however we are challenging management on whether the commencement date for the inspection periods of these bodies has been determined in accordance with the requirements of the Accounts and Audit Regulations 2015.

For the 2023/24 financial year, the Authority changed its internal auditor from RSM to TIAA. The Authority's new internal auditor issued their annual audit plan in August 2023, proposing 7 audits. None of the planned audits were completed during the 2023/24 financial year, with 6 of the audits being completed between May 2024 and January 2025 and 1 deferred into the 2024/25 internal audit work programme. When internal audit were able to complete their work programme, their conclusion was that 'substantial assurance' could be obtained for two of their reviews and 'reasonable assurance' for three of their reviews. The final review was a follow-up on previous recommendations and did not offer an overall conclusion. The capacity of the Authority's risk & assurance team to support the Authority's new internal auditor in the execution of internal audit reviews was a significant factor in the delayed delivery of the Authority's internal audit work programme, in part as the same team was supporting the Authority in responding to the Tees Valley Review. Since 31 March 2024, the Authority has transferred responsibility for supporting internal audit in the delivery of their work from the risk & assurance team to the finance team.

Completion of the 2023/24 audit

As highlighted within the above commentary, we informed the Authority in December 2024 of our assessment that the Authority had not met the public inspection period requirements of the Accounts and Audit Regulations 2015 due to the fact the Annual Governance Statement was not published for inspection alongside the draft financial statements.

Both prior to and during the Audit and Governance Committee meeting on 26 February 2025, management of the Authority advised that they were assessing whether or not subsequent publication of the Annual Governance Statement within the public papers for the Audit and Governance Committee meeting on 16 January 2025 was sufficient to meet the public inspection requirements of the Accounts and Audit Regulations 2015.

We wrote to management again on 13 March 2025 requesting an update on their proposals for the inspection period, but did not receive a response until the Authority advised that it had recommenced the public inspection period on 4 April 2025.

The public inspection period is required by the Accounts and Audit Regulations 2015 to be run for a period of 30 working days, and we require this statutory requirement to have been satisfied before we are able to conclude our audit and issue our auditor's report. The earliest date at which we therefore expect to be able to conclude our 2023/24 audit is the date following the completion of the public inspection period, being 21 May 2025.

In light of our conclusion that there was insufficient capacity within the Authority's Finance and Risk and Assurance teams to properly manage the Authority's activities, the Authority also committed to update the Annual Governance Statement to reflect our observations in this area as well as other observations on the Annual Governance Statement reported in our Completion Report for Those Charged with Governance. Management informed us that an updated Annual Governance Statement is available on the website, but this version does not include all of the changes we expected. We included this matter in our correspondence to management on 13 March 2025, along with the fact we were still awaiting responses to our written enquiries of the Authority's Monitoring Officer issued on 8 January 2025. These responses were subsequently received on 1 April 2025.

As a result of these matters, there is a significant delay in the completion of the 2023/24 audit beyond the statutory backstop date of 28 February 2025 imposed by the Accounts and Audit (Amendment) Regulations 2024.

Performance of the 2024/25 audit

The audit opinions over the Authority's financial statements for the periods ended 31 March 2022 and 31 March 2023 were disclaimed by the Authority's previous auditor, and our opinion over the financial statements for the period ended 31 March 2024 will also be disclaimed as set out in our Completion Report for Those Charged with Governance once the above matters have been resolved.

The process to rebuild assurance over the Authority's financial statements following 3 years of disclaimed audit opinions will itself take several years. It is therefore important that the period for which audit procedures cannot be completed does not extend beyond the year ended 31 March 2024, to take the first steps in rebuilding assurance over the financial statements of the Authority in line with the Local Auditor Reset and Recovery Implementation Guidance (LARRIG) issued by the National Audit Office.

The delayed completion of the 2023/24 audit has had a consequential impact on the delivery of our 2024/25 audit. We agreed with management in January 2025 that the Authority could prioritise providing support to the completion of the 2023/24 audit over planning work for the 2024/25 audit – other than the matters noted above this primarily related to supporting completion of our value for money procedures, the results of which were reported in our Completion Report for Those Charged with Governance in February 2025.

Since concluding our value for money work in relation to our 2023/24 audit in early February 2025, we have sought to engage with the Authority on planning for our 2024/25 audit; however, we have received only limited engagement with our audit from the Authority and encountered a number of challenges in being able to progress with our audit planning procedures which is of significant concern. The challenges faced include:

- Difficulties obtaining a copy of the Authority's general ledger for us to perform our data analysis to understand transaction flows and inform our risk assessment procedures. Detailed instructions on how to securely provide general ledger data to us were provided on 27 January 2025, however we are still waiting to receive this despite multiple follow-ups.

