South Tees Development Corporation
Audit & Risk Committee
Agenda

Date: Thursday 19th November at 3pm

Venue: Microsoft Teams meeting

Membership:
Chris White – (Chair - Independent member)
Paul Booth - (STDC Board)
Professor Jane Turner – (Teesside University)
John Baker – (Independent Member)
Cllr Peter Berry (TVCA A&R Representative)

Agenda

1. **Welcome & Introductions**

2. **Apologies for Absence**

3. **Declarations of Interest**

4. **Minutes of previous meeting**

   Attached

5. **Annual Financial Statements**

   Attached

6. **Date and Time of Next Meeting:**

   16th December 2020

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: Sharon Jones, Governance & Scrutiny Officer,Sharon.jones@teesvalley-ca.gov.uk. 01642524580.

TEESWORKS

South Tees Development Corporation Declaration of Interests Procedure

1. The purpose of this note is to provide advice and guidance to all members of the Development Corporation Board and Audit & Risk 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 3).

Personal Interests

2. 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.

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 Development Corporation 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 Development Corporation;
        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).

TEESWORKS

Declarations of interest relating to the Councils' commercial role

4. 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

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 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

7. 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.

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

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

Sensitive Information

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

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SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & RISK COMMITTEE

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

Date: Wednesday 21st October 2020 **Time:** 9 am

Venue: Microsoft Teams Meeting

Attendees:		**Apologies:**
Chris White (Chair - CW)	Darlington Building Society	Professor Jane Turner – Teesside University
Paul Booth (PB)	STDC Board Member	
Cllr Peter Berry (CPB) (TVCA Representative)	Redcar & Cleveland Borough Council	
John Baker (JB)	Independent Member	
Julie Gilhespie (JG)	STDC	
John McNicholas (JM)	STDC	
Gary MacDonald (GM)	STDC	
Mike Russell (MR)	STDC	
Natalie Robinson (NR)	STDC	
Nolan Gray (NG)	STDC	
Gareth Roberts (GR)	Mazars	
Cameron Waddell	Mazars	
Phillip Church (PC)	RSM	
Peter Judge (PJ)	TVCA	
Sharon Jones (Secretariat)	TVCA	
Sally Henry (Secretariat)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	**Welcome and introductions**	The Chair welcomed everyone to the Meeting.		
2.	**Apologies for Absence**	Apologies as above. The Meeting was noted as being quorate.		
3.	**Declarations of Conflict of Interest**	There were no declarations of interest		
4.	**Minutes of previous meeting**	The minutes of the meeting held on 29th July 2020 were agreed as a true record. Actions from the previous meeting were discussed: • Combined Risk Register – A presentation is to be given by Natalie Robinson, who is the new Group Risk Manager, at item 10 on the agenda. This will address the action on joint risk and how we streamline our approach to Risk Management. • Consideration to impact of Covid 19 in reports - This will also be covered later in the meeting. • Evidence of assurance on the outsourcing of financial systems – This is to be looked at moving forward into the new Group Structure and will be detailed within the internal audit plan going forward. • Internal Audit Actions – This has been added as an agenda item so a full update will be provided at Item 8. This will now be a standing agenda item. • Sub-group to be formed and to meet to look at Forward Programme – Update to be provided later in the meeting.	**Add to agenda as Standing Item**	**SJ**

5.	**Group Chief Executives Update**	A report was circulated providing an update to the Committee on Key activity within STDC since the last meeting. The Group CEO also provided verbal updates on some areas of the report. Since the report was provided transition of STSC has progressed. The business case has been approved by Treasury and funding has started to flow. STDC now fully owns STSC. The next stage is an exercise to look at group resourcing and structures. All support services across the group will be looked at. SC resources will be brought into the group to provide a group wide service. We are currently in the process of procuring for the demolition contract. The decontamination contract is also live. CPO – There were 170 land interests subject to CPO. The vast majority of these are related to SSI interests. These have all now concluded. The second vesting is in relation to easements and rights of way. Discussion took place around the following areas: There is currently a general risk register, but should specific projects have their own risk register based on the risk appetite in the framework. It was advised that we have previously used outsourced Project Managers, but we are currently in the process of recruiting Project Managers whose roles will be to run projects, manage risks and feed into NR and the wider Risk Management Framework. There will also be further recruitment for 2 Risk Analysts to bolster the in-house team. The CEO report gives a good update on what's going on in the organisation but for this committee it then needs to then translate into risk. It was agreed that this should be done on a project by project basis. The Decontamination project has now been taken over as part of the transition process and the main contract is in place. It would therefore be appropriate to provide an update on this project, what it is, how we are managing the risk, at the next meeting. The Electricity infrastructure project and the demolition framework are currently in procurement so the same can be provided at the meeting after the next one and we can continue to update as appropriate. If Members feel they need more knowledge into the background of these projects in advance of the meetings, then this can be arranged.	**Add items for individual projects to Committee FP** **Forward Plan of Projects to be shared with Committee**	**SJ** **GM**

6.	**Draft Accounts**	GM gave a verbal update on the Draft Accounts. Good progress is being made against the target date. With hindsight it would have been better to have held this Committee meeting in November so Committee could consider the accounts before they go to Board. There is a lot of work in the current draft letter and there are positive opinions. There are no issues in those areas. We have adjusted where there are flags and still have a couple to complete and work through. There are no repeats of the previous year on internal control issues. It has been a big year activity wise. Significant activity has come from CPO, the full business case to Government and the impact of Covid. We are on track to report to Board at end of November and aim to hold an Informal session with this Committee to walk through the draft in advance of this. The Committee again raised levels of resource as an issue that may impact on the production of accounts. GM advised this is being looked at in line with the restructure already referred to earlier in the meeting. The Chair suggested it would be useful to have an update to the Committee regarding levels of resource – what actions have been taken and what actions are planned. **RESOLVED** that the update was noted.	**Paper to be brought to the next meeting regarding resource levels**	**GM**
7.	**Internal Audit Report**	A Paper was circulated regarding progress against the Internal Audit Plan. PC advised that all plans approved pre Covid are being delivered on target. Most work can be completed remotely but if on site work is necessary and it is a Covid secure environment then this is still able to take place. If Teesside as an area moves to Tier 3 this may have an impact on site delivery but as most of STDC can be completed off site, we are confident we can deliver by year end.		

		RESOLVED the report was noted.		
8.	**Update on Internal Audit Actions**	A report was circulated in advance of the Meeting on progress made against Internal Audit actions. MR advised that he is proposing to bring a report in this format to each Committee meeting moving forward. A discussion took place regarding overdue actions and how these are progressed. It was proposed that future reports show a percentage of progress against each action rather than just showing as overdue and as if no progress has been made. It was also agreed that a culture is required within which overdue actions are dealt with quickly and not just left with progress markers. Whilst it is understood that some low risk items may need to be deprioritised if this is the case these items should be brought to this Committee and any deferment of action against these agreed in this forum. **RESOLVED** the Report was noted.	**Report to be brought to each meeting of the committee. Percentage progress markers to be included and any items to be deferred to be agreed in advance.**	**MR**
9.	**External Audit – Audit Completion Report**	An Audit Progress Report was circulated in advance of the Meeting. An update letter was also circulated to Committee members yesterday providing a further update. The Chair questioned if emphasis of matter is necessary in relation to the value of a site. There is always uncertainty in this area, and it was his understanding that RICS guidance was to remove this from July 2020. CW advised there is a regulatory expectation that we should have an emphasis of matter paragraph. It was discussed whether a conversation with the valuer would be worthwhile. GM advised he will pick up with valuers and speak to them about this.	**Speak to valuer regarding Emphasis of matter issue**	**GM**

