SOUTH TEES DEVELOPMENT CORPORATION

Date:	17 June 2024 at 10:00	
Venue:	Teesside Airport Business Suite, Teesside International Airport, Darlington, DL2 1NJ	
Membership:	Allan Armstrong	Independent Member (Chair)
	Geoff Westmoreland	Independent Member (Vice Chair)
	John Baker	Independent Member
	Mike Sharp	Independent Member
	Cllr Curt Pugh	TVCA Audit and Governance Committee Representative

AGENDA

1. **Apologies for Absence**
   To receive any apologies for absence.

2. **Declarations of Interest**
   To receive any declarations of interest.

3. **Minutes and Action Tracker**
   To approve as a correct record the minutes of the meeting held on 23 February 2024.

   The Committee is also invited to review progress made against previously identified actions.

4. **Executive Update**
   To receive a report from the TVCA Chief Executive providing an update on key matters in relation to STDC since the last Committee meeting.

5. **Update on Internal Audit Report**
   To receive an update from the Head of Performance, Risk and Assurance presenting an update on internal audit actions.

6. **STDC Group Financial Statements and External Audit Report including Value for Money Commentary 2021/22**
   To receive, consider and authorise the Group Financial Statements for 2021/2022, subject to no material changes, and update from a representative of Mazars, STDC Independent Auditors and the Value for Money Commentary for 2021/2022.

7. **Review of Anti-Fraud Policy**
To receive and review the TVCA Anti-Fraud Policy.

8. **Review of Whistleblowing Policy**
To receive and review the TVCA Whistleblowing Policy

9. **Oversight of Governance Toolkit**
To receive and review the Governance Toolkit

10. **Forward Programme**
To receive and consider the Committee's forward programme up to June 2024.

11. **Utilities Installation Update**
To receive an update on identified risks and the processes put in place to control these.

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

12. **Update on Environmental, Health and Safety Report**
To receive and consider a report from the Environmental, Health, Safety and Security Director on matters in relation to health and safety.

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

13. **Risk Management Report**
To receive and consider a report from the Head of Performance, Risk and Assurance presenting the South Tees Development Corporation's Risk Portfolio.

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

14. **Date and Time of Next Meeting**
TBC
Away day – 17 June 2024 at Teesworks Skills Academy

Members of the Public – Rights to Attend Meeting

SOUTH TEES
DEVELOPMENT
CORPORATION

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

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

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South Tees Development Corporation Declaration of Interests Procedure

1. The purpose of this note is to provide advice and guidance to all members of the Development Corporation Board and Audit & Risk Committee on the procedure for declaring interests. The procedure is set out in full in the Development Corporation's Constitution under the "Code of Conduct for Members" (Appendix 3).

Personal Interests

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

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

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

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

Declarations of interest relating to the Councils' commercial role

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

Procedures for Declaring Interests

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

Register of Interests

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

Declaration of Interests at Meetings

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

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

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

Sensitive Information

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

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SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & GOVERNANCE COMMITTEE

These minutes are in draft form until approved at the next Board meeting and are therefore subject to amendment

Date: Monday 23rd February 2024 **Time:** 14:30pm

Venue: Teesside Airport Business Suite, Teesside International Airport

Attendees:		Apologies:
Allan Armstrong (AA)	Independent Member (Chair)	
John Baker (JB)	Independent Member	
Mike Sharp (MS)	Independent Member	
Geoff Westmoreland (GW)	Independent Member	
Cllr Curt Pugh (CP)	Independent Member	
Cameron Waddel (CW)	Mazars (via Teams)	
Gary Macdonald (GM)	TVCA	
Victoria Smith (VS)	TVCA (via Teams)	
Emma Simson (ES)	TVCA	
Derek Weatherill (DW)	South Tees Development Corporation	
Natalie Robinson (NR)	TVCA	
Elaine Braham – Governance	TVCA	

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No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC-A&G 30/2023.	Welcome & introductions	Allan Armstrong, Independent Member, (AA), welcomed members to the Meeting. He noted that the session would include confidential elements and at that point had there been any members of the press or public in attendance they would have been asked to leave.		
STDC-A&G 31/2023	Apologies for Absence	There were no apologies for absence.		
STDC-A&G 32/2023	Declarations of Interest	Gary Macdonald, John Baker and Derek Weatherill declared they are members of the Site Company board.		
STDC - A&G 33/2023	Minutes of Previous Meetings & Action Tracker	The minutes of the meeting held on the 12 February 2024 were agreed as a true record subject to the below clarifications: • Mike Sharp, Independent Member, (MS), noted page 8, should read that he asked if Mazars were going to contribute to the £3,000 fine incurred in respect of Corporation Tax return being late as a result of the 2020/21 accounts not yet being signed. The Corporation tax return cannot be submitted until the accounts are audited. • MS clarified that page 10 should state that there is no generally accepting accounting principle for accounting for hindsight. These updates would be made to the minutes, before publishing as a final copy. Gary Macdonald, Director of Finance and Resources, (GM), provided the following updates in respect of Action Tracker items: • All risk elements would be covered under the agenda item. • Victoria Smith, Group Financial Controller, (VS), reported that the letter from the Department for Levelling Up, Housing & Communities pertaining to the proposed		

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No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		backstop arrangements should also have been appended to the minutes of the 12 February 2024, and would be shared with the committee. • GM had received a letter detailing dates and options for webinars in relation to the above consultation. • GM advised that a date in June will be confirmed for the Away Day at Teesworks. • AA highlighted that members were to feedback comments in respect of the Independent Review to GM by close of the day.	Date to be confirmed	Governance
STDC-A&G 34/2023	Executive Update	The Committee had received a report providing an activity update since the last meeting. GM provided a further verbal update, and the Committee were invited to ask questions. These are summarised as follows: • GM reported that COMAH status had been removed from the site allowing TVCA to move forward with proposed developments. Derek Weatherill, Environmental, Health, Safety & Security Director, (DW), reported that the site is now classified as being lower tier one requiring no further input from the Competent Authority and the Environment Aency specialist inspectors. Their audits have now ceased, and any ongoing legislative interactions are with the HSE. • JB noted the positive working relationships with the HSE and EA and believed looking forward the relationships would continue to be a priority as the site develops. DW reported that they have a collaborative working relationship with the HSE which is fluid and open. • JB noted that there will be different challenges moving forward and that the regularity of meetings had been an important feature thus far. DW reported that the HSE up until recently had been attending monthly site meetings. GM explained that the STSC Board had oversight of a number of H&S elements, and their meeting on 15 March 2024 would discuss in detail how this proactive relationship will be maintained, where applicable this would be fed back into this committee. JB felt it would be beneficial to receive a copy of the papers. • Geoff Westmoreland, Independent Member, (GW), noted that the report notes Decontamination Project was complete with the exception of the 3km heavy fuel oil main which had been removed from the contract scope and is to be picked up in the future,		