- We previously agreed with management the importance of an audit planning meeting in March 2025 to facilitate the best possible start to the 2024/25 audit. We have made multiple requests for diary availability to arrange a planning meeting, and also followed up in our correspondence of 13 March 2025, but were unable to hold a planning meeting until 7 April 2025. This meeting focused on the recent issuance of the Best Value notice and a further meeting is required to understand significant events and transactions of the Authority to inform our detailed risk assessment. As our audit opinion was disclaimed for our first year as your new auditor, it is critical that we build our understanding of your business and understand any unusual transactions within the financial statements for 2024/25 and the disclaimed periods to inform our risk assessment procedures.
- Delays in our ability to complete our walkthrough procedures of key financial reporting processes. With the exception of payroll, the Authority had advised us that relevant teams did not have capacity to support the performance of our walkthrough procedures until April 2025. Further walkthrough procedures are likely to be required once we receive general ledger data and are able to analyse how financial data flows through your IT systems.
- Failure to inform us as your external auditor in a timely manner of significant governance changes within the Authority and wider group. Whilst we did receive a notification of proposed changes in governance structures from the Authority's Mayor, this appeared to be a general notification issued to multiple stakeholders and came after we had observed reporting of the proposed changes in local media. As your external auditor, we would expect to be informed of significant changes impacting the governance of the Authority – including changes in statutory officer positions – before learning of them from media reports.
- A general lack of responsiveness to our audit enquiries, in particular where made by more junior members of the audit team, with enquiries only being acknowledged, and not necessarily responded to, when followed-up by more senior members of the audit team and/or shortly before key governance meetings such as the Audit and Governance Committee held on 10 April 2025.

As a result of these issues, we reached a point where we were not able to make any further meaningful progress on the delivery of your 2024/25 audit until there was more active participation in the audit process from the Authority. We have had to release audit resources put in place to perform our audit planning procedures, and our ability to reschedule this resource has been delayed until we receive confirmation from management as to when the information and engagement necessary to utilise our resources efficiently will be provided.

Consequently, delivery of your 2024/25 audit is already behind schedule and will need to be 'recovered' as the audit progresses as there is a significant risk emerging in relation to the overall audit timetable and our ability to conclude our audit procedures ahead of the statutory backstop date for 2024/25 audits of 27 February 2026.

Our conclusions

The matters set out above, most notably the delay in action by the Authority to address the public inspection period requirements necessary to conclude the 2023/24 audit and the limited engagement with the 2024/25 external audit process, are indicative that the capacity challenges within the Authority's finance team highlighted in our value for money commentary for the period ended 31 March 2024 are ongoing and significantly impacting on the Authority's ability to meet its statutory reporting obligations.

We consider these capacity challenges, their impact upon the Authority's current arrangements and the potential impact upon the Authority's future arrangements, if appropriate action is not taken, to be a significant concern. Accordingly, we deem it appropriate to issue the following recommendations to the Authority as statutory recommendations under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

1. We recommend that the Authority review the capacity within the Finance team to ensure that there is sufficient capacity to support the breadth of its activities, including supporting the internal and external audit work programmes, and meet its statutory reporting obligations.
2. We recommend that the Authority reviews its processes around the public inspection period to ensure that it fully understands the statutory requirements of the inspection period and has arrangements to ensure that these requirements are satisfied.
3. We recommend that the Authority sets out a clear timetable for production of its 2024/25 Statement of Accounts, including the Annual Governance Statement, which supports commencement of the public inspection period by the statutory deadline of 1 July 2025, and support for the audit of those statements which concludes no later than 30 November 2025, and puts in place the resources necessary to support this timetable.

The Authority must consider these recommendations at a public meeting held before the end of the period of one month beginning with the day on which they were sent to the Authority. At that public meeting, the Authority must decide whether the recommendations are to be accepted and what, if any, action to take in response to these recommendations.

We will also write to the South Tees Development Corporation, Hartlepool Development Corporation and Middlesbrough Development Corporation, as bodies in the Tees Valley Combined Authority group who rely on the same finance team and whose audits have also been impacted by the observed capacity challenges, to make statutory recommendations under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014 to those bodies which reflect their different relationships with the Authority and its finance team.

A copy of this letter has been sent to the Secretary of State for Housing, Communities and Local Government.

Yours sincerely



Stephen Reid
Partner
Head of UK Government and Public Sector Audit
for and on behalf of Ernst & Young LLP