TEESWORKS

		It was raised that the Group audit remains outstanding and it was asked if a timeline for completion of this is known. GR advised that work is ongoing. Regular conversations are taking place on this and we are hoping to get this concluded relatively quickly. It should be completed with timescales agreed but will be kept under review and will be flagged if we are still not in a position to review in a couple of weeks. It was agreed that the plan for next year's meetings of this Committee will consider any changes to deadlines that may come to ensure that meetings are in line with Audit and accounts being completed and finalised. **RESOLVED** the Report was noted.		
10.	**Risk Update**	**A resolution to exclude the press and public under paragraph 3 of schedule 12A of the Local Government Act 1972 was agreed.** NR delivered a presentation regarding Risk Management. Whilst it was understood that there is a need to harmonise risk management across the group the committee felt that there is a different risk appetite for Site Company. There is a need to look at risk appetite across STDC Group to ensure the appropriate appetite is in each place. There will be an appointment made to a Group Health & Safety Director to ensure this happens. It was agreed that as this Committee is now STDC Group ARC, so this includes STSC as well as STDC, it may be appropriate to do a formal review of membership of the committee and ensure we have the right balance of skills and knowledge. GM advised that a sub-group of this Committee has already met to look ahead at how the Committee will need to operate given the changes. Self-assessment as a committee against an agreed skill set could be the starting point for this. There will be some training needs and we can run some informal sessions for members to	**Skills matrix for the Committee to be drafted for self-assessment of Members.**	**GM**

		build awareness. Terms of Reference for the Committee may also need to be reviewed to make sure the processes etc are right. GM will look at this and bring and update to the meeting in December.	**ToR to be updated**	**GM**
11.	**Forward Programme & Action Register**	The Forward Plan and Action Register were noted.		
12.	**AOB**	A meeting is to be arranged in November to look at the Draft Accounts. This needs to be held before STDC Board.	**November meeting – date and agenda items to agree**	**PJ/SJ**
13.	**Date and Time of Next Meeting**	Date of next Meeting – 16th December 2020 at 9am.		

AGENDA ITEM 5

REPORT TO THE AUDIT AND RISK COMMITTEE

19th NOVEMBER 2020

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

SUMMARY

To present to Members of Audit and Risk Committee the latest draft Financial Statements for the STDC Group 2019/20.

RECOMMENDATIONS

It is recommended that the Audit and Risk Committee note the Annual Financial Statements.

DETAIL

1. The Corporation is required to produce an Annual Statement of Accounts that sets out the financial position for that period. The accounts are prepared in accordance with all relevant prescribed guidance, Codes of Practice and Reporting Standards.

2. The Accounts and Audit Regulations (England) 2015 came into effect on 1st April 2015. The regulations change the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement.

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

4. The attached Statement of Accounts are the latest draft for the Group. The audit is still ongoing to enable completion of work in relation the Group Accounts liaising with the component auditors of STDL and the report of the pension scheme auditors remains outstanding. As such the STDC Group Financial Statements have not yet been finalised.

5. Once the component and pension auditors have reported to Mazars Group, statements will be audited by Mazars LLP and will be reported through to the committee. If there are any amendments to STDC Group's financial statements resulting from the completion of the group statements these will be reported at the same time.

FINANCIAL IMPLICATIONS

6. None

LEGAL IMPLICATIONS

7. The Accounts and Audit Regulations (England) 2015 came into effect on 1st April 2015. The regulations change the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement.

8. The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 amended the due date for Annual Financial Statements to be available to the public by the first working day of September. The draft accounts were published on STDC's website on 30th July 2020. During this period the public could examine the accounts, question the auditor and to make objections.

9. The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 also amended publication date for the final, audited accounts to 30 November 2020 for all local authority bodies. In order to comply with the regulations, the STDC is required to approve and publish them by 30 November 2020, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).

10. In the event that the audit is complete after the 30 November target the publication of accounts will also be later than this date. As such the STDC will provide a written explanation on its website and will publish as soon as reasonably practicable after the audit is completed and the accounts are approved at the earliest appropriate Board meeting

11. STDL will be compliant with requirements of the Companies Act as an extension due to Coronavirus has been granted to 3 January 2021 for its first set of filed accounts

Name of Contact Officer: **Mike Russell**
Post Title: Head of Finance and Resources
Telephone Number: 01642 526 459
Email Address: **mike.russell@southteesdc.com**

South Tees Development Corporation and Group

Draft Unaudited Financial Statements

for the year ended 31/03/2020

CONTENTS

Narrative Report

Introduction

Welcome to the South Tees Development Corporation and Group's Annual statement of Accounts for 2019/20 which have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The South Tees Development Corporation Group comprises South Tees Development Corporation (STDC) and its wholly owned subsidiary company South Tees Developments Limited.

The purpose of this narrative report is to provide a guide to the Corporation and Group's accounts as well as setting out the Corporation and Group's financial position.

Organisational overview and external environment

The South Tees Development Corporation was established in August 2017 in the wake of the closure of the SSI Steelworks, and is the first mayoral development corporation outside of London. STDC's long term objective is to create a world class, modern industrial park on the former steelworks site and surrounding land that will focus on advanced manufacturing and clean growth. This in turn will generate quality local employment and contribute significantly to decarbonisation of local industry and moving the UK towards "Carbon Net Zero" by 2050.

The South Tees Development Corporation Site is the largest industrial development opportunity in the UK comprising 4,500 acres in total. STDC's core operations are the remediation of contaminated, unsafe land within the site boundaries, completion of the demolition of redundant assets and bringing the site back into productive use by releasing over 2,000 acres of additional land for commercial investment.

In February 2019 STDC established its wholly owned subsidiary Company, South Tees Developments Limited. STDL exists to own and manage 1,420 acres of land acquired from TATA Steel Europe.

Governance and transparency

STDC 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. The STDC constitution ensures alignment with the wider objectives of TVCA through the concept of "referral decision" for any significant matters.

A more detailed overview of STDC's governance arrangements is presented within its Annual Governance Statement which can be found at https://www.southteesdc.com/about-us/transparency-required-information/

Minutes of board meetings can be found at https://www.southteesdc.com/about-us/board-meetings/

2019/20 performance

Through 2019/20 STDC's principal focus was to complete the compulsory purchase order of the former SSI steelworks site which contains the majority of the contaminated and unsafe land as well as developing a business case to central government to secure funding to support regeneration activity.

Key milestones include

- **£71m funding commitment** - In January 2020, following the development of an outline business case by STDC a £71m funding was committed by treasury in support of the regeneration of the STDC site (subject to final business case.), work continued through the remainder of the financial year to complete the final business case submission which proved successful with confirmation of funding received during the 2020/21 financial year.

- **Favourable CPO outcome** – During the year preparations and legal proceedings took place in relation to a Compulsory Purchase to secure the remining 870 acres of land owned by SSI in receivership and some other remaining land interests, which sit within the boundaries of the South Tees Development Corporation Site. On 29 April 2020, STDC's CPO was approved unconditionally paving the way for the remainder of the site to be acquired by STDC

- **Development on site** – Work continued on site with the completion of roundabout access works to the Prairie site, which was acquired from TATA late in the 2018/19 financial year, and continuation of site clearance and preparation activities.

Outlook, strategy, and operating model

As a result of the successful CPO conclusion, and in anticipation of release of funding from central government, the focus of STDC's activity is shifting towards land acquisition and delivery of its regeneration programme through 2020/21

Narrative Report

Site regeneration

STDC's board has agreed an overall budget of £41m for the year including £26m for capital project works (subject to securing the additional government funding noted above). In the first quarter of 2020/21 work commenced on site clearance whilst major procurements are being finalised to secure contractor resource and accelerate activity.

Land acquisition

In July 2020 STDC made a "General Vesting Declaration" which will lead to transfer of the first tranche of ex SSI steelworks land into local ownership in early October 2020. Further General Vesting Declarations will be made in the year with the aim of taking ownership of all relevant land by the end of the calendar year.

South Tees Site Company (STSC) Transition

In line with the transfer of ex SSI land into STDC ownership the TVCA group is working to complete the transition of the South Tees Site Company into local ownership. South Tees Site Company is currently owned by the Department for Business, Energy and Industrial Strategy (BEIS) and is responsible for decontamination, keep safe, maintenance and security across the South Tees Development Corporation site. The transition of STSC will bring all activities on the STDC site into local control

Commercial activity

STDC is also in final stage discussions with a prospective joint venture partner which will work alongside the group to develop commercial interest on the site, secure inward investors and facilitate development. It is anticipated that these arrangements will be formalised during the 2020/21 financial year

Key risks

The nature of the STDC site brings with it number of safety and delivery risks. In particular, safeguarding individuals on site, maintaining site security and ensuring hazardous and toxic materials do not cause additional environmental harm. Central government continues to fund the activities of South Tees Site Company which manages these risks and is also decontaminating the site.