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		and asked for context around this. DW explained that the main is on Network Rail land, and had it not been removed it would have extended the programme significantly. Inspection and monitoring of the line is in place to ensure the integrity of the asset. • GW asked if it will be a commercial or financial risk moving forward. GM advised that it is not in the developable land area. DW explained that it is adjacent to a strip of land that will need utilities, but there will be no impact between the two. • AA asked if there is a timescale by which the work would need to be completed. DW stated that his understanding is that it will need to be completed over the next couple of years. GM explained that during this time, HSE requirements will continue to be met, it is just not currently a priority given everything else that needs happen. • GM reported that the Freeport workstreams have been consolidated from four down to two. Risk and Accountability, has members with expertise around compliance and customs operations and links in with boarder force and HMRC. Inward Investment and Marketing is focused on attracting investment to the region and customs areas and will consider secondary business opportunities. • AA asked if there was anything that would affect STDC that the committee needed to be aware of. GM reported that Government legislation aligns the incentives on all Freeports, and the Inward Investment workstream will manage risk as part of their work. He noted that international investors are looking at sites globally, but from our perspective, our Freeport is the largest in the UK, and we have articulated the benefits of businesses locating here. • Cllr Curt Pugh, TVCA Audit and Governance Committee Representative, (CP), noted that the reality is that the Freeport is in competition with the others. GM explained that the business case will focus on how value can be added, and will be brought to the committee at a later stage. • GW asked if we are comfortable with the robustness of the due diligence processes in respect of tenants coming on to the site. GM reported that they are required to comply with normal financial and tax process. The customs operator will be responsible for ensuring there are no illegalities, that the appropriate arrangements are in place, and that they receive approval from border force. We have specialists in place to ensure that we the Freeport are complaint, and Natalie Robinson, Head of Performance, Risk and Assurance, (NR), advised that this had been included on the risk register.		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		• GM noted the update in respect of utilities installation, reporting that contingencies have been incorporated into the plans to ensure deadlines are met, looking to negate the risk of incurring liquidated damages should the site not be in completed within timescales. • GM advised that the STDC Board will receive a paper and the STDC A&G Committee with be briefed on identified risk and the processes put in place to control these. It was agreed that an update would be provided to the meeting in May. • GM reported that the transport programme had been agreed by TVCA Cabinet in January. • GW asked what the consequences would be if we failed to deliver within BP's timeframe. GM explained that whilst there is an agreement to do things within a certain timeframe, it does not have the same liquidated damages included. • GM reported that in terms of the Park and Ride site logistics management is currently being considered by the team in relation to the Lackenby site and through traffic. It was agreed to add this to the agenda for the next meeting.	Update to be provided to the May meeting Add to next Agenda	GM Governance/ Programme Manager
STDC-A&G 35/2023	Independent Review Report - Teesworks	The Committee were provided with a further update report in respect of the response to the Independent Review into Teesworks. It recommended that the Committee: i. Notes the update in respect of the response to the Tees Valley Review. GM noted that the Committee had received a detailed Report incorporating the full review and correspondence from the Secretary of State at the last Committee meeting. Members reviewed this and provided feedback previously. GM advised members that TVCA had established a cross authority working group to consider the recommendations pertaining to both TVCA and the constituent Local Authorities. The group are tasked with working up an approach to each of the recommendations, considering how they will administer the working plans, and considering how the work will link in with each of the committees. Members agreed that a progress update would be provided to the next meeting.	Add to Agenda for next meeting	Governance

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		The Committee were invited to ask questions: • No questions were asked. **RESOLVED THAT:** the Committee noted the report. **RESOLVED THAT:** a progress update would be provided to the next committee meeting.		
STDC-A&G 36/2023	Update on Internal Audit Report	The Committee were provided with an update report detailing the current internal audit action plan progress as of June 2023. It recommended that the Committee: i. Consider the analysis and audit progress set out in the paper. ii. Acknowledge the annual audit schedule. NR outlined the audits that are scheduled and those currently taking place, ensuring risks are being identified and escalated at the appropriate time. NR reported that of the four action plans tracked in the period, two had closed and the outstanding plans would be reviewed, and she felt timelines are sensible. The Committee were invited to ask questions, and these are summarised as follows: • GW noted that delivery dates were the end of 2023 and asked for clarification around quarters. NR provided this. • AA advised members that NR would be leaving the Combined Authority in March and asked about transition plans. NR reported that she has an excellent team(s), there is a full transition plan in place and the teams will each know what is required of them prior to her departure. TVCA are recruiting to a permanent position, and they hope to appoint an interim manager to ensure the smooth running of the service during the transition period.		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		• JB expressed the committee's appreciation for the excellent work NR had completed during her time with the Authority. **RESOLVED THAT:** the Committee noted the report.		
STDC-A&G 37/2023	**External Audit Progress Update**	The Committee received a verbal update from Cameron Waddell, Mazars, (CW), briefing members on the status of the STDC audits and the launch of a consultation exercise on 8 February 2024 in relation to the proposed measures to clear the local audit backlog in England. • CW advised that in relation to 21/22 there remains some items requiring resolution, predominately the consideration of the findings of Independent Review Panel, and whether amendments will be required to the accounts to reflect the findings and how this might impact the Value for Money (VFM) commentary. • CW asked if HMRC had advised that the figures for 21/22 should be amended as this would affect the opening balance for 22/23. VS confirmed that the amendments had been made to the 21/22 accounts this week, and that the amendments had been made back to when the business case took effect. • CW stated that Mazars would expect the corporation to consider whether the advice from the HMRC would have an impact on the accounts. VS confirmed that this question had already been posed with HMRC and PWC and the amendments reflected. • CW stated that if HMRC are saying TVCA should have been doing it differently then the 21/22 accounts will need to be restated. He advised that Mazars would wait until TVCA revert back to them in respect of this element. VS confirmed the amendments had been reflected back to when the business case took effect. • VS highlighted to the committee that the impacts had no net impact to the profit and loss account. The Committee were invited to ask questions, and these are summarised as follows:	TVCA to respond to Mazars	VS