1. Recommendation 1					Workstream lead: Group Director of Finance and Resources	RAG	LATEST UPDATE LOG
Ref:	Key tasks / milestones	Lead officer	Start	End			
S1.01	Interim review of critical Finance, Risk and Assurance Team resources and capacity and capability for short term critical requirements to support compliance with statutory obligations 2024/25 FY	Group Director of Finance and Resources	15/04/2025	30/04/2025		Review completed and additional short term resources identified for recruitment.	
S1.02	Recruitment (as applicable) of interim resources as identified from the review at point S1.01	Group Financial Controller	01/05/2025	09/05/2025		Interim recruitment - CVs received from agencies - shortlisted preferred candidates with appropriate experience. Interviews being held 2/5/25 for candidates who are all immediately available. High priority red risk until secured and commenced.	
S1.03	Head of Internal Audit and Management confirmation that appropriate capacity and capability is in place to meet completion of 2024/25 Internal Audit plan and reporting of Head of Internal Audit Opinion for 2024/25 financial year	Head of Internal Audit	15/04/2025	31/05/2025		Head of Internal Audit has provided assurances to the last Audit and Governance Committee that the 2024/25 work programme will be completed to inform an Internal Audit opinion to be produced by the end of May 2025.	
S1.04	CIPFA Review of Internal Audit Arrangements as part of Independent Review - Full implementation of action plan to ensure capacity and capability of Internal Audit Service to support effective completion and delivery of the 2024/25 work programme	Head of Internal Audit	15/04/2025	31/05/2025		Head of Internal Audit has produced an independent review of the evidence to support closure of "CIPFA Review of Internal Audit arrangements" action plan. 2 x Actions remain outstanding both of which are for TIAA to discharge and the actions to discharge each are shown on this s24 notice action plan below.	
S1.06	Head of Internal Audit proposed resourced Internal Audit Plan for 2025/26 approved by TVCA Audit and Governance Committee	Head of Internal Audit	15/04/2025	30/06/2025		The final proposed draft after stakeholder engagement will be issued to TVCA Audit and Governance Committee for consideration and approval.	
S1.07	Consideration should be given to TIAA providing a more enhanced view of the TVCA group risk portfolio	Head of Internal Audit	15/04/2025	30/06/2025		Head of internal Audit reviewing risk registers, BVN, Statutory recommendations and associated material to inform 2025/26 plan. Planning management with Management scheduled in May 2025 to confirm first draft for discussion with stakeholders.	
S1.08	As TIAA are in the early stages of their contract with the TVCA; it may be beneficial for their team members to have a familiarisation session with the Combined Authority	Head of Internal Audit	15/04/2025	30/06/2025		TVCA coordinating with TIAA regarding familiarisation sessions for their team members to ensure they have a comprehensive understanding of the relationships of various elements of the TVCA group; how risk and autonomy are considered; and how the Constitution impacts on TVCA.	
S1.09	Monitoring Officer to be lead TVCA officer with responsibility for production of the Annual Governance Statement to timetable and to ensure publication of the AGS in line with statutory obligations and requirements.	TVCA Monitoring Officer	15/04/2025	30/06/2025		Drafts of all Annual Governance Statements across TVCA and its other public bodies produced and being consulted on with External Auditors currently	
S1.10	Group Director of Finance and Resources scoping the review of the medium to long term capacity and capability requirements for the Finance team. A terms of reference for this review is provided at Appendix 2 to the Cabinet paper.	Group Director of Finance and Resources	15/04/2025	31/05/2025		A first draft Terms of Reference for the review of Finance team has been produced and work has commenced on this activity.	

2. Recommendation 2				Workstream lead: Group Financial Controller	RAG	LATEST UPDATE LOG
Ref:	Key tasks / milestones	Lead officer	Start	End		
S2.01	External Auditors require the statutory requirement for the public inspection period for 2023/24 financial year to be complied with in line with the Accounts and Audit Regulations 2015 (to be run for a period of 30 working days). Management to confirm with External Auditors that this has been complied with.	TVCA Monitoring Officer	15/04/2025	12/08/2025		Cabinet report Appendix 4 provides the background understanding of the legislative requirements and overlays the required deadlines for the 2024/25 financial year. This master action plan has clear owners for the relevant information to comply with requirements.
S2.02	Management update the 2023/24 Annual Governance Statement to reflect External Auditor observations	TVCA Monitoring Officer	15/04/2025	15/04/2025		This action was completed on 1 April 2025 as set out in the External Auditor letter of 15 April 2025.
S2.01	External Auditors to issue their Audit Completion report for 2023/24 financial year.	External Auditor	15/04/2025	??		The External Auditor will confirm a timescale for the issue of Annual Auditor Completion report once Management confirm completion of compliance activity in S2.01
S2.03	Production of 2024/25 Financial Statements (including Narrative report) and publication on TVCA website (see S3.0X) to publication deadline	Group Financial Controller	15/04/2025	30/06/2025		To ensure compliance with this activity the necessary interim resources highlighted at S1.02 need to be secured. Full year end timetable and plans as set out in the actions for S3 below provide further detail.
S2.04	Production of 2024/25 Annual Governance Statements and publication on TVCA website (see S3.0X) to publication deadline	Monitoring Officer	15/04/2025	30/06/2025		Drafts of all Annual Governance Statements across TVCA and its other public bodies produced and being consulted on with External Auditors currently
S2.05	Review of Authority processes around the public inspection period to ensure that it fully understands the statutory requirements of the inspection period	Monitoring Officer	15/04/2025	01/07/2025		Review completed and summary of understanding provided at Appendix 3 to the Cabinet report. Validating with External Auditors this is sufficient to demonstrate understanding point raised.
S2.06	Confirmation Authority has arrangements in place to ensure that statutory requirements for the public inspection period are complied with.	Monitoring Officer	15/04/2025	11/08/2025		Monitoring Officer and Group Financial Controller managing the actual public inspection period to ensure compliance.