Medium term risks to delivery include the impact of unforeseen issues when redeveloping the site, relating to ground conditions and potentially unsafe structure. Where possible these risks are mitigated through survey activity and robust planning and safety management systems adopted by contractors on site.

Ultimately there is a commercial risk linked to the level of appetite for investors to locate on site, however this is not considered significant and the site continues to receive interest and enquiries from potential investors.

Covid-19

To date Covid-19 has had limited impact on the operations of STDC. As a result of a robust business continuity plan the relatively small core team were quickly able to transition to remote working and operations on site continued subject to appropriate adjustments to ensure safe working.

Management continues to monitor the Covid-19 situation and will continually review its risk assessment based on the latest available information.

Key Sections Included in the Statement of Accounts

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

Movement in Reserves Statement - This statement shows the movement during the year of the different reserves held by the Corporation and Group.

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

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

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

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

STDC Movement in Reserves Statement for the year ended 31 March 2020

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 Provision of Services line shows the true economic cost of providing the Corporation's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves £000s
Movement in reserves during 2019/20						
Balance at 1 April 2019	**2,020**	**-**	**2,509**	**4,529**	**(64)**	**4,466**
Total Comprehensive Income and Expenditure	1,669			1,669	-	1,669
Adjustments between accounting basis & funding basis under regulations (Note 5)	(2,708)	-	2,683	(25)	25	(0)
Increase/Decrease in Year	(1,038)	-	2,683	1,644	25	1,669
Balance at 31 March 2020 carried forward	981	-	5,192	6,174	(39)	6,135
	-					
General Fund analysed over:						
Amounts earmarked (Note 6)	659					
Amounts uncommitted	322					
Total General Fund Balance at 31 March 2020	981					

	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves £000s
Movement in reserves during 2018/19						
Balance at 1 April 2018	**2,174**	**-**	**925**	**3,099**	**(2)**	**3,097**
Total Comprehensive Income and Expenditure	1,368			1,368	1	1,369
Adjustments between accounting basis & funding basis under regulations (Note 5)	(1,522)	-	1,584	62	(63)	-
Increase/Decrease in Year	(154)	-	1,584	1,430	(62)	1,369
Balance at 31 March 2019 carried forward	2,020	-	2,509	4,529	(64)	4,466
General Fund analysed over:						
Amounts earmarked (Note 6)	1,698					
Amounts uncommitted	322					
Total General Fund Balance at 31 March 2019	2,020					

STDC Group Movement in Reserves Statement for the year ended 31 March 2020

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 Provision of Services line shows the true economic cost of providing the Corporation's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Movement in reserves during 2019/20						
Balance at 1 April 2019	**1,523**	**-**	**2,509**	**4,033**	**(336)**	**3,696**
Total Comprehensive Income and Expenditure	1,656	-	-	1,656	-	1,656
Adjustments between accounting basis & funding basis under regulations (Note 5)	(2,178)		2,683	505	(505)	-
Increase/Decrease in Year	(522)	-	2,683	2,161	(505)	1,656
Balance at 31 March 2020 carried forward	1,001	-	5,192	6,193	(841)	5,352
General Fund analysed over:						
Amounts earmarked (Note 6)	679					
Amounts uncommitted	322					
Total General Fund Balance at 31 March 2020	1,001					

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Movement in reserves during 2018/19						
Balance at 1 April 2018	**2,174**	**-**	**925**	**3,099**	**(2)**	**3,097**
Total Comprehensive Income and Expenditure	599	-	-	599	1	599
	-	-	-	-	-	-
Adjustments between accounting basis & funding	(1,250)	-	1,584	335	(335)	-
basis under regulations (Note 5)	-	-	-	-	-	-
Increase/Decrease in Year	(651)	-	1,584	934	(334)	599
Balance at 31 March 2019 carried forward	1,523	-	2,509	4,033	(336)	3,696
General Fund analysed over:						
Amounts earmarked (Note 6)	1,201					
Amounts uncommitted	322					
Total General Fund Balance at 31 March 2019	1,523					

STDC Comprehensive Income and Expenditure Statement
for the year ended 31 March 2020

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

2018/19				2019/20		
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
1,636	(1,419)	**217**	Core Running Costs	2,526	(1,239)	**1,287**
965	(603)	**362**	Enabling Infrastructure	2,294	(2,057)	**237**
127	(127)	**-**	Development Costs	423	(423)	**-**
2,729	**(2,149)**	**580**	**Cost Of Services**	**5,242**	**(3,719)**	**1,524**
			Financing and Investment Income and Expenditure:			
1	(2)	(1)	Net interest on the net defined benefit liability/asset	8	(8)	-
			Taxation and Non-Specific Grant Income:			
-	(1,946)	(1,946)	Capital grants and contributions		(3,193)	(3,193)
2,730	**(4,098)**	**(1,368)**	**(Surplus) or Deficit on Provision of Services**	**5,250**	**(6,919)**	**(1,669)**
			(Surplus) or deficit on revaluation of non current assets			-
		(1)	Actuarial (gains) or losses on pension assets & liabilities			364
			Other (gains) and losses			-
		(1)	**Other Comprehensive Income and Expenditure**			**364**
		(1,369)	**Total Comprehensive Income and Expenditure**			**(1,305)**

STDC Group Comprehensive Income and Expenditure Statement
for the year ended 31 March 2020

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

2018/19				2019/20		
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
2,922	(1,935)	**987**	Core Running Costs	9,716	(8,421)	**1,295**
965	(603)	**362**	Enabling Infrastructure	2,294	(2,057)	**237**
127	(127)	**-**	Development Costs	423	(423)	**-**
4,015	**(2,666)**	**1,349**	**Cost Of Services**	**12,432**	**(10,901)**	**1,531**
			Financing and Investment Income and Expenditure:			
1	(2)	**(1)**	Net interest on the net defined benefit liability/asset	8	(8)	**-**
-	-	**-**	***Taxation and Non-Specific Grant Income and Expenditure***	5	-	**5**
-	(1,946)	**(1,946)**	Capital grants and contributions	-	(3,193)	**(3,193)**
4,016	**(4,614)**	**(598)**	**(Surplus) or Deficit on Provision of Services**	**12,445**	**(14,101)**	**(1,656)**
		-	(Surplus) or deficit on revaluation of non current assets			-
		(1)	Actuarial (gains) or losses on pension assets & liabilities			364
		-	Other (gains) and losses			-
		(1)	**Other Comprehensive Income and Expenditure**			**364**
		(599)	**Total Comprehensive Income and Expenditure**			**(1,292)**

STDC and Group Balance Sheet as at 31 March 2020

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

	Note	Group	Group	STDC	STDC
		31 March 2020 £000s	**31 March 2019 £000s**	**31 March 2020 £000s**	**31 March 2019 £000s**
Non-current assets		-	-		
Property, plant and equipment	9	11,500	12,000	-	-
Long term loan	10	-	-	11,273	11,273
Long Term Debtors	11	-	-	150	150
Total non-current assets		11,500	12,000	11,423	11,423
Current assets					
Short term investments					
Debtors	12	10,661	2,756	7,093	2,602
Cash and Cash Equivalents	13	6,603	3,034	3,034	3,034
Total current assets		17,263	5,790	10,127	5,636
Current liabilities					
Short Term Creditors	14	(12,067)	(1,829)	(4,070)	(1,328)
Total current liabilities		(12,067)	(1,829)	(4,070)	(1,328)
Long term liabilities					
Long Term Borrowing	15	(11,215)	(12,215)	(11,215)	(11,215)
Other Long Term Liabilities	16	(496)	(52)	(496)	(52)
Total long term liabilities		(11,711)	(12,267)	(11,711)	(11,267)
Net Assets:		**4,985**	**3,694**	**5,768**	**4,463**
Reserves					
Usable reserves:					
General Fund Balance	1	322	322	322	322
Earmarked General Fund Reserves	6	679	1,201	659	1,698
Capital Grants Unapplied		5,192	2,509	5,192	2,509
		6,192	4,032	6,172	4,528
Unusable Reserves:					
Capital Adjustment Account	27	(695)	(273)	108	-
Pensions Reserve	21	(496)	(52)	(496)	(52)
Accumulated Absences Account	5	(16)	(13)	(16)	(13)
		(1,207)	(338)	(404)	(65)
Total Reserves:		**4,985**	**3,694**	**5,768**	**4,463**