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No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		21/22 • AA highlighted the committee's frustration pertaining to the delayed sign off of the 21/22 accounts, and asked CW to provide a timeline for when this will be completed. CW stated that it was in the hands of officers who needed to provide assurance that nothing else needs to change. He advised that this needed to happen before they could complete their work. VS confirmed that they are comfortable that the accounts provided to Mazars yesterday included the adjustments required by the HMRC. • CW stated he was specifically asking when HMRC had told TVCA, what the question was, and had the corporation looked at its impact on the accounts. He noted that HMRC normally require that you unpick the issue, however if they are saying that the impact is post April 21 then there would be no amendment required. However, if it is before this time then the opening balance would need to be restated. VS confirmed that the accounts had been amended to the date the business case came into effect and they do not believe any further amendments are required. • GW noted that the point just made was very illustrative of the frustration being felt and asked why this issue had not been picked up with the team sooner. CW advised that they were only informed of the HMRC issue at the turn of the year. GW noted that Mazars had been advised in January and asked why then they were only asking the question now. CW stated that he had only recently returned to work. AA acknowledged CW's absence but felt Mazars should have followed this up in his absence. • CW reiterated that they had received the updated accounts at 1:00pm yesterday, stating it is for the corporation to provide the accounts and he did not feel it was Mazars failing. MS disagreed with this statement, noting members had been told last year that Mazars could not sign off the accounts as they needed assurance from the Independent Review (IR). He expressed his concern that Mazars needed assurance from the IR and were not confident in their own findings, and had they had assurance in their own work the accounts would have been signed off and the HMRC element would not have been an issue. CW felt it was acceptable to pause arrangements when another body is undertaking an audit that could impact their judgements. • CW noted that there had been a further issue with Teesside Pension Fund requiring Mazars to undertake their own assurance process, and believed there had not been a lot they could have done prior to third parties completing their reports.		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		• VS reported that when HMRC updates are received these are shared timely with Mazars. • The committee expressed their frustrations around the delays in Mazars final sign off of the accounts. • AA asked on the bases that the information was provided to Mazars yesterday, and with the assumption that this is now complete, when could members expect to have a set of signed accounts. CW stated that subject to consideration of the IR and conversations with GM and his team they would hope to sign off within the next month. • CW asked who will sign off the accounts. VS reported that the accounts had previously been signed off subject to no material changes. CW noted that the accounts Mazars received yesterday had material changes in them. Members agreed that the accounts would be shared seeking their approval. • AA highlighted that CW had made reference to the IR and noted that the more detailed response to the recommendations would not be known within the next month, and asked what caveat Mazars were talking about. CW advised that they needed to consider the report in detail, followed by discussions with GM, his team and members of TVCA to determine the implications for their report. One key issue being that the findings are recommendations have been accepted by TVCA. If Mazars were to find a weakness they would make a recommendation, if a recommendation is made then it is for GM and his team to formulate a response. He further noted that if there was to be a comprehensive plan put in place it would not stop Mazars from reporting and any recommendation would be followed up by future auditors. • MS asked why they had not put as a post balance sheet event, advising it would be addressed in the 22/23 accounts. CW stated that if it is an adjusting post balance sheet event then the statements would need to be amended. He explained Mazars are issue a report under Standard 260, which requires a follow up letter to the 21/22 accounts and a VFM commentary which will be included in an officer's annual report, and a signed paper which accompanies the accounts. This is specific to the public sector. • GM noted that the Mayor is to respond to the Secretary of State by the 8 March 2024, and that the response detailing a planned approach is currently being formulated by the working group.	Accounts to be shared with Members for approval	VS

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		• VS stated that she had reviewed the IR and did not believe any adjustments were needed to the financial statements. CW asked that this is shared with the team at Mazars. VS stated that they are available to speak to the Mazars team. • AA asked as the Chair of the committee that the work be completed and fed back to members either by correspondence prior to the next meeting or at least by the next meeting, and that the correspondence include definitive dates. 2022/2023 • AA asked that CW provide the headlines elements that the committee needed to be aware of. • CW advised that Mazars cannot conclude the 22/23 accounts until Azets have completed their elements. Furthermore, they are reliant on the auditors of Teesside Pension Fund providing assurances. Until these have been received, they will not be in a position to complete the accounts. • CW further noted the proposed backstop arrangements and the prospect of a general election, which may impact upon these arrangements. He advised that Mazars will endeavour to get the audits signed off before the backstop arrangements kick in, but they are reliant on other parties providing the required information to allow them to do so. • GW asked about timescales for other auditors. CW explained that if the audit is not complete, then the audit firm is expected to disclaim the opinion and make it specific to the bits that of not completed. He noted that not all of the arrangements pertaining to the backstop approach have been concluded so far, and further conversations had taken place this week. In terms of the deadlines for organisations such as the Teesside Pension Fund, their auditors' deadlines are the same as Mazars, which is currently proposed as being the 30 September 2024. CW advised that this has not yet been concluded and he was unsure whether the 21/22 audit of Middlesbrough Council had been finalised. However, he reported that relatively recently he had been advised they could expect assurance this month. **RESOLVED THAT:** the Committee noted the update.	VS to share with Mazars Response to be provided to members	VS Mazars/TVCA

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No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		RESOLVED THAT: the 2021/2022 accounts would be shared with members for approval.		
STDC-A&G 38/2023	External Audit – Value for Money (VFM) Commentary 2021/22	The Committee received a verbal update from Cameron Waddell, Mazars advising of a forecast publication date of the Value for Money (VFM) commentary. • CW noted that this had predominately been covered in the earlier item. He added that the main consideration in determining the VFM commentary will focus on TVCA's response to the IR report and subsequent conversations with GM and his team pertaining to reporting responsibilities. The Committee were invited to ask questions, and these are summarised as follows: • There were no further questions other than those noted above. **RESOLVED THAT:** the Committee noted the update.		
STDC-A&G 39/2023	External Auditors Final Annual Report 2021/22	The Committee received a verbal update from Cameron Waddell, Mazars, giving a position update in respect of audit progress and forecasted signing date. • AA noted that CW had stated that he would answer members questions and asked if he would still like to do that. CW stated that he felt that he had covered this already but asked if there were any further questions. The Committee were invited to ask questions, and these are summarised as follows: • CW noted the question from 12 March 2024 asking if Mazars would be paying the £3,000 corporation tax fine, he stated that Azets are the auditors and Mazars are not responsible for the laying of the accounts. VS clarified that TVCA have not incurred any fines in respect of subsidiaries companies house filings, it is in respect of corporation tax as PWC cannot submit this until the 21/22 accounts have been signed. CW stated that he would presume HMRC would have advised them of the issue with the accounts.		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		• MS noted that the discussion was going around in circles. • CW reported that they have a number of outstanding queries on more complicated areas of the accounts and did not accept the criticism. • AA stated that the feedback to earlier committees had been that Mazars were unable to sign off the 21/22 accounts until the outcome of the IR was known, and what members are asking is that Mazars back their own work and sign these off. • CW did not agree, noting that Mazars are still waiting on Azets completing their work and Teesside Pension Fund providing assurance, and were therefore never in a position to sign off. The IR may have had an impact, but it is not as linear as described. He further added that on a number of occasions the quality of the accounts and the timeliness of responses have been an issue. VS accepted that historically there had been issues, however in recent years this had been addressed, information has been provided timely and this has been acknowledged in reports from Mazars. • VS highlighted that Azets have signed off all subsidiary audits for 2021/22. • AA noted the need to find a way to work together to complete in a timely manner. RESOLVED THAT: Members noted the update and asked that all parties proactively work together to achieve sign off in a timely manner.		
STDC-A&G 40/2023	Forward Programme	The Committee received a forward programme detailing the proposed programme for 2024/2025. GM noted that the amends to the accounts and approvals from members was to be added.	To be added to the forward programme	
STDC-A&G 41/2023	Review & Approval of Draft STDC Annual	The Committee received a report in respect of the draft Annual Governance Statement (AGS) for 2022/23. It recommended that Members note the content of the draft Annual Governance Statement for 2022/23 included at Appendix 1 and either:		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
	Governance Statement	i. Provide comments for consideration when submitted to the next meeting of the South Tees Development Corporation Board; or ii. Recommend to the South Tees Development Corporation Board that the Statement by approved as draft. ES noted that at the meeting on 12 February 2024, members had asked that some additions be made to the statement, the updated statement was now being returned to committee for their approval. The Committee were invited to ask questions, and these are summarised as follows: • Members had no further questions and unanimously agreed the AGS. **RESOLVED THAT:** the Committee unanimously agreed the Annual Governance Statement and recommended that the South Tees Development Corporation (STDC) Board approve the draft Statement.		
IT WAS PROPOSED AND AGREED TO PASS A RESOLUTION TO EXCLUDE THE PRESS & PUBLIC FROM THE FOLLOWING CONFIDENTIAL ITEM				
STDC-A&G 42/2023	Landfill Tax on Brownfield Site	The Committee received a verbal update in relation to Landfill Tax on Brownfield sites. **RESOLVED THAT:** members noted the update.		
STDC-A&G 43/2023	Update on Environmental, Health and Safety (EHS) Report	The Committee received a report and verbal update on the key EHS activities in relation to works currently being undertaken. **RESOLVED THAT:** members noted the report and verbal update.		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC-A&G 44/2023	Risk Management Report	The Committee received a report presenting the Risk Portfolio as of February 2024. **RESOLVED THAT:** the Committee noted the content of the report.		
STDC-A&G 29/2023	Date & Time of Next Meeting	30 May 2024 at 1:00pm It was noted that there may be the need to convene a further extra ordinary meeting to facilitate sign off of the accounts.		

