

**South Tees Development Corporation and Group**

**Draft Unaudited Financial Statements**

**for the year ended 31/03/2021**

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## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

### Narrative Report

#### Introduction

Welcome to the South Tees Development Corporation and Group's Annual statement of Accounts for 2020/21 which have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The South Tees Development Corporation Group comprises South Tees Development Corporation (STDC), and its wholly owned subsidiary companies South Tees Developments Limited and South Tees Site Company Limited (STSC) which was acquired 08 October 2020.

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.

South Tees Site Company Limited (STSC) is responsible decontamination, keep safe, maintenance and security across the South Tees Development Corporation site.

#### 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/>

#### 2020/21 performance

Through 2020/21 STDC's principal focus was to regenerate the Teesworks site which contains the majority of the contaminated and unsafe land by utilising the funding from central government that was allocated to support this regeneration activity.

Key milestones include

- **Freeport status** - In February 2021 the Mayor and Combined Authority submitted a bid to become a Freeport. In March 2021, as part of the Spring Budget, Tees Valley was announced as one of the first places to get Freeport status under the new Government policy to create Freeports across the country. Covering 4,500 acres, the Teesside Freeport is the largest in the UK. The Freeport is forecast to create more than 18,000 jobs and provide a £3.2billion boost to the local economy over the next five years.
- **Favourable CPO outcome and site acquisition** - During the year preparations and legal proceedings took place in relation to a Compulsory Purchase to secure the remaining 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. Following this the remainder of the site was successfully acquired by STDC.

## **South Tees Development Corporation and Group - Annual Financial Statements 2020/21**

### **Narrative Report**

- **Development on site** – In March 2020 GE Renewable Energy confirmed their intention to build a new multimillion-pound state-of-the-art wind turbine blade manufacturing factory on Teesworks site creating 750 jobs and a further 1,500 in the supply chain.

### **Outlook, strategy, and operating model**

As a result of the successful CPO conclusion, land acquisition, and the release of £14.1m of funding from central government, the focus of STDC's activity now continues to be the delivery of its regeneration programme.

## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

### Narrative Report

#### *Site regeneration*

Overall there has been an acceleration of the capital delivery on site. Approximately 300 acres of land is in the process of remediation and with this has come the support of around 400 jobs in the construction sector. The Teesworks Demolition Framework completed in quarter 4 with appointments confirmed ensuring contractor resource and accelerated activity.

#### *Commercial activity*

On 31 July 2020 STDC assumed a 50% shareholding in Teesworks Limited following the allotment of 2 £1 shares at nominal value. Teesworks Limited is the joint venture vehicle between STDC and its private sector partners which manages commercialisation of land once remediated.

### 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.

## South Tees Development Corporation and Group - Annual Financial Statements 31 March 2021

### STDC Movement in Reserves Statement for the year ended 31 March 2021

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.

	£000s	General Fund Balance	£000s	Capital Grants Unapplied	£000s	Total Usable Reserves	Capital Adjustment Account	Unusable reserve	£000s	Total Unusable Reserves	£000s	Total Reserves
<b>Movement in reserves during 2020/21</b>												
<b>Balance at 1 April 2020</b>		<b>948</b>		<b>5,225</b>		<b>6,173</b>	<b>108</b>	<b>(512)</b>		<b>(404)</b>		<b>5,768</b>
Total Comprehensive Income and Expenditure		(13,617)				(13,617)	-			-		(13,617)
Adjustments between accounting basis & funding basis under regulations (Note 5)		22,358		(3,723)		18,635	(18,240)	(396)		<b>(18,635)</b>		-
<b>Increase/Decrease in Year</b>		<b>8,742</b>		<b>(3,723)</b>		<b>5,018</b>	<b>(18,240)</b>	<b>(396)</b>		<b>(18,635)</b>		<b>(13,617)</b>
Balance at 31 March 2021 carried forward		<u>9,689</u>		<u>1,502</u>		<u>11,191</u>	<u>(18,132)</u>	<u>(908)</u>		<u>(19,040)</u>		<u>(7,849)</u>
<b>General Fund analysed over:</b>												
Amounts earmarked (Note 6)		626										
Amounts uncommitted		9,063										
<b>Total General Fund Balance at 31 March 2021</b>		<u><u>9,689</u></u>										

	£000s	General Fund Balance	£000s	Capital Grants Unapplied	£000s	Total Usable Reserves	Capital Adjustment Account	Unusable reserve	£000s	Total Unusable Reserves	£000s	Total Reserves
<b>Movement in reserves during 2019/20</b>												
<b>Balance at 1 April 2019</b>		<b>2,020</b>		<b>2,509</b>		<b>4,529</b>	<b>-</b>	<b>(65)</b>		<b>(65)</b>		<b>4,464</b>
Total Comprehensive Income and Expenditure		1,669				1,669	108	(472)		(364)		<b>1,197</b>
Adjustments between accounting basis & funding basis under regulations (Note 5)		(2,741)		2,716		(25)		25		25		<b>0</b>
<b>Increase/Decrease in Year</b>		<b>(1,071)</b>		<b>2,716</b>		<b>1,645</b>	<b>108</b>	<b>(447)</b>		<b>(339)</b>		<b>1,306</b>
Balance at 31 March 2020 carried forward		<u>948</u>		<u>5,225</u>		<u>6,173</u>	<u>108</u>	<u>(512)</u>		<u>(404)</u>		<u><b>5,769</b></u>
<b>General Fund analysed over:</b>												
Amounts earmarked (Note 6)		626										
Amounts uncommitted		322										
<b>Total General Fund Balance at 31 March 2020</b>		<u><u>948</u></u>										

## South Tees Development Corporation and Group - Annual Financial Statements 31 March 2021

### STDC Group Movement in Reserves Statement for the year ended 31 March 2021

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.