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November 2020

STDC and Group Cash Flow Statement For The Year Ended 31 March 2020

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

	Note	Group	Group	STDC	STDC
		2019/20	**2018/19**	**2019/20**	**2018/19**
		£000s	**£000s**	**£000s**	**£000s**
Net (surplus) or deficit on the provision of services		**(1,656)**	**(598)**	**(1,669)**	**(1,368)**
non-cash movements:					
Depreciation, impairment and amortisation of non current assets			-		-
Taxation		5	-	-	-
Revaluation losses		(530)	(273)	-	-
Pension Fund adjustments		(80)	(52)	(80)	(52)
Increase/(Decrease) in Revenue Debtors	12	7,905	2,749	4,491	2,595
(Increase)/Decrease in Revenue Creditors	14	(10,244)	(844)	(2,742)	(343)
(Increase)/Decrease in Provisions		-	-		
(Increase)/Decrease in Long Term Creditors	15	1,000	(11,215)	-	(11,215)
Increase/(Decrease) in Long Term Debtors		-	-	0	150
		(1,944)	**(9,635)**	**1,669**	**(8,865)**
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		(2,683)	(1,584)	(2,683)	(1,584)
		(2,683)	**(1,584)**	**(2,683)**	**(1,584)**
		-	**-**		
Net cashflow from operating activities		**(6,282)**	**(11,817)**	**(2,683)**	**(11,816)**
Investing activities					
Purchase of property, plant and equipment, investment property and intangible assets		30	11,273	-	-
Purchase of short term and long term investments		-	-	-	11,273
Other receipts from investing activities		2,683	1,584	2,683	1,584
Net cashflow from investing activities		**2,713**	**12,857**	**2,683**	**12,856**
Financing activities					
Net (increase) or decrease in cash and cash equivalents		**3,569**	**(1,040)**	**(0)**	**(1,040)**
		-	**-**		
Cash and cash equivalents at the beginning of the reporting period		**3,034**	**4,075**	**3,035**	**4,075**
		-	**-**		
Cash and cash equivalents at the end of the reporting period	13	**6,603**	**3,035**	**3,035**	**3,035**

The cashflow for operating activities includes the following items:

	Group 2019/20	Group 2018/19	STDC 2019/20	STDC 2018/19
Interest received	-	-	-	-
Interest paid	-	-	-	-

Note 1: STDC and Group Expenditure & Funding Analysis

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

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	**STDC**	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
1,412	(1,194)	**218**	Core Running Costs	1,204	83	**1,287**
589	(227)	**362**	Enabling Infrastructure	(165)	402	**237**
-	-	**-**	Development Costs	-	-	**-**
2,001	**(1,421)**	**580**	**Net Cost Of Services**	**1,038**	**485**	**1,524**
(2,251)	303	(1,948)	Other Income and Expenditure	(1,039)	(2,154)	(3,193)
(250)	**(1,118)**	**(1,368)**	Surplus or Deficit	**(0)**	**(1,669)**	**(1,669)**
(72)			**Opening General Fund Balance**	**(322)**		
(250)			Less/Plus (Surplus) or Deficit	**(0)**		
(322)			**Closing General Fund Balance at 31 March 2020**	**(322)**		

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	**Group**	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
1,684	(696)	**988**	Core Running Costs	1,212	83	**1,295**
589	(227)	**362**	Enabling Infrastructure	(165)	402	**237**
-	-	**-**	Development Costs	-	-	**-**
2,273	**(923)**	**1,350**	**Net Cost Of Services**	**1,047**	**485**	**1,532**
			Taxation and Non-Specific Grant Income and Expenditure	5		**5**
(2,523)	575	(1,948)	Other Income and Expenditure	(1,052)	(2,141)	**(3,193)**
(250)	**(348)**	**(598)**	Surplus or Deficit	**(0)**	**(1,656)**	**(1,656)**
(72)			**Opening General Fund Balance**	**(322)**		
(250)			Less/Plus (Surplus) or Deficit	**(0)**		
(322)			**Closing General Fund Balance at 31 March 2020**	**(322)**		

Note 1: STDC and Group Expenditure & Funding Analysis

Notes to the Expenditure and Funding Analysis:

STDC

Adjustments between Funding and Accounting Basis 2019/20				
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	-	80	3	**83**
Enabling Infrastructure	402	-		**402**
Development Costs	-	-		**-**
Net Cost Of Services	402	80	3	**485**
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,193)		1,039	**(2,154)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(2,791)	80	1,042	**(1,669)**

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Core Running Costs	362	53	(1,609)	**(1,194)**
Enabling Infrastructure	-	-	(227)	**(227)**
Development Costs	-	-	-	**-**
Net Cost Of Services	362	53	(1,836)	**(1,421)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,946)	-	2,249	**303**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(1,584)	53	413	**(1,118)**

Notes to the Expenditure and Funding Analysis:

Group Adjustments between Funding and Accounting Basis 2019/20				
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	-	80	3	**83**
Enabling Infrastructure	402	-		**402**
Development Costs				**-**
Net Cost Of Services	402	80	3	**485**
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,193)		1,052	**(2,141)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(2,791)	80	1,055	**(1,656)**

Group Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Core Running Costs	635	54	(1,385)	(696)
Enabling Infrastructure			(227)	(227)
Development Costs			-	-
Net Cost Of Services	635	54	(1,612)	**(923)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,946)		2,521	575
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(1,311)	54	909	**(348)**

Notes to the Expenditure and Funding Analysis:

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.

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	Group	Group	STDC	STDC
	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s
Expenditure				
Employee benefits expenses	1,016	874	834	874
Other services expenses	10,886	3,141	4,408	1,855
Depreciation, amortisation and impairment	530			
Taxation and Non-Specific Grant Income and Expenditure	5			
Pension payments	8	1	8	1
Total Expenditure	**12,445**	**4,016**	**5,250**	**2,730**
Income				
Fees, charges and other service income	(5,282)	(518)	-	(2)
Interest and investment income	(8)	(2)	(8)	(2)
Local Government grants and contributions	(2,511)	-	(611)	-
Government grants and contributions	(6,300)	(4,094)	(6,300)	(4,094)
Total Income	**(14,101)**	**(4,614)**	**(6,919)**	**(4,098)**
(Surplus) or Deficit on the Provision of Services	**(1,656)**	**(598)**	**(1,669)**	**(1,368)**

Segmental Income

Income received on a segmental basis is analysed below:	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s
Services	**Income from Services**	**Income from Services**	**Income from Services**	**Income from Services**
Core Running Costs	(5,282)	(518)	-	(2)
Total income analysed on a segmental basis	**(5,282)**	**(518)**	**0**	**(2)**

Description and purpose of each reserve

Reserves

Usable reserves:

General Fund Balance

The reserve to cover general activities of the development corporation and group over and above those which are already earmarked.

Earmarked General Fund Reserves

The reserve to cover the anticipated activities of the development corporation and group.

Capital Grants Unapplied

Reserve relating to grants for capital purposes which have not beeen fully utilised at the balance sheet date.

Unusable Reserves:

Capital Adjustment Account

this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system.

Accumulated Absences Account

A non distribuatable reserve relating to the balance of holiday owing to employees at the balance sheet date.

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:

- IFRIC 23 Uncertainty over Income Tax Treatments

The corporation has sought independent tax advice to ensure correct tax treatment of the activities is recognised in the accounts. It is therefore believed that the treatment is correct and nothing falls under the scope of this standard.

- IFRS 16

At the time of drafting these accounts the deferral of implementation of IFRS 16 to the 2021/22 Code has meant that the 2020/21 Code has not yet completed its full due process.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

Investments in associates is not an area which is relevant to the STDC group. South Tees Developments Ltd is a wholly owned subsidiary so not covered by this standard.