3. Recommendation 3				Workstream lead: Group Financial Controller	RAG	LATEST UPDATE LOG
Ref:	Key tasks / milestones	Lead officer	Start	End		
S3.01	Production of 2024/25 "recovery" year end timetable with detailed assurances on capacity and capability to support the effective delivery of the timetable to be provided to External Auditors.	Group Financial Controller	15/04/2025	07/05/2025		The latest year-end timetable has been provided to the External Auditors and will be reviewed and discussed at the next meeting on 7 May 2025
S3.02	Copy of the Authority's General Ledger to be provided to External Auditors	Group Financial Controller	15/04/2025	02/05/2025		There had been some system issues outside of the control of the Finance team that required work with ICT services to resolve. This has been rectified and balances rolled forward accordingly. The General Ledger has now been provided to the External Auditors on 30 April 2025 following the resolution of these ICT issues. This has been provided onto the External Auditor portal in line with instructions for upload.
S3.03	Audit Planning meeting held on 7 April 2025 and a further Audit planning meeting scheduled and agreed with External Auditors on 7 May 2025.	Group Financial Controller	15/04/2025	07/05/2025		The External Auditors confirmed availability for 7 May 2025 for the next meeting including with Senior Partner and TVCA CEX.
S3.04	External Auditors to be provided with management information in respect of any significant events/transactions to inform Auditor risk assessment	Group Financial Controller	15/04/2025	07/05/2025		Management Team consolidating any relevant information to provide to External Auditors for 7/5/25 meeting
S3.05	External Auditors to be provided with management information in respect of any unusual transactions within the financial statements for 2024/25 financial year and the disclaimed periods to inform Auditor risk assessment	Group Financial Controller	15/04/2025	07/05/2025		Management Team consolidating any relevant information to provide to External Auditors for 7/5/25 meeting
S3.06	External Auditor walkthrough procedures information requests to be tracked via the online portal	Group Financial Controller	15/04/2025	14/05/2025		check with external auditors on timescales for this stage of work
S3.07	Informing External Auditors of any significant governance changes	Group Director of Finance and Resources	15/04/2025	07/05/2025		External Auditors to be briefed on current Governance arrangements and structures at the 7/5/25 meeting and process for future communication to be agreed.
S3.08	Responsiveness to auditor queries	Group Financial Controller	15/04/2025	30/11/2025		The 7 April 2025 meeting confirmed all EY resources who would be working on TVCA and Group entity activities for 2024/25 financial year. The online portal will capture all actions and this will be regularly reviewed by a designated lead in the Finance team to ensure timeliness of responses. All emails will be sent toand an audit log of live queries will be maintained and reviewed at weekly meetings with Audit Partner and senior management.
S3.09	Confirmation and engagement regarding 2024/25 financial year audit work from Management	Group Director of Finance and Resources	15/04/2025	07/05/2025		Confirmation and engagement has progressed with the External Audit partner and regular updates and communication between Group Financial Controller and Audit lead are in place. The 7/5/25 meeting with all parties to confirm these arrangements in place and working effectively now. Weekly meetings are scheduled every Wednesday with EY Audit lead and Finance Team.
S3.10	Production of 2024/25 Financial Statements (including Narrative report) - see detailed year-end timetable tab for further information	Group Financial Controller	15/04/2025	30/06/2025		Fortnightly update meetings have been put forward on a regular cycle to the External Auditors Audit Partner and Group Director of Finance and Resources and Group Financial Controller.
S3.11	Production of 2024/25 Annual Governance Statements - see detailed year-end timetable tab for further information	Monitoring Officer	15/04/2025	30/06/2025		To ensure compliance with this activity the necessary interim resources highlighted at S1.02 need to be secured. Full year end timetable and plans as set out in the actions for S3 below provide further detail.
						Drafts of all Annual Governance Statements across TVCA and its other public bodies produced and being consulted on with External Auditors currently

3. Recommendation 3				Workstream lead: Group Financial Controller	RAG	LATEST UPDATE LOG
Ref:	Key tasks / milestones	Lead officer	Start	End		
S3.12	External Auditors require advance notification of any proposed material Governance changes - production of a Communications protocol to be agreed with External Auditors	Monitoring Officer	15/04/2025	31/05/2025		A Communications protocol draft will be produced and discussed and agreed with External Auditors to ensure that all future Governance changes are communicated in advance with the External Auditors.
S3.13	Production of a live queries log will be maintained to track all interactions throughout the audit. This will include portal queries raised via the EY systems.	Group Financial Controller	15/04/2025	30/11/2025		Log created and tracking progress at weekly meetings with Audit Partner and Group Financial Controller.
S3.14	Review of year-end timetable to assess compliance with the year-end timetable	Group Financial Controller	15/04/2025	30/11/2025		This will be evaluated throughout the audit and at completion.