ITEM 4

Meeting	Item	Action	Owner	Target Date	Update
17-Mar-23	**External Audit Completion Report Update 2021/22**	Sign off Accounts subject to no material changes.	GM/Directors		
		Updated Accounts to be shared with the Committee.	VS	TBC	
20-Apr-23	**Members Briefing**	Devise a standard list of questions members should have at the forefront of their mind to ensure aligning to standards expected in their remit - to be included in Agenda at Future Away Day.	NR	Jun-24	NR has compiled a list of questions
		A future meeting to be held at Teesworks as an away day.	Governance	Jun-24	
	Annual Review of Committee Terms of Reference	To be included in Agenda at future Away Day	Governance	Jun-24	
	Review & Analysis of Committee Effectiveness Survey & Skills Audit	To be included in Agenda at future Away Day	Governance	Jun-24	
23-Feb-24	**Minutes of Previous Meeting & Action Tracker**	A date in June to be confirmed for the Away Day	Governance	Jun-24	
	Executive Update	Utilities Installation - board to be briefed on identified risks and the process put in place to control these.	GM	May-24	
		Park and Ride site logistics management is currently being considered in relation to Lackenby site and through traffic. To be added to the agenda for the next meeting.	Governance/ GM	Next Meeting	
		Progress Update in respect of the Independent Review to be added to the next agenda.	Governance/ GM	Next Meeting	
	External Audit Progress Update	VS to respond to Mazars re HMRC query and the possible need to restate in the 2021/2022 accounts.	VS		
		Accounts to be shared with members for approval	VS		
		VS to liaise with Mazars re the IR and how this might impact the accounts.	VS		

		Members to receive update prior to the next meeting detailing progress made on the accounts, as well as definitive dates for when sign off will happen	VS/Mazars		
	Health and Safety	NR/RJ to provide an update to the next meeting in respect of the insurance premiums for the Teesworks site.	NR/RJ	Next Meeting	
		Update to be provided to committee in relation to enduring risks once STSC is wound up.	NR/RJ		

Completed actions archived

SOUTH TEES
DEVELOPMENT
CORPORATION

AGENDA ITEM 04

REPORT TO THE STDC AUDIT & GOVERNANCE COMMITTEE

17 JUNE 2024

REPORT OF GROUP CHIEF EXECUTIVE OFFICER

EXECUTIVE UPDATE

SUMMARY

The purpose of this report is to provide the South Tees Development Corporation (STDC) Audit and Governance Committee with an activity update since the last meeting.

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance Committee notes the content of this report.

DETAIL

DECONTAMINATION PROJECT AND COMAH STATUS

1. A key obligation imposed on STDC in the original Business Case when the South Tees Site Company (STSC) transitioned to local control, was to deliver the Decontamination Project. The contract was procured prior to 2019 when HMG were in control of STSC, and which was responsible for decontaminating the 27km of coke oven gas main and 8km of heavy fuel oil main. This was the most significant aspect of work that had to be done to free the site from its Top Tier COMAH status and is the largest single contract delivered by STSC.

2. This contract is now complete, with the exception of 3km of heavy fuel oil main which was removed from the contract scope due to accessibility issues and will be picked up in the future as we develop the land. The COMAH substances arising from that contract have been safely disposed of and any remaining levels are now well below the COMAH threshold.

3. COMAH inventory materials quantities are now below the required thresholds of COMAH status. The Environment Agency (EA) & HSE confirmed on 15 November 2023 that the COMAH status has been removed from site.

INDEPENDENT REVIEW

4. The independent Tees Valley Review Report was published on 29 January 2024 and following a letter from the Secretary of State to the Tees Valley Mayor. The Tees Valley Mayor's initial plan to address the Report recommendations was sent to the Secretary of

State on 28 February 2024. The Committee received a separate update on this at the last meeting, with a further update at Agenda Item 5 in this meeting.

The Committee is receiving briefings on all the recommendations throughout the implementation work on the review alongside briefings to TVCA Audit and Governance Committee, TVCA Overview and Scrutiny Committee and TVCA Cabinet.

FREEPORT

5. Plans and procedures are being developed to turn the site operational for the end of the year, the boundary has been outlined in the South Bank area to incorporate the SeAH operational site and wider storage area, the plans have been sent to HMRC for comment / approval. Work is underway to design a security gatehouse and security procedures to accommodate full operation of expanding the custom zone from 3 acres to circa. 150 acres.