- Annual Improvements to IFRS Standards 2015–2017 Cycle

It is not believed that the changes to business combinations, joint arrangemets, income taxes and borrowing costs are relevant to the activities of South Tees Development Corporation

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

All employee benefits are recognised in the period in which they are accrued. There are no post-employment benefit plan complications relevant to South Tees Development Corporation.

Note 3: Critical Judgements in Applying Accounting Policies

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

The decision to prepare group accounts. South Tees Developments Ltd commenced activities with the acquisition of land on 22nd February 2019. The comparative results therefore show a partial year for this subsidiary.

Bad Debt Provision. South Tees Developments Ltd trades with the current and former British Steel which has gone into compulsory liquidation. The Directors have prudently provided a 100% provision against the debt due from the former company in the previous financial year.

Classification and valuation basis of the land in the Group accounts. The Directors have considered the options of possible accounting treatment and have decided to show the land under Property Plant and Equipment.

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 the Corporation and Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Corporation and Group's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Pension liabilities**: The pension fund external valuers have stated that their valuations as at 31 March 2020 have been reported on the basis of 'material valuation uncertainty' in relation to property owned directly by the pension scheme and pooled investment property vehicles in which the pension scheme has an interest. Consequently, less certainty and a higher degree of caution should be attached to their valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, they have recommended that the valuation of the properties held directly by the pension scheme (which is currently undertaken each quarter) is kept under frequent review. A share of these Pension Fund assets is reflected in the Corporation's accounts, as set out in note 21 on pension disclosures.
- **The valuation of the land in Property, Plant and Equipment owned by the STDC Group**: has been informed by an independent RICS valuer who has provided a 'red book' report showing the valuation used in the accounts. Given the unknown future impact that COVID19 may have on the real estate market, valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards effective from 31 January 2020. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation of land. The value of land reflected in the Corporation's accounts is set out in note 9 – Property Plant and equipment

For the avoidance of doubt, the above material valuation uncertainties in respect of Pension Liabilities and land do not mean that valuations cannot be relied upon. The statements are a disclosure, not a disclaimer. They are used in order to be clear and transparent with all parties that – in the extraordinary circumstances that applied at the valuation date – less certainty can be attached to the valuation than would otherwise be the case.

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

2019/20 STDC	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	(108)			108
Adjustments involving the Capital Grants Unapplied Account	(2,683)		2,683	-
Adjustments involving the Pensions Reserve	80			(80)
Adjustments involving the Accumulated Absences Adjustment Account	3			(3)
Total Adjustments	**(2,708)**	**-**	**2,683**	**25**

2018/19 STDC	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	-			-
Adjustments involving the Capital Grants Unapplied Account	(1,584)		1,584	-
Adjustments involving the Pensions Reserve	52			(52)
Adjustments involving the Accumulated Absences Adjustment Account	10			(10)
Total Adjustments	**(1,522)**	**-**	**1,584**	**(62)**

2019/20 Group	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Group Adjustments involving the Capital Adjustment Account	422		-	(422)
Group Adjustments involving the Capital Grants Unapplied Account	(2,683)		2,683	-
Group Adjustments involving the Pensions Reserve	80			(80)
Group Adjustments involving the Accumulated Absences Adjustment Account	3			(3)
Total Adjustments	**(2,178)**	**-**	**2,683**	**(505)**

2018/19 Group	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Group Adjustments involving the Capital Adjustment Account	273			(273)
Group Adjustments involving the Capital Grants Unapplied Account	(1,584)		1,584	-
Group Adjustments involving the Pensions Reserve	52			(52)
Group Adjustments involving the Accumulated Absences Adjustment Account	10			(10)
Total Adjustments	**(1,249)**	**-**	**1,584**	**(335)**

Note 6: Movements in Earmarked Reserves - STDC

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

Earmarked Reserves	Balance at 31 March 2019 £000s	Transfers Out 2019/20 £000s	Transfers In 2019/20 £000s	Balance at 31 March 2020 £000s
Revenue Reserves				
Planned Activities	(1,698)	1,038		(659)
Total Revenue Reserves	**(1,698)**	**1,038**	**-**	**(659)**

Earmarked Reserves	Balance at 31 March 2018 £000s	Transfers Out 2018/19 £000s	Transfers In 2018/19 £000s	Balance at 31 March 2019 £000s
Revenue Reserves				
Planned Activities	(2,102)	404	-	(1,698)
Total Revenue Reserves	**(2,102)**	**404**	**-**	**(1,698)**

Note 6: Movements in Earmarked Reserves - Group

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

Earmarked Reserves	Balance at 31 March 2019 £000s	Transfers Out 2019/20 £000s	Transfers In 2019/20 £000s	Balance at 31 March 2020 £000s
Revenue Reserves				
Planned Activities - STDC	(1,698)	1,038		(659)
Planned Activities - Subsidiary	497	(517)		(20)
Total Revenue Reserves	**(1,201)**	**521**	**-**	**(679)**

Earmarked Reserves	Balance at 31 March 2018 £000s	Transfers Out 2018/19 £000s	Transfers In 2018/19 £000s	Balance at 31 March 2019 £000s
Revenue Reserves - Restated				
Planned Activities - STDC	(2,102)	404		(1,698)
Planned Activities - Subsidiary		497		497
Total Revenue Reserves	**(2,102)**	**901**	**-**	**(1,201)**

Note 7: Members' Allowances

STDC 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 STDC Group nor the TVCA Group. The Mayor is paid and his costs are reflected in the accounts of TVCA.

Note 8: Employee Remuneration STDC and Group.

The Chief Executive was employed by the South Tees Site Company from October 2019 in the 2019/20 year, a Government run organisation responsible for the safety, security and upkeep of the former SSI site. His remuneration is included in the table information for that entity. Costs charged in relation to his services amounted to £46,121. There was no recharge in the prior year. In the period from June to September the CEO was directly employed by South Tees Development Corporation.
The Director of Finance is employed by Tees Valley Combined Authority.
Neither of the above received direct remuneration from STDC, however a proportion of the current Director of Finance salary was recharged to STDC by TVCA and in 2019/20 this amounted to £25,885. The former Director of Finance was not recharged in this year. (2018/19 £11,461) The role holder of the Director of Finance position changed in September 2019

During the year the Interim Commercial Director was appointed the CEO. The Interim Commercial Director, Commercial Director, Assistant Director of Regeneration and Strategic Utilities Director roles were filled for less than a complete year in 2019/20.

Remuneration of the CEO's senior staff are shown in the following table.

Remuneration of Senior Employees

Post holder information	Salary (Including fees & Allowances) £	Expense Allowances £	Benefits in kind £	Total Remuneration excluding pension contributions 2019/20 £	Pension contributions £	Total Remuneration including pension contributions 2019/20 £	Total Remuneration including pension contributions 2018/19 £
Engineering and Project Director	132,600	3,934		**136,534**	22,542	**159,076**	145,762
Assistant Director of Regeneration	68,501	484		**68,985**	-	**68,985**	58,395
Senior Non Executive Director	16,667	110		**16,777**	-	**16,777**	20,556
Interim Commercial Director	25,000	6,831		**31,831**	-	**31,831**	41,129
CEO	34,306	-		**34,306**	-	**34,306**	-
Commercial Director	37,053	1,976		**39,029**	6,299	**45,328**	-
Strategic Utilities Director	14,483	125		**14,608**	2,462	**17,070**	-
Total	**328,610**	**13,460**	**-**	**342,070**	**31,303**	**373,373**	**265,842**

The previous CEO left the company in September 2018. The Senior Non Executive Director acted as the CEO until the complete appointment of the new CEO in September 2019. The Assistant Director of Regeneration left in October 2019. The Commercial Director started in January 2020 and the Strategic Utilities Director started in February 2020.