	£000s	General Fund Balance	£000s	Capital Grants Unapplied	£000s	Total Usable Reserves	Capital Adjustment Account	Unusable reserve	£000s	Total Unusable Reserves	£000s	Total Reserves
<b>Movement in reserves during 2020/21</b>												
<b>Balance at 1 April 2020</b>		<b>968</b>	<b>5,225</b>	<b>6,192</b>	<b>(695)</b>	<b>(512)</b>	<b>(1,207)</b>	<b>4,985</b>				
Total Comprehensive Income and Expenditure	(10,497)				-							(10,497)
Adjustments between accounting basis & funding basis under regulations (Note 5)	22,358	(3,723)		(18,240)	(396)	(18,635)						(1)
<b>Increase/Decrease in Year</b>	<b>11,862</b>	<b>(3,723)</b>	<b>-</b>	<b>(18,240)</b>	<b>(18,635)</b>	<b>(18,635)</b>	<b>(10,498)</b>					
Balance at 31 March 2021 carried forward	12,830	1,502	14,331	(18,934)	(908)	(19,842)	(5,513)					

#### General Fund analysed over:

Amounts earmarked (Note 6)	626
Amounts uncommitted	12,204
<b>Total General Fund Balance at 31 March 2021</b>	<b>12,830</b>

	£000s	General Fund Balance	£000s	Capital Grants Unapplied	£000s	Total Usable Reserves	Capital Adjustment Account	Unusable reserve	£000s	Total Unusable Reserves	£000s	Total Reserves
<b>Movement in reserves during 2019/20</b>												
<b>Balance at 1 April 2019</b>		<b>1,523</b>	<b>2,509</b>	<b>4,033</b>	<b>(273)</b>	<b>(65)</b>	<b>(338)</b>	<b>3,694</b>				
Total Comprehensive Income and Expenditure	1,656	-	1,656		(364)	(364)						1,292
Adjustments between accounting basis & funding basis under regulations (Note 5)	(2,211)	2,716	505	(422)	(83)	(505)						-
<b>Increase/Decrease in Year</b>	<b>(555)</b>	<b>2,716</b>	<b>2,160</b>	<b>(869)</b>	<b>1,292</b>							
Balance at 31 March 2020 carried forward	968	5,225	6,192	(695)	(512)	(1,207)	4,985					

#### General Fund analysed over:

Amounts earmarked (Note 6)	646
Amounts uncommitted	322
<b>Total General Fund Balance at 31 March 2020</b>	<b>968</b>

## South Tees Development Corporation and Group - Annual Financial Statements 31 March 2021

### STDC Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

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

2019/20				2020/21		
£000s	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
2,526	(1,239)	1,287	Core Running Costs	2,693	(2,693)	-
2,294	(2,057)	237	Enabling Infrastructure	13,607	(12,770)	837
423	(423)	-	Development Costs	27,252	(5,290)	21,962
5,242	(3,718)	1,524	Cost Of Services	43,552	(20,754)	22,799
Financing and Investment Income and Expenditure:						
8	(8)	-	Net interest on the net defined benefit liability/asset	23	(23)	-
Taxation and Non-Specific Grant Income:						
	(3,193)	(3,193)	Capital grants and contributions		(9,487)	(9,487)
5,250	(4,098)	(1,669)	(Surplus) or Deficit on Provision of Services	43,575	(30,264)	13,312
		-	(Surplus) or deficit on revaluation of non current assets			-
		364	Actuarial (gains) or losses on pension assets & liabilities			305
		-	Other (gains) and losses			-
		364	Other Comprehensive Income and Expenditure			305
		(1,305)	Total Comprehensive Income and Expenditure			13,617

### STDC Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

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

2019/20				2020/21			
£000s	£000s	£000s		£000s	£000s	£000s	
Expenditure	Income	Net		Expenditure	Income	Net	
9,544	(8,249)	1,295	Core Running Costs	3,986	(3,986)	-	
2,294	(2,057)	237	Enabling Infrastructure	19,746	(18,433)	1,313	
423	(423)	-	Development Costs	27,252	(5,290)	21,962	
12,260	(10,729)	1,531	Cost Of Services	50,984	(27,710)	23,275	
Financing and Investment Income and Expenditure:							
-	-	-	Groups share of profit in Joint Ventures	-	(3,596)	(3,596)	
8	(8)	-	Net interest on the net defined benefit liability/asset	23	(23)	-	
5	-	5	Taxation and Non-Specific Grant Income and Expenditure				
-	(3,193)	(3,193)	Capital grants and contributions		(9,487)	(9,487)	
12,273	(13,929)	(1,656)	(Surplus) or Deficit on Provision of Services	51,007	(40,816)	10,192	
		-	(Surplus) or deficit on revaluation of non current assets			-	
		364	Actuarial (gains) or losses on pension assets & liabilities			305	
		-	Other (gains) and losses			-	
		364	Other Comprehensive Income and Expenditure			305	
		(1,292)	Total Comprehensive Income and Expenditure			10,497	