Meeting	Indicative dates to schedule (specific diary dates currently being finalised)	Date held
Audit Team and Group Financial Controller	07/05/2025	
Senior Audit Partner, Audit Partner and TVCA CEX, GDF&R	07/05/2025	
Audit Team and Group Financial Controller	14/05/2025	
Audit Partner and Group Director of Finance & Resources	14/05/2025	
Audit Team and Group Financial Controller	21/05/2025	
Audit Team and Group Financial Controller	28/05/2025	
Audit Partner and Group Director of Finance & Resources	11/06/2025	
Audit Team and Group Financial Controller	18/06/2025	
Senior Audit Partner, Audit Partner and TVCA CEX, GDF&R	16/07/2025	
Audit Team and Group Financial Controller	23/07/2025	
Audit Partner and Group Director of Finance & Resources	06/08/2025	
Audit Team and Group Financial Controller	13/08/2025	
Audit Team and Group Financial Controller	20/08/2025	
Audit Partner and Group Director of Finance & Resources	03/09/2025	
Audit Team and Group Financial Controller	10/09/2025	
Senior Audit Partner, Audit Partner and TVCA CEX, GDF&R	08/10/2025	
Audit Team and Group Financial Controller	15/10/2025	
Audit Partner and Group Director of Finance & Resources	29/10/2025	
Audit Team and Group Financial Controller	05/11/2025	
Audit Team and Group Financial Controller	12/11/2025	
Audit Partner and Group Director of Finance & Resources	26/11/2025	
Audit Team and Group Financial Controller	03/12/2025	
Senior Audit Partner, Audit Partner and TVCA CEX, GDF&R	31/12/2025	
Audit Team and Group Financial Controller	07/01/2026	
Audit Partner and Group Director of Finance & Resources	21/01/2026	
Audit Team and Group Financial Controller	28/01/2026	
Audit Team and Group Financial Controller	04/02/2026	
Audit Partner and Group Director of Finance & Resources	18/02/2026	
Audit Team and Group Financial Controller	25/02/2026	
Senior Audit Partner, Audit Partner and TVCA CEX, GDF&R	25/03/2026	
Audit Team and Group Financial Controller	01/04/2026	
Audit Partner and Group Director of Finance & Resources	15/04/2026	
Audit Team and Group Financial Controller	22/04/2026	
Audit Team and Group Financial Controller	29/04/2026	
Audit Partner and Group Director of Finance & Resources	13/05/2026	
Audit Team and Group Financial Controller	20/05/2026	
Senior Audit Partner, Audit Partner and TVCA CEX, GDF&R	17/06/2026	
Audit Team and Group Financial Controller	24/06/2026	
Audit Partner and Group Director of Finance & Resources	08/07/2026	
Audit Team and Group Financial Controller	15/07/2026	
Audit Team and Group Financial Controller	22/07/2026	
Audit Partner and Group Director of Finance & Resources	05/08/2026	
Audit Team and Group Financial Controller	12/08/2026	
Senior Audit Partner, Audit Partner and TVCA CEX, GDF&R	09/09/2026	
Audit Team and Group Financial Controller	16/09/2026	
Audit Partner and Group Director of Finance & Resources	30/09/2026	
Audit Team and Group Financial Controller	07/10/2026	
Audit Team and Group Financial Controller	14/10/2026	
Audit Partner and Group Director of Finance & Resources	28/10/2026	
Audit Team and Group Financial Controller	04/11/2026	
Senior Audit Partner, Audit Partner and TVCA CEX, GDF&R	02/12/2026	
Audit Team and Group Financial Controller	09/12/2026	
Audit Partner and Group Director of Finance & Resources	23/12/2026	

Source of action	Acton ref	Portal ref (if applicable)	Requested by	Date raised	Date resolved	RAG status
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Activity impacted	Milestone ref.	Milestone	Change requested	Formal change control or revised target date (not formal change control)?	Reason	Impact	Mitigation	If date change:		No. of changes logged against this activity
								Change from	Change to	

Review of TVCA Finance Team Capacity and Capability

Background

A review of the Finance Team capacity and capability is proposed to be undertaken to provide the necessary evidence base to assess the level of resources across the team to support all financial services to the Combined Authority including all statutory compliance obligations for reporting and management of activities. This work will also provide part of the formal response to the External Auditor statutory recommendation received as part of the s24 Notice.

The scope of this work is to ascertain the appropriate level of resource to meet financial services obligations to ensure an efficient and effective Finance team and compare this to the current level of resource and capabilities across the team. The current team have a range of experience, skills and commitment to their roles and provide a valuable resource to TVCA. The purpose of this review is to ensure they have the necessary support and capacity and capability across the team to enable them to deliver the required services to TVCA and its group entities as required.

Context and benchmarking

Mayoral Combined Authorities are currently proposed to be separated into different categories as part of the English Devolution White Paper: -

Established Strategic Authorities - or those Mayoral Strategic Authorities who are able to satisfy a number of additional governance requirements. This unlocks access to further devolution, most notably the Integrated Settlement. The GLA and other MSAs such as Greater Manchester and the West Midlands will be designated as this.

Mayoral Strategic Authorities - MCAs and MCCAs will automatically begin as this unless they have been designated as Established. For those with an elected mayor, a range of powers will be devolved.

Foundation Strategic Authority - Available to those areas without an elected mayor, Foundation Strategic Authorities will have limited devolution. CAs and CCAs will automatically be designated as this, for example, the current Lancashire devolution deal will establish a Foundation Strategic Authority.

TVCA is currently a Mayoral Strategic Authority based on the English Devolution White paper proposals. Two trailblazer MCAs within the Established Strategic Authority category have already accessed their respective integrated settlements with Government for 2025-26 financial year

This review will utilise available information from these peer organisations to benchmark an appropriate level of resources and capability for the Finance Team at TVCA.

Current team capacity and capability

The current teams across the Finance areas can be split into: -

Finance

Responsible for all aspects of Financial Management throughout the annual financial cycle.

Current team capacity and capability: -

15 x headcount across entire Group (incl. Financial teams supporting Development Corporations and separately Airport employed Finance team)

7 x Qualified chartered accountants with over 100 years combined years of post qualified experience

2 x Part-qualified chartered accountants

1 x MAAT qualified

4 x AAT mid studies

1 x Apprentice

Procurement

Responsible for all end-to-end procurement processes supporting group entities.

Current capacity and capability: -

8 x Headcount

1 x MCIPS Qualified

2 x MCIPS final year

1x CIPS level 4

6 of 8 headcount are certified Advanced Practitioners on the new Procurement Act.