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

Remuneration Summary Salary Range	Number of Employees 2019/20	Number of Employees 2018/19
50,001 - £55,000	3	1
55,001 - £60,000	-	1

Remuneration of the CEO and his senior staff has been excluded from the salary range analysis in the table above

Note 9: Property, Plant and Equipment (STDC and Group)

	Group		STDC	
	Other Land and Buildings	TOTAL	Other Land and Buildings	TOTAL
	£000s	£000s	£000s	£000s
Cost or valuation				
As at 1 April 2019	12,000	**12,000**	-	**-**
Additions	30	**30**	0	**0**
Revaluation	(530)	**(530)**		**-**
Disposals		**-**		**-**
As at 31 March 2020	11,500	11,500	0	0
Depreciation				
As at 1 April 2019	-	**-**	-	**-**
Depreciation Charge	-	**-**	-	**-**
Impairments	-	**-**	-	**-**
Derecognition of Disposals	-	**-**	-	**-**
As at 31 March 2020	-	**-**	-	**-**
	-	-	-	-
Net Book Value				
As at 1 April 2019	12,000	12,000	-	-
As at 31 March 2020	11,500	11,500	0	0

	Group		STDC	
	Other Land and Buildings	TOTAL	Other Land and Buildings	TOTAL
	£000s	£000s	£000s	£000s
Cost or valuation				
As at 1 April 2018	-	**-**	-	**-**
Additions	12,273	**12,273**	-	**-**
Revaluation	(273)	**(273)**		**-**
Disposals		**-**		**-**
As at 31 March 2019	12,000	12,000	-	-
Depreciation				
As at 1 April 2018	-	**-**	-	**-**
Depreciation Charge	-	**-**	-	**-**
Impairments	-	**-**	-	**-**
Derecognition of Disposals	-	**-**	-	**-**
As at 31 March 2019	-	**-**	-	**-**
	-	-	-	-
Net Book Value				
As at 1 April 2018	-	-	-	-
As at 31 March 2019	12,000	12,000	-	-

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 (Avison Young) on a annual basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.
An independant valuers opinion of Current Value was prepared in accordance with the RICS Valuation- Global Standards 2017, CPIFA Code, and the International Financial Reporting Standards (IFRS) and related definition of "Current Value". This valuation has informed the revalued figure shown in the accounts with an effective date of 31/03/2020. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.
The valuer included a material uncertainty clause as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards effective from 31 January 2020 because of the impact of Covid 19. They clarify that: For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon.

Basis of depreciation

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

Treatment of revaluation supluses/(losses)

Surpluses on revaluation are shown as a non usable revaluation reserve, losses are recognised in surplus/deficit on the provision of services in so far as they do not reduce a previously created revaluation reserve.

Capital Commitments

At 31 March 2020, the Corporation had entered into contracts for preparation of land for development across the Corporation's land assets which continue into the 2020/21 financial year. The total value of outstanding contractual commitments in place at the balance sheet date was £173,196

Note 10: Long Term Loan

In the prior year South Tees Development Corporation made a loan to South Tees Developments Ltd, a company set up to hold the land, run the repurposing projects and maintain the estate management of the first section of the STDC site to be acquired.

Note 11: Long Term Debtors - Group and STDC

	Group	Group	STDC	STDC
	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s
Trade Receivables	-	-	-	-
Prepayments	-	-	-	-
Other receivables	-	-	150	150
	-	**-**	**150**	**150**

Note 12: Short Term Debtors - Group and STDC

	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s
Trade Receivables	590	-	-	-
Prepayments	836	194	2	40
Other receivables	9,235	2,562	7,091	2,562
	10,661	**2,756**	**7,093**	**2,602**

	£000s	£000s	£000s	£000s
Bank and Imprests	6,603	3,034	3,034	3,034
Cash Equivalents	-	-	-	-
Bank Overdraft	-	-	-	-
	6,603	**3,034**	**3,034**	**3,034**

Note 14: Short Term Creditors - Group and STDC

	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s
Other Payables	(2,072)	(1,829)	(2,072)	(1,328)
Taxation	(5)			
Other entities and individuals	(9,989)	-	(1,998)	-
	(12,067)	**(1,829)**	**(4,070)**	**(1,328)**

Note 15: Long Term Borrowing - Group and STDC

	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s
Trade payables	-	-	-	-
Other Payables	(11,215)	(12,215)	(11,215)	(11,215)
	(11,215)	**(12,215)**	**(11,215)**	**(11,215)**

Note 16: Other Long term Liabilities - Group and STDC

	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s
Pension liability	(496)	(52)	(496)	(52)
	(496)	**(52)**	**(496)**	**(52)**

Note 17: 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 the Corporation or to be controlled or influenced by the Corporation. Disclosure of these transactions allows readers to assess the extent to which the Corporation 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 the Corporation – it is responsible for providing the statutory framework within which the Corporation operates, provides the majority of its funding in the form of grants (via TVCA) and prescribes the terms of many of the transactions that the Corporation has with other parties.

Members

Members of the TVCA have direct control over the Corporation's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 7. During 2019/20, there were no related party transactions between TVCA members and STDC.

Tees Valley Combined Authority (TVCA)

STDC was set up under the control of TVCA. The trading arrangement between these two entities results in material balances due to and from TVCA at the year end.

Entities Controlled or Significantly Influenced by the Corporation

No elected member or senior officer of the corporation sit on any board or management committee of any entities which are significantly controlled or influenced by the corporation.

Related Parties

South Tees Development Corporation was established by Tees Valley Combined Authority and is part of their overall group structure.
South Tees Site Company is a Government controlled organisation who is responsible for the safety, security and upkeep of the former SSI Site.
South Tees Developments Limited is a wholly owned subsidiary of South Tees Development Corporation.
Details of the Income and Expenditure with these organisations is set out below:-

	Group		STDC	
2019/20	**Income Received £000s**	**Expenditure £000s**	**Income Received £000s**	**Expenditure £000s**
Tees Valley Combined Authority	(8,200)	3,205	(6,300)	2,460
South Tees Developments Ltd	-	-	-	-
Stockton Borough Council	-	1	-	1
Redcar & Cleveland Borough Council	(5)	30	(5)	30
South Tees Site Company	(14)	117	-	76
Total	**(8,219)**	**3,353**	**(6,305)**	**2,567**

2018/19	**Income Received £000s**	**Expenditure £000s**	**Income Received £000s**	**Expenditure £000s**
Tees Valley Combined Authority	-	-	-	-
South Tees Developments Ltd	-	-	-	-
Redcar & Cleveland Borough Council	-	-	-	-
South Tees Site Company	(2)	192	(2)	192
Total	**(2)**	**192**	**(2)**	**192**

The below table sets out the amounts owed to and from the corporation as at 31 March 2020:-

	Group		STDC	
2019/20	**Owed by STDC To £000s**	**Owed to STDC From £000s**	**Owed by STDC To £000s**	**Owed to STDC From £000s**
Tees Valley Combined Authority	16,173	8,302	13,213	6,402
South Tees Developments Ltd	-	-	-	11,778
Stockton Borough Council	1	-	1	-
Redcar & Cleveland Borough Council	61	-	-	-
South Tees Site Company	4	-	-	-
Total	**16,239**	**8,302**	**13,214**	**18,180**

2018/19	**Owed by STDC To £000s**	**Owed to STDC From £000s**	**Owed by STDC To £000s**	**Owed to STDC From £000s**
Tees Valley Combined Authority	11,215	2,561	11,215	2,561
South Tees Developments Ltd	-	-	-	11,423
Redcar & Cleveland Borough Council	31	-	-	-
South Tees Site Company	75	-	75	-
Total	**11,321**	**2,561**	**11,290**	**13,984**

Note 18: External Audit Costs

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

	Group		STDC	
	2019/20	**2018/19**	**2019/20**	**2018/19**
	£000s	**£000s**	**£000s**	**£000s**
Fees payable to Tait Walker with regard to external audit services	5	-	-	-
Fees payable to Mazars LLP with regard to external audit services	20	21	13	21
Fees payable to Mazars LLP for the certification of grant claims	-	-	-	-
Fees payable in respect of other services provided by Mazars LLP	-	-	-	-
	25	**21**	**13**	**21**

Note 19: Grant Income

The Corporation credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

	Group		STDC	
	2019/20	**2018/19**	**2019/20**	**2018/19**
Credited to Taxation and Non Specific Grant income	**£000s**	**£000s**	**£000s**	**£000s**
South Tees Developments Ltd Grant From Tees Valley Combined Authority	1,900	-	-	-
Development Grant for Prairie site From MHCLG	3,193	1,946	3,193	1,946
Total	**5,093**	**1,946**	**3,193**	**1,946**

	2019/20	**2018/19**	**2019/20**	**2018/19**
Credited to Services	**£000s**	**£000s**	**£000s**	**£000s**
Operating Grant From MHCLG	3,000	2,000	3,000	2,000
Development Grant for Prairie site From MHCLG	107	14	107	14
Total	**3,107**	**2,014**	**3,107**	**2,014**

Note 20: Financial Instruments - STDC

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.