Tax Zones

6. On Tax Zone West (at South Bank, Dorman Point and Lackenby), all demolition works have been completed. Of the c. 500 acres of land making up this tax zone, almost 200 acres have been remediated and readied for development, of which SeAH has taken a lease on 90 acres. A further 60 acres of land are presently the subject of ongoing remediation works. On Tax Zone East, all demolition works are complete. Regarding remediation in this tax zone, works are ongoing on 18 acres adjacent to Steel House, on the site of the proposed Park and Ride facility.

7. Tenant interest is strong and continues to grow across the Teesworks site including the tax zone areas with multiple tenants at various commercial stages of development. Not only is the investment in the Teesside Freeport attracting high interest with tenants but also existing tenants are investing in the region and the supply chain with the most recent notable example being SeaH Wind's commercial agreement with British Steel for steel for its manufacturing facility at South Bank.

UTILITIES

8. The work continues to develop the private wire network. Discussions with third parties are ongoing on the joint venture procurement of Teesworks' power needs. Teesworks Ltd is exploring and developing commercial options for the ongoing future development of the private wire network on site. All stakeholders are working for the JV to be in operation by the end of Q2 2024.

9. Work to connect and accommodate SeAH's power requirements continues, with energisation planned for early June. Final cable installations and jointing are in progress. Once SeAH is energised, the supplies to existing consumers will be transferred to the new South Bank Substation in the weeks following.

10. STDC has worked successfully and closely with Network Rail for excavations required as part of the cable installation in proximity to a rail embankment.

11. A higher capacity supply of 12 MVA for SeAH's construction supply was installed during October and energised on 30th October 2023. Discussions are currently taking place with SeAH/K2 as to whether this supply will still be required following the energisation of the main supply in early June.

12. A procurement for the upgrading of the Redcar high voltage system to support the Park & Ride Scheme is complete. The contract has been agreed by the contractor and awaits their signature. The aim is to start on site in June. This project has a domino benefit of allowing land clearance for NZT.

13. Strategy for the network, optimisation of existing assets and the ability to supply short term potential customers is ongoing with design partners. Long term development planning of network expansion is ongoing to align with future National Grid connection upgrades and requirements for additional future developments.

PROGRAMME DEVELOPMENT

14. Dorman Point

- The status on remediation of land is unchanged, with 60% of the site complete. The proposed
  Circular Fuels development will trigger the need for further remediation works in due course, as will the Willis SAF development, both of which are at advanced stages in the progression of the respective lease agreements. The advancement of these developments will also see the implementation of the extension to the East-West road link road through the site, along with the installation of various utilities, such as HV power, gas and water.

15. South Bank

- Construction of South Bank Quay Phase 1 is complete. Installation of onshore utilities infrastructure will commence imminently. The South Bank Quay workshop and offices building – the facility from which all port operations will be coordinated and controlled – is well-advanced, with construction due for completion by September 2024.

- Construction of the South Bank Link Road, which, among other things, provides access to the SeAH development, is now fully complete and the site has been formally handed back to STDC from the contractor.

- Regarding the South Bank Watercourse, Phases 1A, 1B and 2A, amounting to 1.3km in length, are fully complete. The final phase (Phase 2B) which provides connectivity to the River Tees, has been tendered and the contractor appointed, with works due to commence 20-May-24. The target date for overall completion of the project is the end of September 2024. Advance works to this final phase have already begun, with the precast concrete units (weighing 28 tonnes each), that will form a 350m buried culvert section to the watercourse, being delivered to site under a separate contract, in readiness for installation.

16. Demolition Works Programme

- The demolition programme is 99% complete. The remaining demolition works, comprising the TMO offices and neighbouring facilities, are linked to the provision of the NZT site for BP; and based on latest BP timescales, these works are now scheduled to commence towards the end in Q3 2024 and be complete before the end of the year. This will see the programme delivery team relocated to alternative, modular-build accommodation at South Bank, where plans and proposals are already being developed.

17. Net Zero Teesside

- Ground remediation works to prepare the 100-acre NZT plot are progressing and are on schedule, with the project now 75% complete. Works to the majority of the site (around 90% of the area) will be complete by 31 July 2024, with the remainder scheduled for later in the year, once certain HV cable diversions have been concluded.

18. Teesworks Park and Ride Facility

- Advance earthworks to prepare the site for construction of the Park and Ride project are now complete, and the site is ready for construction of the facility.

- The detailed design of all phases of the project is complete. Phases 1 and 2 (comprising a new signalised junction on the A1085 Trunk Road and 700m of internal access road) will be the subject of a competitive tender process, as will Phase 3 (the car park and supporting operational facilities). The Phase 1/2 contract will commence in late July 2024, with Phase 3 targeted for commencement the following month. Overall completion is expected summer 2025.

19. Offsite Highway Improvement Works

- Consultant SYSTRA has been appointed to design the highway improvements necessary at the Greystones, Wilton West Gate/Trunk Road and A66/Tees Dock Road roundabout junctions, in response to conditions raised in connection with the outline planning permissions secured for development across the site. Design works has been progressing for the past couple of months.

20. BP Hydrogen

- Negotiations are well advanced on the drafting and conclusion to the Option Agreement for the potential leasing of land by BP at the Foundry for the HyGreen 1 (HG1) and H2Teesside 1 (H2T1) projects. The planning application for the HG1 project has recently been submitted. The H2T1 project is subject to a DCO process, where BP has already commenced work on the submission, which requires a Secretary of State decision.

- Subject to a timely conclusion to the negotiations with BP, remediation of the site for HG1 could start as early as summer 2024, with similar works to the H2T1 site starting before the end of the year. Respective technical teams continue to progress the requirements for utilities to serve each project.

21. Key Risks to Delivery

    - As noted, STDC is working on several significant projects all of which carry delivery risks. These are actively in mitigation through the comprehensive project management and related project controls processes being implemented by our appointed consultants, with robust project plans in place, regular project progress reviews being held, and intervention actions being taken, where necessary, to address potential impacts to cost and schedule, and ensure delivery to programme.

EQUALITY & DIVERSITY

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

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TEESWORKS

AGENDA ITEM 05

REPORT TO THE STDC AUDIT AND GOVERNANCE COMMITTEE

17 JUNE **2024**

REPORT OF THE HEAD OF PERFORMANCE RISK AND ASSURANCE

INTERNAL AUDIT REPORT

SUMMARY

This report presents the position of current Internal Audit action plan progress as of May 2024.

RECOMMENDATIONS

It is recommended that the Audit and Risk Committee

i. Consider the analysis and audit progress set out in this paper.
ii. Acknowledge the annual audit schedule.

DETAIL

iii. This report presents STDC audit actions and their progress as of May 2024.

Process

Using a risk-based approach, the internal audit schedule is agreed with the Senior Leadership Team and the Audit and Risk Committee, this ensures the STDC are assessing the effectiveness and efficiency of controls mitigating key risks.

The process of internal audit is monitored by the Risk Management team, to ensure effective tracking of actions is in place. All actions are tracked via a spreadsheet which is shared with action owners for updates.