# South Tees Development Corporation and Group - Annual Financial Statements 2020/21

## STDC and Group Balance Sheet as at 31 March 2021

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 31 March 2021 £000s	Group 31 March 2020 £000s	STDC 31 March 2021 £000s	STDC 31 March 2020 £000s
<b>Non-current assets</b>			-		
Investments in subsidiaries and associates		3,596		476	
Property, plant and equipment	9	28,978	11,500	17,473	-
Long term loan	10		-	11,273	11,273
Long Term Debtors	11		-	150	-
<b>Total non-current assets</b>		<b>32,574</b>	<b>11,500</b>	<b>29,371</b>	<b>11,273</b>
<b>Current assets</b>					
Short term investments					
Inventories		500		500	
Debtors	12	10,832	10,306	5,210	7,243
Cash and Cash Equivalents	13	9,483	6,603	1,727	3,034
<b>Total current assets</b>		<b>20,815</b>	<b>16,908</b>	<b>7,437</b>	<b>10,277</b>
<b>Current liabilities</b>					
Short Term Creditors	14	(19,265)	(11,712)	(5,021)	(4,070)
<b>Total current liabilities</b>		<b>(19,265)</b>	<b>(11,712)</b>	<b>(5,021)</b>	<b>(4,070)</b>
<b>Long term liabilities</b>					
Long Term Borrowing	15	(38,752)	(11,215)	(38,752)	(11,215)
Other Long Term Liabilities	16	(884)	(496)	(884)	(496)
<b>Total long term liabilities</b>		<b>(39,636)</b>	<b>(11,711)</b>	<b>(39,636)</b>	<b>(11,711)</b>
<b>Net Assets:</b>		<b>(5,512)</b>	<b>4,985</b>	<b>(7,849)</b>	<b>5,768</b>
<b>Reserves</b>					
<b>Usable reserves:</b>					
General Fund Balance	1	12,659	322	9,063	322
Earmarked General Fund Reserves	6	171	646	626	626
Capital Grants Unapplied		1,502	5,225	1,502	5,225
		14,330	6,192	11,191	6,172
<b>Unusable Reserves:</b>					
Capital Adjustment Account	27	(18,934)	(695)	(18,132)	108
Pensions Reserve	21	(884)	(496)	(884)	(496)
Accumulated Absences Account	5	(24)	(16)	(24)	(16)
		(19,842)	(1,207)	(19,040)	(404)
<b>Total Reserves:</b>		<b>(5,512)</b>	<b>4,985</b>	<b>(7,849)</b>	<b>5,768</b>

Mayor Ben Houchen .....

30th September 2021

## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

### STDC and Group Cash Flow Statement For The Year Ended 31 March 2021

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.

		Group	Group	STDC	STDC
	Note	2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s
<b>Net (surplus) or deficit on the provision of services</b>		<b>10,192</b>	<b>(1,656)</b>	<b>13,312</b>	<b>(1,669)</b>
<b>cash movements:</b>		-	-	-	-
Depreciation, impairment and amortisation of non current assets		(16,464)	-	(18,253)	-
Taxation		-	(5)	-	-
Revaluation losses		-	(530)	-	-
Pension Fund adjustments		(83)	(80)	(83)	(80)
Increase/(Decrease) in Inventories (Stock)		500	-	500	-
Increase/(Decrease) in Revenue Debtors	12	526	7,550	(2,033)	4,641
(Increase)/Decrease in Revenue Creditors	14	(7,553)	(9,878)	(950)	(2,742)
(Increase)/Decrease in Long Term Creditors	15	(27,537)	1,000	(27,537)	-
Increase/(Decrease) in Long Term Debtors	11	-	-	-	(150)
Income from Joint venture		3,596	-	-	-
Change in working capital, net of effects from acquisition of subsidiary		-	-	-	-
- Revenue Debtors		(4,268)	-	-	-
- Revenue Creditors		3,838	-	-	-
		<b>(47,445)</b>	<b>(1,943)</b>	<b>(48,356)</b>	<b>1,669</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>		-	-	-	-
Capital Grants credited to surplus or deficit on the provision of services	5	-	(2,716)	-	(2,716)
		-	<b>(2,716)</b>	-	<b>(2,716)</b>
		-	-	-	-
<b>Net cashflow from operating activities</b>		<b>(37,253)</b>	<b>(6,314)</b>	<b>(35,044)</b>	<b>(2,716)</b>
<b>Investing activities</b>		-	-	-	-
Acquisition of a subsidiary, net of cash acquired		(1,353)	30	476	-
Purchase of property, plant and equipment, investment property and intangible assets	9	35,725	-	35,726	-
Other receipts from investing activities		-	2,716	-	2,716
<b>Net cashflow from investing activities</b>		<b>34,372</b>	<b>2,746</b>	<b>36,202</b>	<b>2,716</b>
<b>Financing activities</b>		-	-	-	-
Other receipts / payments for financing activities		-	-	149	-
<b>Net cashflow from financing activities</b>		-	-	<b>149</b>	-
		-	-	-	-
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(2,880)</b>	<b>(3,569)</b>	<b>1,307</b>	<b>(0)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(6,603)</b>	<b>(3,034)</b>	<b>(3,034)</b>	<b>(3,035)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	13	<b>(9,483)</b>	<b>(6,603)</b>	<b>(1,727)</b>	<b>(3,035)</b>
<b>The cashflow for operating activities includes the following items:</b>		-	-	-	-
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.

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
£000s	£000s	£000s
1,204	83	<b>1,287</b>
(132)	369	<b>237</b>
-	-	-
<b>1,071</b>	<b>452</b>	<b>1,524</b>
(1,072)	(2,121)	(3,193)
<b>(0)</b>	<b>(1,669)</b>	<b>(1,669)</b>
<b>(322)</b>		
<b>(0)</b>		
<b>(322)</b>		

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
£000s	£000s	£000s
682	613	<b>1,295</b>
(132)	369	<b>237</b>
-	-	-
<b>550</b>	<b>982</b>	<b>1,532</b>
<b>5</b>		<b>5</b>
(555)	(2,638)	(3,193)
<b>(0)</b>	<b>(1,656)</b>	<b>(1,656)</b>
<b>(322)</b>		
<b>(0)</b>		
<b>(322)</b>		