Financal 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 three classifications:

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

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

Financal Instruments

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

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

	Long Term		Short Term	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	11,423	11,423	9,792	5,636
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**11,423**	**11,423**	**9,792**	**5,636**

The short term assets and liabilities are to be settled within one year and the nature means there is no difference between carrying value and fair value. The long term assets and liabilities are intra group which also means there is no difference between carrying value and fair value.

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

	Long Term		Short Term	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(11,215)	(11,215)	(3,828)	(1,294)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(11,215)**	**(11,215)**	**(3,828)**	**(1,294)**

Nature and Extent of Risks Arising from Financial Instruments

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**
  Presently the Corporation does not have credit customers. As the site is developed this will change.
- **liquidity risk – the possibility that the Corporation might not have funds available to meet its commitments to make payments**

Long term maturity	This is a loan from within the TVCA group, which does not have a fixed repayment schedule. It is not likely that this will become repayable in the next 12 months.
Short term maturity	The amounts due are more than covered by existing financial reserves and the committed HMG and TVCA funding.

- **market risk – the possibility that the Corporation and Group might be exposed to risk as a result of the markets in which they operate.**
  The market in which the group operates relates to the land at Redcar. The keen interest from potential investors plus the attractiveness of the deep water port facilities means that the Directors are happy that the market demand for the activities of the corporation and group will remain.

Note 20: Financial Instruments STDC Group

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

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

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

Financal Instruments

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

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

	Long Term		**Short Term**	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	-	-	15,850	5,582
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**-**	-	**15,850**	5,582

The short term assets and liabilities are to be settled within one year and the nature means there is no difference between carrying value and fair value. The long term assets and liabilities are intra group which also means there is no difference between carrying value and fair value.

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

	Long Term		Short Term	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(11,215)	(12,215)	(12,819)	(1,587)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(11,215)**	(12,215)	**(12,819)**	(1,587)

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

- **credit risk – the possibility that other parties might fail to pay amounts due to the Corporation**

  Presently the Corporation does not have credit customers. As the site is developed this will change.
  South Tees Developments Ltd holds a 100% provision against the debt from the former British Steel.

- **liquidity risk – the possibility that the Corporation and Group might not have funds available to meet its commitments to make payments**

Long term maturity	This is a loan from within the TVCA group, which does not have a fixed repayment schedule. It is not likely that this will become repayable in the next 12 months.
Short term maturity	The amounts due are more than covered by existing financial reserves and the committed HMG and TVCA funding.

- **market risk – the possibility that the Corporation and Group might be exposed to risk as a result of the**

  The market in which the group operates relates to the land at Redcar. The keen interest from potential investors plus the attractiveness of the deep water port facilities means that the Directors are happy that the market demand for the activities of the corporation and group will remain.

Note 21: Defined Benefit Pension Schemes STDC and Group.

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

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

STDL has no direct employees and is therefore not part of the LGPS.

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

	Local Government Pension Scheme 2019/20 £000s	**Local Government Pension Scheme 2018/19 £000s**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service cost	150	134
• Past service cost	9	-
Financing and Investment Income and Expenditure		
Net interest cost	-	(1)
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**159**	**133**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• Return on plan assets (excluding the amount included in the net interest expense)	(122)	(3)
• Actuarial gains and losses arising on changes in financial assumptions	(10)	11
• Actuarial gains and losses due to changes in demographic assumptions	(13)	(9)
• Actuarial gains and losses due to liability experience	509	-
• Actuarial gains and losses due to acquisitions	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**364**	**(1)**
Movement in Reserves Statement		
• Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(159)	(133)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**79**	**80**

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is £0.364m. 2019 £0.001m.

Pension Assets and Liabilities Recognised in the Balance Sheet

Changes to the present value of the defined benefit obligation

	Local Government Pension Scheme 2019/20 £000s	**Local Government Pension Scheme 2018/19 £000s**
Present value of defined benefit obligation	(1,127)	(185)
Fair value of assets	631	133
Net liability recognised in the Balance Sheet	**(496)**	**(52)**

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

	Local Government Pension Scheme 2019/20 £000s	Local Government Pension Scheme 2018/19 £000s
Opening fair value of scheme assets	133	11
Interest income	8	2
Remeasurement gains and (losses)	122	3
Contributions from the employer	79	80
Contributions from employees into the scheme	41	39
Net increase from acquisitions	-	-
Benefits paid	248	(2)
Closing balance at 31 March 2020	**631**	**133**

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

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

	Local Government Pension Scheme 2019/20 £000s	Local Government Pension Scheme 2018/19 £000s
Opening balance at 1 April	(185)	(11)
Current service cost	(150)	(134)
Interest cost	(8)	(1)
Contributions by scheme participants	(41)	(39)
Actuarial gains and losses - financial assumptions	10	(11)
Actuarial gains and losses - demographic assumptions	13	9
Actuarial gains and losses - liability experience	(509)	-
Benefits paid	(248)	2
Past service cost (inc. curtailments)	(9)	-
Net increase from acquisitions	-	-
Past service cost	-	-
Closing balance at 31 March 2020	**(1,127)**	**(185)**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2019/20 £000s	%
Equity investments (Quoted)	459	72.7%
Property (Quoted)	56	8.9%
Government Bonds	-	0.0%
Corporate Bonds	-	0.0%
Cash	85	13.4%
Other Investments	31	5.0%
	631	**100%**

	Fair value of scheme assets 2018/19 £000s	%
Equity investments (Quoted)	96	71.9%
Property (Quoted)	12	9.2%
Government Bonds	-	0.0%
Corporate Bonds	-	0.0%
Cash	22	16.8%
Other Investments	3	2.1%
	133	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2020.

The principal assumptions used by the actuary have been:

	2019/20	**2018/19**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8	22.2
Women	23.5	24.1
Longevity at 45 for future pensioners:		
Men	23.2	23.9
Women	25.3	25.9
Other assumptions:		
Rate of inflation (CPI)	1.8%	2.1%
Rate of increase in salaries	2.8%	3.1%
Rate of increase in pensions	1.8%	2.1%
Rate of Pension accounts revaluation rate	1.8%	2.1%
Rate for discounting scheme liabilities	2.3%	2.5%
Take-up of option to convert annual pension into retirement lump sum	80.0%	80.0%

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

Impact on the Defined Benefit Obligation in the Scheme

2019/20	**Increase**	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (increase or decrease in 1 year)	1,163	1,127	1,091
Rate of increase in salaries (increase or decrease by 0.1%)	1,136	1,127	1,118
Rate of increase in pensions payment (increase or decrease by 0.1%)	1,150	1,127	1,104
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,095	1,127	1,159

2018/19	**Increase**	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (increase or decrease in 1 year)	191	185	179
Rate of increase in salaries (increase or decrease by 0.1%)	187	185	183
Rate of increase in pensions payment (increase or decrease by 0.1%)	190	185	181
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	178	185	192

Impact on the Corporation's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Corporation has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2022.

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

The Corporation anticipates to pay £0.225m contributions to the scheme in 2020/2021. (2019/2020 £0.082m.)

The weighted average duration of the defined benefit obligation for scheme members is 27.9 years. (2018/2019 37.4 years.)

Guaranteed Minimum Pension (GMP) and McCloud Judgement

At 31 March 2020 the group did not make any amendments for the potential impact of GMP and the McCloud Judgement. The actuary report dated 31 March 2020 has included within its calculations the impact of both of these cases. Any increase in liabilities at 31 March 2020 arising from the impact of GMP has been charged through other comprehensive income. The potential McCloud judgement liability has been presented as a past service cost this year.