Scope and timescales

The scope of this capacity and capability review will take account of the recently published CIPFA publication on “Local Government finance workforce action plan for England”. This provides the context for assessing capacity and capability of the Finance Team. The key areas that will be considered as part of this review will be: -

Key areas for review:

Leadership and Governance

Workforce and Skills

Process, Technology, and Management information

Tools for review:

SWOT analysis

Local Government finance workforce action plan

CIPFA Statement of Expertise

The timescales for the review with headline milestones is set out below: -

May 2025 – Review commissioned and agreed with stakeholders and initial benchmarking data gathering requests for information issued

June 2025 – Benchmarking analysis and review by Tees Valley Strategic Resources Group (FDs) for feedback

July 2025 – SWOT Analysis and Local Government finance workforce action plan key recommendations analysis performed to support review of the Finance Team

September 2025 – Formulation of Finance Team structure options and funding requirements as applicable and Recommendations to TVCA Executive and stakeholder groups

September 2025 – Approval of Finance Team structure and commencement of HR activity as required

Stakeholder collaboration

As part of this review work the Tees Valley Finance Directors views/advice and support will be sought along with any support they can offer from their teams to enable the most comprehensive assessment of capacity and capability to be undertaken.

The existing Tees Valley Resources Group (TVSRG) is the forum where all 6 Finance Directors (5 x Local Authorities and TVCA FDs) meet regularly as a professional peer group. This group will be used to facilitate this support throughout this process.

Reporting

Tees Valley Strategic Resources Group (TVSRG) – monthly progress updates

Tees Valley Chief Executives – monthly progress updates

Best Value Improvement Notice Board – progress updates to each meeting

TVCA Audit and Governance Committee – Will receive Best Value Improvement Notice Board updates that will include progress on delivering the statutory recommendations from External Auditors.

TVCA Cabinet – Will receive Best Value Improvement Notice Board updates that will include progress on delivering the statutory recommendations from External Auditors.

Reference material

[Local government finance workforce action plan for England | Local Government Association](#)

[Good financial management for combined authorities | Local Government Association](#)

Public Inspection of Accounts period

TVCA response to the following external audit statutory recommendation is set out below :-

2. We recommend that the Authority reviews its processes around the public inspection period to ensure that it fully understands the statutory requirements of the inspection period and has arrangements to ensure that these requirements are satisfied.

Understanding of statutory requirements for the inspection period

The Accounts and Audit Regulations 2015

Regulation 14 states that any rights of objection, inspection and questioning of the local auditor conferred by sections 26 and 27 of the Local Audit and Accountability Act 2014, may only be exercised within a single period of 30 working days.

Regulation 15 states the responsible financial officer is responsible for ensuring commencement of the 30 day period for the exercise of public rights under the Regulations, and that they are published on the authority's website and that the statement of accounts is accompanied by a signed declaration, annual governance statement, and narrative statement.

The 30 day period for the exercise of the public rights is treated as being commenced on the day following the day on which the publication obligations have been fulfilled.

Assuming a 30 June 2025 publication, the 30 working day period would commence on 1 July 2025 and finish on 11 August 2025

Arrangements in place to ensure satisfied

The Group Director of Finance and Resources (s73 officer) is responsible for ensuring the production of the 2024/25 Statement of Accounts, including the Annual Governance statement, and narrative statement by 30 June 2025.

The year-end timetable at Appendix 4 to this report provides the key milestones of how this will be delivered.

The Monitoring Officer is responsible for ensuring that the publication of these documents is uploaded onto the Authority website by 30 June 2025 with the necessary notice of rights to public inspection of these documents by the same date.

The Group Director of Finance and Resources will ensure that appropriate Finance team resource is provided to facilitate the public inspection period effectively throughout the 30 day period.

Appendix 5

Task	Responsible	Deadline	Information	Status
Internal Year End Planning Meeting – Pre close	Group Director of Finance and Resources (“GFD”)	4 th March 2025	Define close timeline, assign responsibilities	Complete
Cutoff Procedures communication to departments	Finance	21 st March 2025	-	Complete
Weekly Audit Catch ups	Group Financial Controller (“GFC”) and EY Senior Audit Manager	Weekly	Outstandings and detailed status update	Ongoing
Bi- weekly Audit Catch ups	GFC, GFD, EY Audit Senior Manager and Partner	Bi-weekly	High level progress update	Ongoing
Annual Governance Statement – HDC				
Draft Annual Governance Statement Draft 1	Monitoring Officer and GFC	25 th April 2025	-	Complete
Draft Annual Governance Statement Review	GFD, CEX and Mayor of Tees Valley	28 th April 2025	-	Complete
Draft Annual Governance Statement presented to A&G committee	Monitoring Officer	12 th May 2025	-	Meeting scheduled for 12 th May 2025
Annual Governance Statement – MDC				
Draft Annual Governance Statement Draft 1	Monitoring Officer and GFC	14 th May 2025	-	Complete
Draft Annual Governance Statement Review	GFD, CEX and Mayor of Tees Valley	19 th May 2025	-	Reviews scheduled
Draft Annual Governance Statement presented to A&G committee	Monitoring Officer	4 th June 2025	-	-
Annual Governance Statement – TVCA				
Draft Annual Governance Statement Draft 1	Monitoring Officer and GFC	12 th June 2025	-	Complete
Draft Annual Governance Statement Review	GFD, CEX and Mayor of Tees Valley	13 th June 2025	-	-
Draft Annual Governance Statement presented to A&G committee	Monitoring Officer	3 rd July 2025	-	-
Annual Governance Statement – STDC				
Draft Annual Governance Statement Draft 1	Monitoring Officer and GFC	1 st May 2025	-	Complete
Draft Annual Governance Statement Review	GFD, CEX and Mayor of Tees Valley	6 th May 2025	-	Complete
Draft Annual Governance Statement presented to A&G committee	Monitoring Officer	15 th May 2025	-	-
HDC close down				