### STDC

Core Running Costs

Enabling Infrastructure

Development Costs

**Net Cost Of Services**

Other Income and Expenditure

Surplus or Deficit

**Opening General Fund Balance**

Less/Plus (Surplus) or Deficit

**Closing General Fund Balance at 31 March 2021**

### Group

Core Running Costs

Enabling Infrastructure

Development Costs

**Net Cost Of Services**

Taxation and Non-Specific Grant Income and Expenditure

Other Income and Expenditure

Surplus or Deficit

**Opening General Fund Balance**

Less/Plus (Surplus) or Deficit

**Closing General Fund Balance at 31 March 2021**

2020/21		
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
-	-	-
837	-	<b>837</b>
(9,578)	31,540	<b>21,962</b>
<b>(8,741)</b>	<b>31,540</b>	<b>22,799</b>
-	(9,487)	(9,487)
<b>(8,741)</b>	<b>22,053</b>	<b>13,312</b>
<b>(322)</b>	<b>(322)</b>	
<b>(8,741)</b>		
<b>(9,063)</b>		

2020/21		
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
-	-	-
837	476	<b>1,313</b>
(9,578)	31,540	<b>21,962</b>
<b>(8,741)</b>	<b>32,016</b>	<b>23,275</b>
-	-	-
(3,596)	(9,487)	<b>(13,083)</b>
<b>(8,741)</b>	<b>22,529</b>	<b>10,192</b>
<b>(322)</b>		
<b>(8,741)</b>		
<b>(12,659)</b>		

**Note 1: STDC and Group Expenditure & Funding Analysis**

**Notes to the Expenditure and Funding Analysis:  
STDC**

Adjustments between Funding and Accounting Basis 2020/21				
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	-	-	-	-
Enabling Infrastructure	-	-	-	-
Development Costs	23,529	83	7,928	31,540
<b>Net Cost Of Services</b>	23,529	83	7,928	31,540
Other Income and Expenditure from the Expenditure and Funding Analysis	(9,487)	-	-	(9,487)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	14,042	83	7,928	22,053

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	369	-	-	369
Development Costs	-	-	-	-
<b>Net Cost Of Services</b>	369	80	3	452
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,193)	-	1,072	(2,121)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	(2,824)	80	1,075	(1,669)

**Notes to the Expenditure and Funding Analysis:**

Group Adjustments between Funding and Accounting Basis 2020/21				
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	-	-	-	-
Enabling Infrastructure	-	-	-	-
Development Costs	23,529	83	8,404	32,016
<b>Net Cost Of Services</b>	23,529	83	8,404	32,016
Other Income and Expenditure from the Expenditure and Funding Analysis	(9,487)	-	-	(9,487)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	14,042	83	8,404	22,529

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	530	80	3	613
Enabling Infrastructure	369	-	-	369
Development Costs	-	-	-	-
<b>Net Cost Of Services</b>	899	80	3	982
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,193)	-	555	(2,638)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	(2,294)	80	558	(1,656)

## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

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

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

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

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

### Expenditure and Income Analysed By Nature

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

	<b>Group</b> <b>2020/21</b> <b>£000s</b>	<b>Group</b> <b>2019/20</b> <b>£000s</b>	<b>STDC</b> <b>2020/21</b> <b>£000s</b>	<b>STDC</b> <b>2019/20</b> <b>£000s</b>
<b>Expenditure</b>				
Employee benefits expenses	10,274	1,016	1,205	834
Other services expenses	22,090	10,714	23,944	4,408
Depreciation, amortisation and impairment	18,253	530	18,253	
Taxation and Non-Specific Grant Income and Expenditure	-	5	-	
Pension payments	390	8	173	8
<b>Total Expenditure</b>	<b>51,007</b>	<b>12,273</b>	<b>43,575</b>	<b>5,250</b>
<b>Income</b>				
Fees, charges and other service income	(7,369)	(5,110)	(78)	-
Interest and investment income	-	(8)	-	(8)
Local Government grants and contributions	(33,447)	(2,511)	(30,185)	(611)
Government grants and contributions	-	(6,300)	-	(6,300)
<b>Total Income</b>	<b>(40,816)</b>	<b>(13,929)</b>	<b>(30,262)</b>	<b>(6,919)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>10,192</b>	<b>(1,656)</b>	<b>13,313</b>	<b>(1,669)</b>
<b>Segmental Income</b>				
Income received on a segmental basis is analysed below:				
	<b>2020/21</b> <b>£000s</b>	<b>2019/20</b> <b>£000s</b>	<b>2020/21</b> <b>£000s</b>	<b>2019/20</b> <b>£000s</b>
<b>Services</b>	<b>Income from Services</b>	<b>Income from Services</b>	<b>Income from Services</b>	<b>Income from Services</b>
Core Running Costs	(7,369)	(5,110)	(78)	-
<b>Total income analysed on a segmental basis</b>	<b>(7,369)</b>	<b>(5,110)</b>	<b>(78)</b>	<b>0</b>

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 been 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 distributable 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:

- Definition of a Business : Amendments to IFRS3 Business Combinations
- Interest Rate Benchmark Reform : Amendments to IFRS9, IAS39 & IFRS7

**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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Pension liabilities:** estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The pension valuations have been provided amidst the economic uncertainty created as a result of the Novel Coronavirus (COVID-19) and thus valuations and estimations are subject to a level of future uncertainty. Sensitivities are included in Note 21.
- **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. As the current year valuation has not been finalised an assumption has been included in the accounts that the value has remained inline with last year and an impairment has been charged in respect of this.