The Risk Management team facilitate reporting of internal audit actions and provide support to Risk Owners to drive delivery performance.

Internal Audit Overview

Recent changes:

- Rachael Jupp has recently taken over from Natalie Robinson as Head of Performance Risk and Assurance.
- New Internal Auditors TIAA have been appointed for TVCA and STDC.

Annual Audit Plan

The Audit Plan for 2023/24 has been informed by a risk assessment carried out across TIAA's Government clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Further to this full internal controls assurance report a full audit will be carried out by TIAA and be available for the Committee once completed, we are in the process of collating the previous outstanding issues and planning for the year ahead.

2023-24 Plan - progress update

Audit Area	Status
Governance – Strategic Control	Deferred to 20242/5 per xx STDC AGC to account for Independent Review report
Data Protection (GDPR)	Final Report issued
Risk Management – Mitigating Controls	Final Report issued
Disaster Recovery	Draft report issued
Key Financial Controls (Rolling Programme)	Request to defer to 2024/25 plan due to delays in year-end audit of accounts processes and associated work
Control Of Major Accident Hazard (COMAH)	Draft report issued
Follow-up	Draft report issued

Past audits with existing actions

The below audits still have outstanding actions, these can be found below. The delivery date of these actions has been revised to October 2024 due to the change in Head of Performance Risk and Assurance.

Action progress for these remaining audits can also be found below.

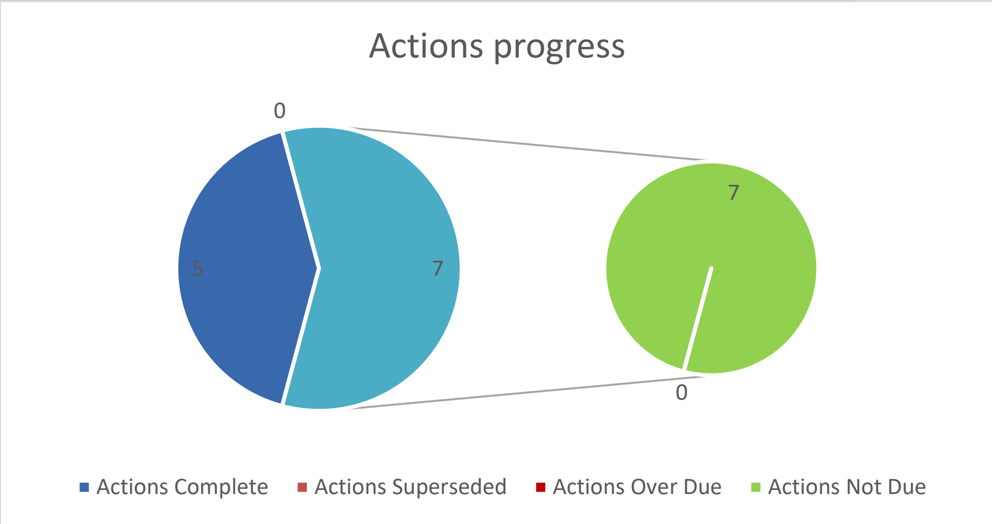
Audit Title	Action Plan Status
Effectiveness of AGC 22/23	Completed – evidence with Auditors
Logic models 22/23	Completed – evidence with Auditors
Follow up 22/23	Completed – evidence with Auditors

Action progress

Of the 4 action plans tracked in period:

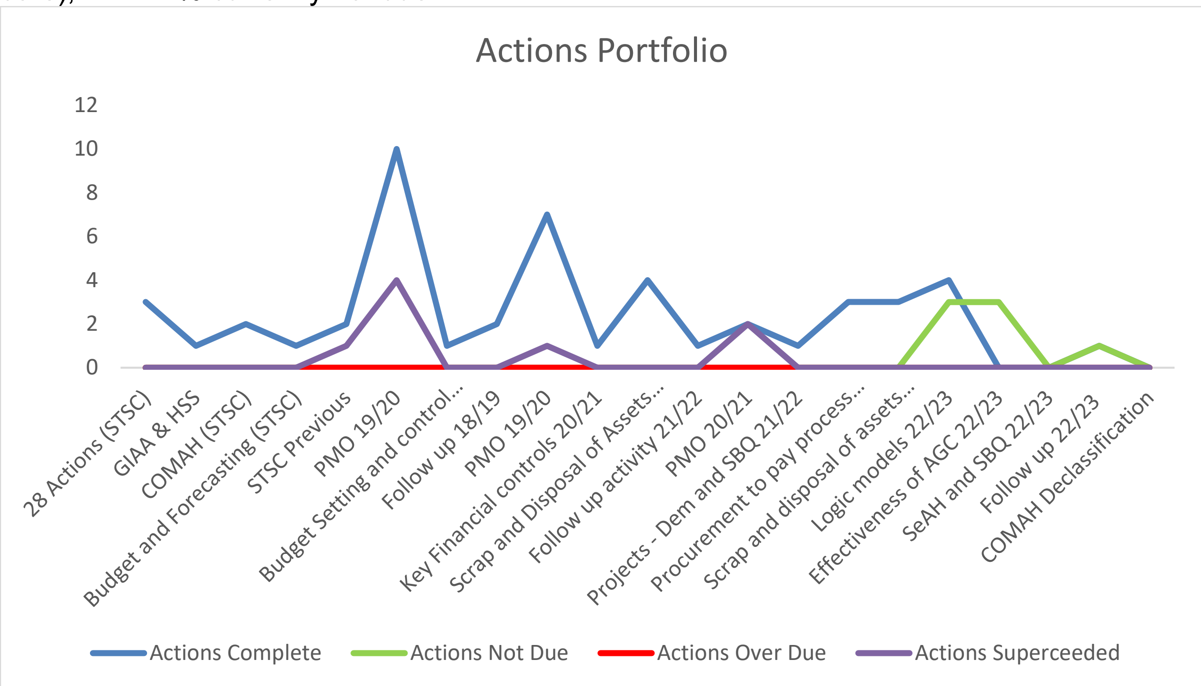
7 actions are not yet due (as per table below).

- 2 medium priority.
- 5 low priority.



Overall portfolio progress

As of May 2024, 89% of actions have been implemented/superseded (action plans 2019 – date), with 11% currently not due.



TEESWORKS

Remaining Actions

The delivery date of the below actions has been revised due to changes within the roles responsible for them.