Appendix 5

Transactional Activity – HDC	Senior Finance Officer	18 th April 2025	All transactional entries entered into the general ledger	Complete
Trail Balance Review – HDC	Corporate Accountant and GFC	19 th April 2025	Review by GFC and GFD	Complete
HDC Narrative Report	Head of Communications	25 th April 2025	-	Complete
HDC Draft Accounts Prepared	Corporate Accountant	25 th April 2025	-	Complete
HDC Draft Accounts Review	GFC, GFD and COO	12 th May 2025	Including narrative report	Review scheduled
Draft Annual Governance Statement presented to A&G committee	Monitoring Officer	12 th May 2025		Meeting scheduled 12 th May 2025
HDC Draft Accounts shared with EY	Corporate Accountant	20 th May 2025	-	
MDC close down				
Transactional Activity – MDC	Senior Finance Officer	28 th April 2025	All transactional entries entered into the general ledger	In progress
Trail Balance Review – MDC	Corporate Accountant and GFC	30 th April 2025	Review by Group Financial Controller and Group Finance Director	Complete
MDC Narrative Report	Head of Communications	30 th April 2025	-	Complete
MDC Draft Accounts Prepared	Corporate Accountant	6 th May 2025	-	Complete
MDC Draft Accounts Review	GFC, GFD and COO	7 th May 2025	Including narrative report	Complete
MDC Draft Accounts shared with EY	Corporate Accountant	16 th May 2025	-	-
Draft Annual Governance Statement presented to A&G committee	Monitoring Officer	4 th June 2025		-
Limited Companies close down				
Transactional Activity	Entity Finance Manager	28 th April 2025	All transactional entries entered into the general ledger	Complete
Trail Balance Review	GFC, GFD and entity Director	30 th April 2025	-	Complete
Final Trial balance shared with group	Entity Finance Manager	9 th May 2025	Shared for group consolidation process	Scheduled for distribution
Trial Balances Shared with EY	Corporate Accountant	30 th June 2025	This done for group scoping purposes	-
STDC Consolidation				

Appendix 5

Transactional Activity	Head of Finance and Commercial STDC	27 th May 2025	All transactional entries entered into the general ledger	In progress
Pension Report Received	Corporate Accountant	26 th May 2025	Single Entity trial balance and accounts updated	-
Trail Balance Review	GFC, GFD and entity Director	27 th May 2025	-	-
Group Consolidation Working Paper	Corporate Accountant	5 th June 2025	-	-
Group Notes Working papers	Corporate Accountant	10 th June 2025	-	-
Draft Single Entity Accounts Produced	Corporate Accountant	23 rd June 2025	-	-
Produce Draft Group Accounts	Corporate Accountant	23 rd June 2025	-	-
Draft Accounts Review	GFC, GFD and COO	24 th June 2025	Including narrative report and single entity accounts	-
Draft Accounts shared with EY	Corporate Accountant	30 th June 2025	-	-
TVCA Consolidation				
Transactional Activity	Group Finance Manger	27 th May 2025	All transactional entries entered into the general ledger	In progress
Pension Report Received	Corporate Accountant	26 th May 2025	Single Entity trial balance and accounts updated	-
Trail Balance Review	GFC, GFD and entity Director	27 th May 2025	-	-
Group Consolidation Working Paper	Corporate Accountant	16 th June 2025	-	-
Group Notes Working papers	Corporate Accountant	18 th June 2025	-	-
Draft Single Entity Accounts produced	Corporate Accountant	23 rd June 2025	-	-
Draft Group Accounts Produced	Corporate Accountant	25 th June 2025	-	-
Draft Accounts Reviewed	Group FC	26 th June 2025	Including narrative report and single entity accounts	-
Draft Accounts shared with EY	Corporate Accountant	30 th June 2025	-	-
HDC, MDC, TVCA, STDC				
Draft Annual Governance Statement – published online	Head of Communications	30 th June 2025	-	-
Draft Accounts published online	Head of Communications	30 th June 2025	-	-

Appendix 5

Inspection Period	GFC	1st July – 12 th August 2025	-	-
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James Blythe
*Deputy Director, Local Government
Stewardship and Interventions*

**Ministry of Housing,
Communities &
Local Government**
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

www.gov.uk/mhclg

Tom Bryant
Chief Executive
Tees Valley Combined Authority

3 April 2025

Tees Valley Combined Authority best value notice issued on 3 April 2025

Dear Tom,

The department expects authorities to identify and implement arrangements to secure continuous improvement. We are grateful for the letter sent by Lord Houchen on 27 September 2024 updating the department on the work the Tees Valley Combined Authority (TVCA) and local partners have been doing to address the recommendations identified in the January 2024 report of the independent Tees Valley review. However, ministers are concerned as to the authority's capacity to comply with its best value duty under the Local Government Act 1999 and have therefore decided to issue TVCA with this best value notice ("notice").