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

2020/21	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>STDC</b>				
Adjustments involving the Capital Adjustment Account	18,240			(18,240)
Adjustments involving the Capital Grants Unapplied Account	3,724		(3,724)	-
Adjustments involving the Pensions Reserve	388			(388)
Adjustments involving the Accumulated Absences Adjustment Account	8			(8)
<b>Total Adjustments</b>	<b>22,360</b>	<b>-</b>	<b>(3,724)</b>	<b>(18,636)</b>

2019/20	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>STDC</b>				
Adjustments involving the Capital Adjustment Account	(108)			108
Adjustments involving the Capital Grants Unapplied Account	(2,716)		2,716	-
Adjustments involving the Pensions Reserve	80			(80)
Adjustments involving the Accumulated Absences Adjustment Account	3			(3)
<b>Total Adjustments</b>	<b>(2,741)</b>	<b>-</b>	<b>2,716</b>	<b>25</b>

2020/21	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Group</b>				
Group Adjustments involving the Capital Adjustment Account	(18,239)			(18,240)
Group Adjustments involving the Capital Grants Unapplied Account	3,724		(3,724)	-
Group Adjustments involving the Pensions Reserve	388			(388)
Group Adjustments involving the Accumulated Absences Adjustment Account	8			(8)
<b>Total Adjustments</b>	<b>22,360</b>	<b>-</b>	<b>(3,724)</b>	<b>(18,636)</b>

2019/20	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Group</b>				
Group Adjustments involving the Capital Adjustment Account	422		-	(422)
Group Adjustments involving the Capital Grants Unapplied Account	(2,716)		2,716	-
Group Adjustments involving the Pensions Reserve	80			(80)
Group Adjustments involving the Accumulated Absences Adjustment Account	3			(3)
<b>Total Adjustments</b>	<b>(2,211)</b>	<b>-</b>	<b>2,716</b>	<b>(505)</b>

**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 2020/21.

Earmarked Reserves	Balance at 31 March 2020 £000s	Transfers Out 2020/21 £000s	Transfers In 2020/21 £000s	Balance at 31 March 2021 £000s
<b>Revenue Reserves</b>				
Planned Activities	(626)	-		(626)
<b>Total Revenue Reserves</b>	<b>(626)</b>	<b>-</b>	<b>-</b>	<b>(626)</b>

Earmarked Reserves	Balance at 31 March 2019 £000s	Transfers Out 2019/20 £000s	Transfers In 2019/20 £000s	Balance at 31 March 2020 £000s
<b>Revenue Reserves</b>				
Planned Activities	(1,698)	1,071		(626)
<b>Total Revenue Reserves</b>	<b>(1,698)</b>	<b>1,071</b>	<b>-</b>	<b>(626)</b>

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## **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 2020/21.

<b>Earmarked Reserves</b>	<b>Balance at 31 March 2020 £000s</b>	<b>Transfers Out 2020/21 £000s</b>	<b>Transfers In 2020/21 £000s</b>	<b>Balance at 31 March 2021 £000s</b>
<b>Revenue Reserves</b>				
Planned Activities - STDC	(626)	475		(626)
Planned Activities - Subsidiary	(20)	20		(0)
<b>Total Revenue Reserves</b>	<b>(646)</b>	<b>475</b>	<b>-</b>	<b>(171)</b>

<b>Earmarked Reserves</b>	<b>Balance at 31 March 2019 £000s</b>	<b>Transfers Out 2019/20 £000s</b>	<b>Transfers In 2019/20 £000s</b>	<b>Balance at 31 March 2020 £000s</b>
<b>Revenue Reserves</b>				
Planned Activities - STDC	(1,698)	1,071		(626)
Planned Activities - Subsidiary	497	(517)		(20)
<b>Total Revenue Reserves</b>	<b>(1,201)</b>	<b>554</b>	<b>-</b>	<b>(646)</b>

## **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. Expenses claimed in 2020/21 amounted to £3,497 2019/20 £nil. 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 in the 2020/21 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 £26,295. 2019/20 £46,121.

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 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. The Teesworks Operations Director, Capital Projects Director, Director of Estates and EHSS Director roles were filled for less than a complete year in 2020/21

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

<b>Remuneration of Senior Employees</b>							
<b>Post holder information</b>	<b>£ Salary (including fees &amp; Allowances)</b>	<b>£ Expense Allowances</b>	<b>£ Benefits in kind</b>	<b>£ Total Remuneration excluding pension contributions 2020/21</b>	<b>£ Pension contributions</b>	<b>£ Total Remuneration including pension contributions 2020/21</b>	<b>£ Total Remuneration including pension contributions 2019/20</b>
Engineering and Project Director	136,247			136,247	27,522	163,769	159,076
Assistant Director of Regeneration	-			-	-	-	68,985
Senior Non Executive Director	-			-	-	-	16,777
Interim Commercial Director	-			-	-	-	31,831
CEO	26,295			26,295	-	26,295	34,306
Commercial Director	123,300	797		124,097	24,907	149,004	45,328
Strategic Utilities Director	92,475			92,475	18,680	111,155	17,070
Teesworks Operations Director	70,000		3,150	73,150	14,140	87,290	-
Capital Projects Director	5,484			5,484	1,108	6,592	-
Director of Estates	3,375			3,375	682	4,057	-
EHSS Director	6,500			6,500	1,313	7,813	-
<b>Total</b>	<b>463,676</b>	<b>797</b>	<b>3,150</b>	<b>467,623</b>	<b>88,352</b>	<b>555,975</b>	<b>373,373</b>

The previous CEO left the company in April 2019.