Audit	Original Delivery Date	Revised Delivery Date	Status	Action
Logic Models	31/10/2023	31/10/2024	In Progress	TVCA will ensure that the delayed electricity supply upgrade works are dealt with in a timely manner and will ensure appropriate mitigating actions are taken to reduce the risk of subsequent delays. A separate utilities report will be issued.
Effectiveness of AGC	30/09/2023	31/10/2024	Not Due	A succession plan will be produced detailing potential successors and how they are to be developed and mentored. Due date has been revised and changed to September.
Effectiveness of AGC	30/09/2023	31/10/2024	Not Due	A training plan will be developed for the members which details the training to be undertaken during the year, this will also include any gaps identified through the skills and experience assessment. Due date has been revised and changed to September. Skills Assessment Complete Induction Activity Complete. Further training ongoing activity.
Effectiveness of AGC	30/09/2023	31/10/2024	Not Due	A reporting line from the AGC to the Board will be established to help promote transparency and oversight over the duties discharged to the AGC by the Board. Due date has been revised and changed to September.
Follow up 22/23	31/07/2023	31/10/2024	In Progress	Management will conduct an exercise to identify the assurances the Corporation has in place over identified risk-mitigating controls, which can be used to drive future assurance activities. An Audit has been conducted on risk management across the Group, we are awaiting final report.

Logic Models 22/23	31/03/2023	31/10/2024	In Progress	The STDC Assurance Framework will be updated in a timely manner in line with its review date. Assurance Framework review completed.	
Logic Models 22/23	31/03/2023	31/10/2024	In Progress	The Group will ensure that all quarterly (and annual when required) reports are appropriately validated and authorised, with documented evidence to support the validation and authorisation processes. An Audit has been conducted on risk management across the Group, we are awaiting final report.	

FINANCIAL IMPLICATIONS

iv. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

v. There are no direct legal implications arising from this report.

RISK ASSESSMENT

vi. The content of this report is categorised as low to medium risk.

CONSULTATION & COMMUNICATION

vii. None required.

EQUALITY & DIVERSITY

viii. No impacts.

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Internal Audit

REVISED FINAL

Tees Valley Combined Authority Group

Assurance Review of Risk Management

2023/24

June 2024

tiaa

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Risk management is a fundamental process to help an organisation identify and manage risks that may stop its objectives being met.

KEY STRATEGIC FINDINGS

The process is appropriately directed by the Risk Management Framework and is supported by guidance notes.

Risk Registers were found to not be fully populated with controls for some of the risks identified.

Reporting to Committees provides an appropriate level of information with detailed analysis where required.

The risk system is a 'self-serve' system with regular reviews with risk owners held by the Group Risk Officers. Recent resource issues suggest that resilience is currently insufficient to ensure that all risks are reviewed with risk owners at the prescribed timeframe.

GOOD PRACTICE IDENTIFIED

The Risk Management Framework has been developed using the ISO31000 standard.

SCOPE

The review considered the arrangements for the identification, recording, monitoring and reporting of risk management.

The review considered risk register records for the Tees Valley Combined Authority (TVCA) and the South Tees Development Corporation (STDC).

ACTION POINTS

Urgent	Important	Routine	Operational
0	**3**	**1**	**0**

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	Several risks have not yet got fully developed and recorded controls in the risk registers. It is acknowledged that the system being used is relatively new, however, the risk scores being used for reporting may not be accurate if appropriate controls are not identified, monitored and reviewed.	A full review of all risk registers be undertaken with a date set to ensure that all controls are identified for all risks with appropriate records to demonstrate this in the registers.	2	*Controls/treatment action plans are reviewed in line with risks to ensure residual score is appropriately captured. Where controls have not been developed this should be reflected in their risk score and response (Where risk and control entries are incomplete this will be reflected in the status as draft until full completion) or a treatment action plan captured should a control not be required. With exception where this has not been picked up it will be completed as part of our quality reviews.*	*September 2024*	*Head of Performance Risk and Assurance*

PRIORITY GRADINGS

1	**URGENT**	Fundamental control issue on which action should be taken immediately.
2	**IMPORTANT**	Control issue on which action should be taken at the earliest opportunity.
3	**ROUTINE**	Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	A review of a sample of risk identified the following: Mitigating Actions and Controls were found to have not been updated since July 2023 in relation to Steel House, Controls 1837 and 1838. There is no record to show where controls have been reviewed where there is no change to the scores or controls.	Controls be reviewed and updated in accordance with the prescribed review period with a record made to show when a review has been undertaken and no changes were needed to be made.	2	*Management has performed a review and this is isolated to risks where no activity had taken place, and the risks should have been deactivated and therefore no controls or actions were required. Management can confirm the two risks identified have now been deactivated and training has been provided to staff to highlight the importance of deactivating risks where these have been avoided. A monthly control is now in place where the Head of Risk or in the absence of, the Group Financial Controller, reviews to ensure notice of review by relevant risk owners is noted.*	*September 2024*	*Head of Performance Risk and Assurance.*
4	Delivery	There has been a prolonged absence of one of the two Group Risk Officers, which has impacted on the ability of the Group to continue to provide all of the periodic review of risks with risk owners. This has also coincided with a change in the Head of Performance Risk and Assurance role that has also temporarily reduced the ability to undertake the required risk review tasks.	A review of the capacity and available cover for the two Group Risk Officer roles be undertaken to identify appropriate and resilient cover should a prolonged absence in staff be experienced again.	2	*A comprehensive self-service system is in place, with extensive staff training provided on risk, controls and risk analysis. To ensure staff are performing periodic reviews accordingly further staff communications will be shared and the Head of Risk will perform a full monthly review to ensure this has taken place. If the Head of Risk is absent this will be completed by the Group Financial Controller.*	*December 2024*	*Head of Performance Risk and Assurance.*

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.	2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.	3	ROUTINE	Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The Tees Valley Combined Authority Group (the Group) has a documented Risk Management Framework (the Framework) that was originally approved by the Board in March 2019. A full review of the Framework is recorded as being undertaken in 2022 with some changes made to roles and responsibilities being made in November 2023. The document states that the Framework will be agreed every year by the Audit and Governance Committees. The version control in the version provided does not record an annual review in the table, however, this is recorded elsewhere in the document as having been approved in July 2023.	The annual review and approval of the Risk Management Framework by Audit and Governance Committees be recorded in the version control table and not part through the document.	3	*Recommendation agreed and management acknowledge the importance of recording annual reviews and have updated the forward plan accordingly to reflect this recommendation.*	*December 2024*	*Head of Performance Risk and Assurance.*

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.	2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.	3	ROUTINE	Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings

Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	**Governance Framework**	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1	-
RM	**Risk Mitigation**	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	**Compliance**	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	2 & 3	-

Other Findings

The Tees Valley Combined Authority Group (the Group) has a documented Risk Management Framework (the Framework) that was originally approved by the Board in March 2019. A full review of the Framework is recorded as being undertaken in 2022 with some changes made to roles and responsibilities being made in November 2023. The document states that the Framework will be agreed every year by the Audit and Governance Committee. The version control in the version provided does not record an annual review in the table, however, this is recorded elsewhere in the document as having been approved in July 2023.

The Framework is clear in that risk management is an integral, visible and consistent part of routine management activity and that the Authority is committed to implementing an enterprise-wide risk management culture.