This notice is a formal notification that the department has concerns regarding your authority and requests that the authority engages with the department to provide assurance of improvement. The department expects authorities that have been issued with a best value notice to continue leading their own improvement.

This notice is issued to TVCA following concerns highlighted by the Tees Valley review published on 29 January 2024 and the request from the then Secretary of State for the department asking the Mayor to engage with the review's recommendations. It also considers:

- the subsequent reviews of overview and scrutiny undertaken by the Centre for Governance and Scrutiny (CfGS) and the internal audit undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) commissioned by the combined authority
- the Mayor's letter to the department dated 27 September 2024
- the evidence already submitted by the authority to the department regarding their actions and plans to address issues raised by all three reviews
- the published audit reports for TVCA and South Tees Development Corporation covering financial years 2021/22 and 2022/23 which rely on the findings of the Tees Valley Review and identify significant weaknesses in value for money arrangements across financial sustainability, governance and improving economy, effectiveness and efficiency
- the published audit reports for TVCA and South Tees Development Corporation for financial year 2023/24 which identify significant weaknesses in use of resources in relation to the Tees Valley Review and capacity in the finance and risk & assurance

teams and indicate that the auditor is considering issuing statutory recommendations in relation to these capacity issues.

The department's concerns relate primarily to governance, culture, partnerships and continuous improvement. We note that the authority engaged constructively with the Tees Valley review and is already taking steps to address the concerns raised. We also recognise that the appointment of an external Local Government Association (LGA) panel will provide valuable support and challenge as the authority continues to improve. We expect this improvement to continue at pace, with robust arrangements to monitor and assess it.

Specifically, we expect the authority to:

- Develop a clear, overarching and holistic improvement plan. This may include or draw upon improvement or action plans prepared before the date of this notice. This plan should be agreed by officers and members at the authority within three months of the date of this notice. The plan should:
 - address all recommendations from the independent Tees Valley review and reports produced by CfGS and CIPFA;
 - include milestones and measures of impact across all elements to enable transparent reporting of progress to Cabinet, the overview and scrutiny committee, and the LGA panel;
 - include specific focus on improvements to the effectiveness of the overview and scrutiny function at the authority;
 - set out how the authority will make and measure the cultural and relationship changes necessary to make a success of structural and procedural changes to governance and scrutiny in the authority; and
 - be regularly updated to take account of future recommendations from external auditors, other external scrutiny and reviews, and other relevant matters arising during the notice period.
- Review the composition and scope of the LGA panel, in particular to consider:
 - strengthening the panel's emphasis on governance, commercial expertise and officer capabilities
 - embedding the panel's involvement in live issues at TVCA, such as the appointment of a new permanent Chief Executive
 - developing the panel's terms of reference to include public reporting of its work and assessment of TVCA's progress at regular intervals.
- Engage fully with the recommendations made by the LGA panel.
- Have appropriate mechanisms in place to ensure the authority is informed on updates to government guidance or legislation and can demonstrate how the authority is responding effectively to relevant changes.
- Engage regularly with the department at official level throughout the period of this notice, on at least a quarterly basis.

The department will look to the LGA panel and your external auditor for updates and broader assurance that the necessary changes are being made at sufficient pace.

We are conscious that this decision will have implications for the authority's progress towards Enhanced Mayoral Strategic Authority status and the granting of an Integrated Settlement. We are committed to removing barriers to growth in the region and will continue to work closely with you to rebuild confidence, so that the authority can continue its journey towards further devolution. The issuance of this best value notice represents the government's commitment to the future success of the authority.

While the authority may continue to receive and be awarded government funding whilst under this notice, we would emphasise that receipt of funding does not indicate the department's

broader view of the performance of the authority, nor would it indicate any change in the status of this notice, with individual funding programmes being managed and assured independently by their respective departments.

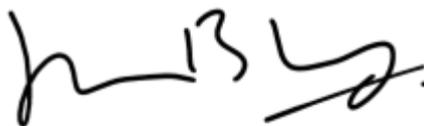
Embedding change across the organisation and ensuring that it is having the desired, long-term impacts is likely to take time and will require sustained effort from both officers and members at TVCA. This notice will be reviewed after 12 months, at which point the department will confirm whether we deem it necessary to continue to seek assurance through such a notice, in which case it will remain in place. The notice may also be withdrawn or escalated at any point based on the available evidence.

This notice is issued outside the statutory powers held by the Secretary of State under the Local Government Act 1999 to inspect or intervene in local authorities where there is evidence of best value failure and, separately, under Section 230 of the Local Government Act 1972 to request information from local authorities. However, a failure to demonstrate continuous improvement may be judged to contribute to best value failure and the Secretary of State will consider using these powers as appropriate. I also intend to keep the content of this notice under review in light of any developments.

It is important to ensure transparency in relation to the challenges faced by local authorities and the department's engagement on these. A copy of this notice will therefore be published on GOV.UK. I encourage you to make a copy of this notice available on the authority's website, and to share it with the LGA panel, the combined authority cabinet and the audit and governance committee. In line with this, we will notify your external auditor of this action.

I would encourage you to continue making use of the full range of support offered by the LGA. A member of my team will be in touch with you to arrange regular engagement on this notice. I look forward to receiving updates on your progress.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'JBlythe'.

James Blythe

Deputy Director, Local Government Stewardship and Interventions