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 2020/21	Number of Employees 2019/20
50,001 - £55,000	3	3
55,001 - £60,000	-	-
60,001 - £65,000	-	-
65,001 - £70,000	1	-

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



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

	Group				STDC			
	Other Land and Buildings	Vehicles	Assets in the course of construction	TOTAL	Other Land and Buildings	Vehicles	Assets in the course of construction	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or valuation</b>								
As at 1 April 2020	11,500			<b>11,500</b>	-	-		-
Additions	16,204	149	25,138	<b>41,491</b>	16,198	149	25,138	<b>41,485</b>
Revaluation				-				-
Disposals				-				-
As at 31 March 2021	27,704	149	25,138	52,991	16,198	149	25,138	<b>41,485</b>
<b>Depreciation</b>								
As at 1 April 2020	-			-	-			-
Depreciation Charge	-	14		<b>14</b>	-	14	-	<b>14</b>
Impairments	1,198		22,801	<b>23,999</b>	1,198		22,801	<b>23,999</b>
Derecognition of Disposals	-			-	-			-
As at 31 March 2021	1,198	14	22,801	24,013	1,198	14	22,801	<b>24,013</b>
<b>Net Book Value</b>								
As at 1 April 2020	11,500	-		11,500	-	-	1	-
As at 31 March 2021	26,506	135	2,338	28,978	15,000	135	2,338	<b>17,473</b>

	Group				STDC			
	Other Land and Buildings	Vehicles	Assets in the course of construction	TOTAL	Other Land and Buildings	Vehicles	Assets in the course of construction	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or valuation</b>								
As at 1 April 2019	12,000	-		<b>12,000</b>	-	-		-
Additions	30			<b>30</b>	-			-
Revaluation	(530)			<b>(530)</b>				-
Disposals				-				-
As at 31 March 2020	11,500	-	-	11,500	-	-	-	-
<b>Depreciation</b>								
As at 1 April 2019	-			-	-			-
Depreciation Charge	-			-	-			-
Impairments	-			-	-			-
Derecognition of Disposals	-			-	-			-
As at 31 March 2020	-			-	-			-
<b>Net Book Value</b>								
As at 1 April 2019	12,000	-	-	12,000	-	-	-	-
As at 31 March 2020	11,500	-	-	11,500	-	-	-	-

**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 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.

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

**Treatment of revaluation surpluses/(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 2021, the Corporation had entered into contracts for preparation of land for development across the Corporation's land assets which continue into the 2021/22 financial year. The total value of outstanding contractual commitments in place at the balance sheet date was £3,498,223

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**

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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.

	Group	Group	STDC	STDC
<b>Note 11: Long Term Debtors - Group and STDC</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Trade Receivables	-	-	-	-
Prepayments	-	-	-	-
Other receivables	-	-	150	-
	<u>-</u>	<u>-</u>	<u>150</u>	<u>-</u>
<b>Note 12: Short Term Debtors - Group and STDC</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Trade Receivables	499	590	76	-
Prepayments	-	836	-	2
Other receivables	10,332	8,880	5,134	7,241
	<u>10,832</u>	<u>10,306</u>	<u>5,210</u>	<u>7,243</u>
<b>Note 13: Cash and Cash Equivalents - Group and STDC</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Bank and Imprests	9,483	6,603	1,727	3,034
Cash Equivalents	-	-	-	-
Bank Overdraft	-	-	-	-
	<u>9,483</u>	<u>6,603</u>	<u>1,727</u>	<u>3,034</u>
<b>Note 14: Short Term Creditors - Group and STDC</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Trade payables	(3,350)	-	-	-
Other Payables	(720)	(2,072)	(720)	(2,072)
Taxation	(43)	(5)	(43)	-
Other entities and individuals	(15,151)	(9,635)	(4,257)	(1,998)
	<u>(19,265)</u>	<u>(11,712)</u>	<u>(5,021)</u>	<u>(4,070)</u>
<b>Note 15: Long Term Borrowing - Group and STDC</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Trade payables	-	-	-	-
Other Payables	(38,752)	(12,215)	(38,752)	(11,215)
	<u>(38,752)</u>	<u>(12,215)</u>	<u>(38,752)</u>	<u>(11,215)</u>
<b>Note 16: Other Long term Liabilities - Group and STDC</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Pension liability	(884)	(496)	(884)	(496)
	<u>(884)</u>	<u>(496)</u>	<u>(884)</u>	<u>(496)</u>

## 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 2020/21 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 was a Government controlled organisation who is responsible for the safety, security and upkeep of the former SSI Site. This was brought into the group on 9th October 2020. 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:-

2020/21	Group		STDC	
	Income Received £000s	Expenditure £000s	Income Received £000s	Expenditure £000s
Tees Valley Combined Authority	31,654	-	30,645	-
South Tees Developments Ltd	-	-	-	-
Stockton Borough Council	-	4	-	4
Redcar & Cleveland Borough Council	-	4	-	4
South Tees Site Company	-	-	-	13,243
<b>Total</b>	<b>31,654</b>	<b>8</b>	<b>30,645</b>	<b>13,251</b>

2019/20	Group		STDC	
	Income Received £000s	Expenditure £000s	Income Received £000s	Expenditure £000s
Tees Valley Combined Authority	(1,900)	-	-	-
South Tees Developments Ltd	-	-	-	-
Stockton Borough Council	-	1	-	1
Redcar & Cleveland Borough Council	(5)	30	(5)	30
South Tees Site Company	(14)	117	-	76
<b>Total</b>	<b>(1,919)</b>	<b>148</b>	<b>(5)</b>	<b>107</b>

The below table sets out the amounts owed to and from the corporation as at 31 March 2021:-

2020/21	Group		STDC	
	Owed by STDC To £000s	Owed to STDC From £000s	Owed by STDC To £000s	Owed to STDC From £000s
Tees Valley Combined Authority	(33,623)	-	(30,554)	-
South Tees Developments Ltd	-	-	-	12,816
Stockton Borough Council	-	-	-	-
Redcar & Cleveland Borough Council	-	-	-	-
South Tees Site Company	-	-	(5)	-
<b>Total</b>	<b>(33,623)</b>	<b>-</b>	<b>(30,559)</b>	<b>12,816</b>

2019/20	Owed by STDC To	Owed to STDC From	Owed by STDC To	Owed to STDC From
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# **South Tees Development Corporation and Group - Annual Financial Statements 2020/21**