Note 22: Termination Benefits - STDC and Group

2019/20 There was one termination payment to a senior officer of the Corporation of £0.015m.

In 2018/19 there was one termination payment made to an officer (ie not a director) of the Corporation of £0.01m.

Note 23: Provisions - STDC and Group

There are no provisions for STDC or the Group, other than the bad debt credit loss allowance accounted for in debtors which relates to the Group.

Note 24: Contingent Liabilities - STDC and Group

Contingent Liabilities – Corporation tax

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

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

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

However, should HMRC determine that STDC is subject to Corporation Tax, it is estimated that the maximum Corporation tax liability to 31 March 2020 would be £1,095,000. This assumes reported comprehensive income to March 2020 is equivalent to taxable profits and subject to corporation tax at 19%.

Note 25: Post Balance Sheet Events - STDC and Group

Events after the Reporting Period

Land acquisition and Compulsory purchase order

On 29 April 2020 the South Tees Development Corporation (Land at the former Redcar Steel Works, Redcar) Compulsory Purchase Order 2019 ("the Order"), was confirmed without modification. The order allows STDC to take ownership of the remaining land within the boundaries of the South Tees Development Corporation site through a formal vesting process.

On 3 July 2020 STDC submitted its first "General Vesting Declaration" to give notice to occupiers of land within the scope of CPO that land is to be acquired and a second General Vesting Declaration was submitted on 6 October 2020.

The c 960 acres of land which was subject to the first declaration, was vested by STDC on 8th October 2020, c 5 acres of land covered by the second general vesting declaration is due to vest on 6 January 2021.

Vesting under a Compulsory Purchase process triggers compensation payments to parties displaced. At this time it is not possible to determine the exact value of compensation payable in due to ongoing negotiations, however it considered that the overall cost of displacing parties under the General Vesting Declarations made by STDC to date will be in the region of £17m to £18m.

Transition of South Tees Site Company into Local ownership

Also, on 8th October 2020 STDC acquired South Tees Site Company Limited (STSC) from the Department for Business Energy and Industrial Strategy for a nominal sum. STSC is responsible for the management and keep safe of the former SSI steelworks site which vested into the ownership of STDC on the same day. Funding for the continuing activities of STSC has also been allocated to STDC within funds secured as part of a successful business case to government (see below)

Business case to government

In September 2020, following a business case submission STDC entered into a joint memorandum of understanding with the Department for Business Energy and Industrial Strategy and Ministry of Housing Communities and Local Government securing (in respect of the 2020/21 financial year) the first £21m of a three year anticipated funding commitment of £124.5m to support regeneration of the South Tees Development Corporation Site.

This funding includes £14.5m of an anticipated total of £74.9m to fund the ongoing activities of South Tees Site company.

Rebranding of the South Tees Development Corporation site

In July 2020, the South Tees Development Corporation site was rebranded as "Teesworks". References to the South Tees Development Corporation Site and Teesworks in these financial statements should therefore be considered as interchangeable.

The rebranding relates to description of the land assets only and names of legal entities in the STDC Group have not been changed.

Note 26: Leases - STDC and Group

The Corporation and Group is required to review all lease transactions and consider whether they are operational or finance leases. STDL has leases which came with the land (both as lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets e.g. pipework.

Annual ongoing commitments with these leases are:

	2019/20 £000s	2018/19 £000s
Income	257	255
Expenditure	195	202

Note 27: Capital Adjustment Account - STDC and Group

		2019/20 £000s	2018/19 £000s
Balance at 1 April 2019	**STDC**	-	-
		-	-
- Revenue expenditure funded from capital under statute		584	376
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		(107)	(14)
Application of grants to capital financing from the Capital Grants Unapplied Account		(477)	(362)
Statutory provision for the financing of capital investment charged against the General Fund		108	
Capital expenditure charged against the General Fund balance			-
		108	-
Other adjustments		-	-
Balance at 31 March 2020		**108**	**-**
Balance at 1 April 2019	**Group**	273	-
		273	-
- Revaluation losses on property, plant and equipment		530	273
- Revenue expenditure funded from capital under statute		584	376
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		(107)	(14)
Application of grants to capital financing from the Capital Grants Unapplied Account		(477)	(362)
Statutory provision for the financing of capital investment charged against the General Fund		(108)	
Capital expenditure charged against the General Fund balance			-
		422	273
Other adjustments		-	-
Balance at 31 March 2020		**695**	**273**

Note 28: Capital Expenditure and Financing - STDC and Group

STDC	31 March 2020 £000s	31 March 2019 £000s
Opening Capital Financing Requirement	-	-
Capital investment		
Loans for capital investment	11,215	
Assets In Course of construction		
Revenue expenditure funded from capital under statute	584	376
Sources of Finance		
Government grants and other contributions	(584)	(376)
Sums set aside from revenue:		
Direct revenue contributions		-
Minimum Revenue Provision	(108)	-
Closing Capital Financing Requirement	**11,107**	**-**

Note 28: Capital Expenditure and Financing - STDC and Group

Group	31 March 2020 £000s	Restated 31 March 2019 £000s
Opening Capital Financing Requirement	**11,215**	**-**
Capital investment		
Land and Buildings	30	11,215
Assets In Course of construction		
Revenue expenditure funded from capital under statute	584	376
Sources of Finance		
Government grants and other contributions	(584)	(376)
Sums set aside from revenue:		
Direct revenue contributions		-
Minimum Revenue Provision	(108)	**-**
Closing Capital Financing Requirement	**11,137**	**11,215**

Note 29: Statement of Accounting Policies - STDC and Group

General Principles
The Statement of Accounts summarise the Corporation and Group's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Corporation and Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

Note 29: Statement of Accounting Policies - STDC and Group

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

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

- The Local Government Pensions Scheme, administered by Middlesbrough Corporation.

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

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

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

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

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

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

Service cost comprising:

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

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

Remeasurements comprising:

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

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

Contributions paid to the Teesside Pension Fund:

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

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

Note 29: Statement of Accounting Policies - STDC and Group

Events after the Reporting Period

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

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

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

Financial Instruments

All financial assets & liabilities are held at amortised cost.

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 [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Corporation. For most of the loans that the Corporation and Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Government Grants and Contributions

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

- the Corporation and Group will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

Note 29: Statement of Accounting Policies - STDC and Group

Intangible Assets

Leases

The Corporation and Group is required to review all lease transactions to consider whether they are operational or finance leases. STDL has leases which came with the land (both as a lessee and lessor), these do not transfer the risks and rewards to the lessee, so do not qualify as finance leases.

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

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

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

Contingent Liabilities & Contingent Assets

A contingent liability arises where an event has taken place that gives the Corporation and Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Corporation and Group. 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 and Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Corporation and Group expenditure.

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

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the 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.

REFCUS funding will be used to remediate phase 1 of the land acquired last year.

VAT

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

Note 29: Statement of Accounting Policies - STDC and Group

Fair Value Measurement

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

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

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

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

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

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

Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the noncontrolling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Property, plant and equipment

(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 an annual basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Note 29: Statement of Accounting Policies - STDC and Group

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.

(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 and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve.

Depreciation

Freehold land is not depreciated.

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 Group 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 STDL has been financed by a loan from STDC. The expenditure in the prior year was the acquisition of land for regenerative purposes in line with the masterplan.

Responsibilities for the Annual Financial Statements

The Corporation and Group's Responsibilities

The South Tees Development Corporation and Group is required to:

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

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Corporation and Group's 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 South Tees Development Corporation and Group Accounts at the accounting date and its income and expenditure for the year ended 31 March 2020.

G Macdonald **Date: November 2020**
Director of Finance

These financial statements replace the unaudited financial statements certified by the Director of Finance on 31st July 2020.

G Macdonald **Date: November 2020**
Director of Finance

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH TEES 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.

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

Capital Expenditure

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

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

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

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

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

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

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

Fair Value

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

Appendix A

Glossary of Terms

Finance Lease

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

Going Concern

The concept that the 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 Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

Inventories

Comprise the value of items held in the following categories:

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

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

Long Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Appendix A

Glossary of Terms

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

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

Operating Lease
A lease other than a finance lease.

Operational Assets

Non current assets held and occupied, used or consumed by the 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”.