	£000s	£000s	£000s	£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)	-	-	-
<b>Total</b>	<b>(16,239)</b>	<b>8,302</b>	<b>(13,214)</b>	<b>18,180</b>

## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

### 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:

Fees payable to Tait Walker with regard to external audit services  
 Fees payable to Mazars LLP with regard to external audit services  
 Fees payable to Mazars LLP for the certification of grant claims  
 Fees payable in respect of other services provided by Mazars LLP

Group		STDC	
2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s
25	5	-	-
21	20	21	13
	-	-	-
	-	-	-
<b>46</b>	<b>25</b>	<b>21</b>	<b>13</b>

### Note 19: Grant Income

The Corporation credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

#### Credited to Taxation and Non Specific Grant income

South Tees Developments Ltd Grant From Tees Valley Combined Authority  
 Development Grant for Prairie site From MHCLG

#### Total

Group		STDC	
2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s
	1,900	-	-
9,487	3,193	8,650	3,193
<b>9,487</b>	<b>5,093</b>	<b>8,650</b>	<b>3,193</b>

#### Credited to Services

South Tees Developments Ltd Grant From Tees Valley Combined Authority  
 Operating Grant From MHCLG  
 Development Grant for Prairie site From MHCLG

#### Total

2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s
22,167		8,291	
-	3,000	-	3,000
-	107	-	107
<b>22,167</b>	<b>3,107</b>	<b>8,291</b>	<b>3,107</b>

## 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.

#### Financial Assets

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

#### Financial Instruments

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

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

	Long Term		Short Term	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000s	£000s	£000s	£000s
At Amortised Cost	11,423	11,273	3,960	9,942
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
<b>Total financial assets</b>	<b>11,423</b>	<b>11,273</b>	<b>3,960</b>	<b>9,942</b>

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

	Long Term		Short Term	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000s	£000s	£000s	£000s
At Amortised Cost	(38,752)	(11,215)	(4,361)	(3,828)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
<b>Total financial liabilities</b>	<b>(38,752)</b>	<b>(11,215)</b>	<b>(4,361)</b>	<b>(3,828)</b>

## 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**  
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.  
Long term maturity  
The amounts due are more than covered by existing financial reserves and the committed HMG and TVCA funding.  
Short term maturity
- **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.

### Financial Instruments

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

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

	Long Term		Short Term	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000s	£000s	£000s	£000s
At Amortised Cost	-	-	8,026	16,178
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-

## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

<b>Total financial assets</b>	<u>-</u>	<u>-</u>	<u><b>8,026</b></u>	<u>16,178</u>
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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.



## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

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

	<b>Long Term</b>		<b>Short Term</b>	
	<b>31 March 2021</b>	31 March 2020	<b>31 March 2021</b>	31 March 2020
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
At Amortised Cost	(38,752)	(11,215)	(18,605)	(11,464)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
<b>Total financial liabilities</b>	<b>(38,752)</b>	<b>(11,215)</b>	<b>(18,605)</b>	<b>(11,464)</b>

## 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 2020/21 £000s	Local Government Pension Scheme 2019/20 £000s
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
• Current service cost	232	150
• Past service cost	-	9
<b>Financing and Investment Income and Expenditure</b>		
Net interest cost	10	-
<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>242</b>	<b>159</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
• Return on plan assets (excluding the amount included in the net interest expense)	(141)	(122)
• Actuarial gains and losses arising on changes in financial assumptions	452	(10)
• Actuarial gains and losses due to changes in demographic assumptions	-	(13)
• Actuarial gains and losses due to liability experience	(6)	509
• Actuarial gains and losses due to acquisitions	-	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>305</b>	<b>364</b>
<b>Movement in Reserves Statement</b>		
• Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(242)	(159)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
• Employers' contributions payable to scheme	159	79

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is £0.305m. 2020 £0.364m.

## Pension Assets and Liabilities Recognised in the Balance Sheet

Changes to the present value of the defined benefit obligation

	Local Government Pension Scheme 2020/21 £000s	Local Government Pension Scheme 2019/20 £000s
Present value of defined benefit obligation	(1,564)	(1,127)
Fair value of assets	680	631

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Net liability recognised in the Balance Sheet

**(884)**

**(496)**

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

	Local Government Pension Scheme 2020/21 £000s	Local Government Pension Scheme 2019/20 £000s
Opening fair value of scheme assets	631	133
Interest income	13	8
Remeasurement gains and (losses)	141	122
Contributions from the employer	159	79
Contributions from employees into the scheme	73	41
Net increase from acquisitions	-	-
Benefits paid	(337)	248
<b>Closing balance at 31 March 2021</b>	<b>680</b>	<b>631</b>

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 2020/21 £000s	Local Government Pension Scheme 2019/20 £000s
Opening balance at 1 April	(1,127)	(185)
Current service cost	(232)	(150)
Interest cost	(23)	(8)
Contributions by scheme participants	(73)	(41)
Actuarial gains and losses - financial assumptions	(452)	10
Actuarial gains and losses - demographic assumptions	-	13
Actuarial gains and losses - liability experience	6	(509)
Benefits paid	337	(248)
Past service cost (inc. curtailments)	-	(9)
Net increase from acquisitions	-	-
Past service cost	-	-
<b>Closing balance at 31 March 2021</b>	<b>(1,564)</b>	<b>(1,127)</b>

## Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2020/21	
	£000s	%
Equity investments (Quoted)	544	79.8%
Property (Quoted)	51	7.5%
Government Bonds	-	0.0%
Corporate Bonds	-	0.0%
Cash	51	7.5%
Other Investments	34	5.2%
	<b>680</b>	<b>100%</b>

	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%
	<b>631</b>	<b>100%</b>



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### 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 2019.

The principal assumptions used by the actuary have been:

	2020/21	2019/20
Mortality assumptions:		
<u>Longevity at 65 for current pensioners:</u>		
Men	21.9	21.8
Women	23.6	23.5
<u>Longevity at 45 for future pensioners:</u>		
Men	23.3	23.2
Women	25.4	25.3
<u>Other assumptions:</u>		
Rate of inflation (CPI)	2.6%	1.8%
Rate of increase in salaries	3.6%	2.8%
Rate of increase in pensions	2.6%	1.8%
Rate of Pension accounts revaluation rate	2.6%	1.8%
Rate for discounting scheme liabilities	2.1%	2.3%
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

#### 2020/21

	Increase	Base Figure	Decrease
	£000s	£000s	£000s
Longevity (increase or decrease in 1 year)	1,620	1,564	1,508
Rate of increase in salaries (increase or decrease by 0.1%)	1,577	1,564	1,551
Rate of increase in pensions payment (increase or decrease by 0.1%)	1,595	1,564	1,533
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,520	1,564	1,608

#### 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

### 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 £0.165m contributions to the scheme in 2021/2022. (2020/2021 £0.225m.)

The weighted average duration of the defined benefit obligation for scheme members is 27.9 years. (2019/2020 27.9 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 2021 has included within its calculations the impact of both of these cases. Any increase in liabilities at 31 March 2021 arising from the impact of GMP has been charged through other comprehensive income.

**Note 22: Termination Benefits - STDC and Group**

2020/21 There was one termination payment to a senior officer of the Corporation of £0.0525m.

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

**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, our current estimate of the potential Corporation tax liability to 31 March 2021 is £1,095,000. This assumes reported comprehensive income to March 2021 is equivalent to taxable profits and subject to corporation tax at 19%. Should a tax liability crystallise more work would be needed at the time to calculate the exact liability.

**Note 25: Post Balance Sheet Events - STDC and Group**

**Events after the Reporting Period**

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

**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. The group 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:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000s</b>	<b>£000s</b>
Income	354	257
Expenditure	204	195

**Note 27: Capital Adjustment Account - STDC and Group**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000s</b>	<b>£000s</b>
<b>Balance at 1 April 2019</b>	<b>108</b>	<b>-</b>
	<b>108</b>	<b>-</b>
- Revenue expenditure funded from capital under statute	9,068	584
Impairment charge	(18,239)	
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)
Application of grants to capital financing from the Capital Grants Unapplied Account	(9,068)	(477)
Statutory provision for the financing of capital investment charged against the General Fund	-	108
Capital expenditure charged against the General Fund balance	(18,239)	108
Other adjustments	-	-
<b>Balance at 31 March 2020</b>	<b>(18,131)</b>	<b>108</b>
<b>Balance at 1 April 2019</b>	<b>(695)</b>	<b>(273)</b>
	<b>(695)</b>	<b>(273)</b>
- Revaluation losses on property, plant and equipment	9,068	(530)

## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

Impairment charge	(18,239)	
- Revenue expenditure funded from capital under statute		(584)
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
Application of grants to capital financing from the Capital Grants Unapplied Account	(9,068)	477
Statutory provision for the financing of capital investment charged against the General Fund		108
Capital expenditure charged against the General Fund balance		
	<u>(18,239)</u>	<u>(422)</u>
Other adjustments	<u>-</u>	<u>-</u>
<b>Balance at 31 March 2020</b>	<b><u>(18,934)</u></b>	<b><u>(695)</u></b>

### Note 28: Capital Expenditure and Financing - STDC and Group

	31 March 2021 £000s	31 March 2020 £000s
<b>STDC</b>		
<b>Opening Capital Financing Requirement</b>	<b>11,107</b>	<b>11,215</b>
<b>Capital investment</b>		
Loans for capital investment	-	-
Assets In Course of construction	41,485	
Revenue expenditure funded from capital under statute	9,068	(584)
<b>Sources of Finance</b>		
Government grants and other contributions	(23,017)	584
<i>Sums set aside from revenue:</i>		
Direct revenue contributions		
Minimum Revenue Provision	(111)	(108)
<b>Closing Capital Financing Requirement</b>	<b><u>38,533</u></b>	<b><u>11,107</u></b>

## South Tees Development Corporation and Group - Annual Financial Statements 2020/21

### Note 28: Capital Expenditure and Financing - STDC and Group

<b>Group</b>	31 March 2021 £000s	31 March 2020 £000s
<b>Opening Capital Financing Requirement</b>	<b>11,137</b>	<b>11,215</b>
<b>Capital investment</b>		
Land and Buildings	41,491	30
Assets In Course of construction	9,068	
Revenue expenditure funded from capital under statute		(584)
<b>Sources of Finance</b>		
Government grants and other contributions	(23,017)	584
<i>Sums set aside from revenue:</i>		
Direct revenue contributions		
Minimum Revenue Provision	(111)	<b>(108)</b>
<b>Closing Capital Financing Requirement</b>	<b>38,569</b>	<b>11,137</b>



**Note 29: Statement of Accounting Policies - STDC and Group**

**General Principles**

The Statement of Accounts summarise the Corporation and Group's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2010/21, 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.

**Note 29: Statement of Accounting Policies - STDC and Group**

**Employee Benefits**

**Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the 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.

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:

**Note 29: Statement of Accounting Policies - STDC and Group**

- 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.

**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, 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

**Note 29: Statement of Accounting Policies - STDC and Group**

- 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.

**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 current year relates to regeneration of the land purchased in 2019 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 and 2020, 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 2021.

  
**G Macdonald**  
**Director of Finance**

**Date: 31st July 2021**

These financial statements replace the unaudited financial statements certified by the Director of Finance on 31st July 2021.

  
**G Macdonald**  
**Director of Finance**

**Date: 30th September 2021**



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH  
TEES DEVELOPMENT CORPORATION**

## **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.

**Glossary of Terms**

## **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.