The Group has used ISO31000 Risk Management as the basis for the Framework. The Framework is clear in that it applies to all aspects of the Group and its programmes.

Roles and responsibilities are clearly defined for the STDC Board/Cabinet, Group Chief Executive Officer, Audit and Governance Committee, Group Finance and Resources Director, Head of Performance Risk and Assurance, Project Managers, Business Function Managers, Risk Owners, Control Owners and Staff, Contractors and Service Providers.

Other Findings

- The three lines of defence model is included within the document with an explanation and examples of each of the three lines.
- The Framework makes reference to risk appetite and the Group will maintain a Risk Appetite Statement with an explanation of how risk should be managed that are outside of the agreed appetite. The Framework also explains the application and management of risk tolerance.
- The Group scores risk using a 1-5 scoring system based on likelihood and impact with risk actions being described using the traditional Four Ts, being Treat, Transfer, Terminate and Tolerate, although the Framework also references sharing, exploiting, enhancing and ignoring the opportunity with actions that are to be taken.
- Inherent risk and residual risk are clearly explained in the Framework along with the colour coding category used to categorise the levels of risk.
- A review of the risk dashboard including selected risks in a sample of risk registers was undertaken.

Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	**Performance Monitoring**	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	**Sustainability**	The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	**Resilience**	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Partially in place	4	-

Other Findings

Regular sessions are held with risk owners by the two Group Risk Officers in place at the Group. Review updates are recorded directly to the system that then updates in the Risk Dashboard.

Reporting of risk management is provided to the TVCA and the STDC Governance and Audit Committees. Evidence was provided during the audit and was reviewed. The following was noted: For each Risk Register presented, there was a summary of the average residual score, the percentage threat change from the last version and the average maximum threshold figure. A summary of the risks that were above threshold was provided showing residual scores and a narrative on the mitigation. A new risk that had been added was highlighted. Risk Registers for Teesworks and other key Project Risk Register information was also provided. Details of threats avoided and transferred was seen to be also included.

EXPLANATORY INFORMATION

Appendix A

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

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

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

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

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	2nd February 2024	2nd February 2024
Draft Report:	16th May 2024	
Revised Draft Report:	23rd May 2024	23rd May 2024
Final Report:	23rd May 2024	
Revised Final Report:	7th June 2024	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Tees Valley Combined Authority		
Review:	Risk Mitigating Controls		
Type of Review:	Assurance	**Audit Lead:**	Andrew McCulloch

Outline scope (per Annual Plan):	The review considered the arrangements for the identification, recording, monitoring and reporting of risk management. The review considered risk register records for the Tees Valley Combined Authority (TVCA) and the South Tees Development Corporation (STDC).	
Detailed scope will consider:	Directed Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register. Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Delivery Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner. Sustainability: The impact on the organisation's sustainability agenda has been considered. Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.
Requested additions to scope:	(if required then please provide brief detail)	
Exclusions from scope:		

Planned Start Date:	07/02/2024	**Exit Meeting Date:**	17/05/2024	**Exit Meeting to be held with:**	Rachael Jupp

SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	**Y/N (if Y then please provide brief details separately)**
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	Y
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N

SOUTH TEES
DEVELOPMENT
CORPORATION

AGENDA ITEM 06

REPORT TO THE STDC
AUDIT & GOVERNANCE COMMITTEE

17 JUNE 2024

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

APPROVE THE ANNUAL ACCOUNTS 2021/22 FOR SOUTH TEES DEVELOPMENT CORPORATION AND GROUP

SUMMARY

The purpose of this report is to present the South Tees Development Corporation (STDC) and Group Annual Accounts for 2021/22 for approval by the Audit & Governance Committee.

RECOMMENDATIONS

It is recommended that the STDC Audit & Governance Committee:

i. Approves the Annual Accounts for 2021/22 for the STDC Group and Corporation.
ii. Approve that the Chair of Audit, Risk and Assurance Committee be authorised to sign off any further changes required to the Statement of Accounts for 2021/22 prior to publication; and
iii. Subject to no further issues being raised by Mazars, approve that the Mayor and the Group Director of Finance and Resources be authorised to sign the accounts on behalf of STDC.

DETAIL

1. This report has been prepared for the Audit, Risk & Assurance Committee to approve the annual accounts of the South Tees Development Corporation Group and Corporation for the financial year ended 31 March 2022.

2. The audit has been completed without any significant issues to report.

3. The draft accounts for 2021/22 were shared with members of the committee when the audit process commenced. A detailed briefing and review of the annual accounts was undertaken in 2022/23. The audit process has now concluded and the South Tees Development Corporation and Group Annual Accounts for 2021/22 are attached.

FINANCIAL IMPLICATIONS

SOUTH TEES DEVELOPMENT CORPORATION

4. The financial implications are covered within the body of this report and the attached annual accounts reflect the results for the year ended 31 March 2022.

LEGAL IMPLICATIONS

5. Production of these accounts is a statutory requirement.

RISK ASSESSMENT

6. This document is categorised as low risk.

CONSULTATION & COMMUNICATION

7. Draft Annual Accounts have been shared with the committee and discussed in detail at previous meetings.

EQUALITY & DIVERSITY

8. There are no equality or diversity implications arising from the subject matter in this document.

Name of Contact Officer:	Gary Macdonald
Post Title:	Group Director of Finance and Resources
Telephone Number:	01325 792600
Email Address:	gary.macdonald@teesvalley-ca.gov.uk

South Tees Development Corporation & Group Statement of Accounts 2021/22

CONTENTS

Narrative Report

Introduction

Welcome to the South Tees Development Corporation and Group's Annual statement of Accounts for 2021/22 which have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

The South Tees Development Corporation Group comprises South Tees Development Corporation (STDC), and its wholly owned subsidiary companies South Tees Developments Limited (STDL) and South Tees Site Company Limited (STSC).

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 Greater 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 become a hotbed of clean energy activity, leading the way in the Green Industrial Revolution. Securing investment in the cleaner, healthier and safer industries of tomorrow, it will be positioned as the UK's premier hub for offshore wind and lead the UK's ambitions of industrial decarbonisation and carbon net zero by 2050. In doing this, it will help create thousands of high-quality jobs for local people further driving economic regeneration across the Tees Valley.

At 4,500 acres the site, rebranded as Teesworks in July 2020, is the largest industrial development opportunity in the UK and the largest brownfield site in Europe. STDC's core operations are the remediation of contaminated, unsafe land within the site boundaries and completion of the demolition of redundant assets to bring the site back into productive use by releasing over 2,000 acres of additional land for commercial investment. This work, one of the biggest, most complex and condensed demolition projects in the UK accelerated in 2021-22, with all of the major structures on the site set to be demolished by the end of 2022. Progress continues to surpass expectations, with structures relating to the BOS Plant and the Blast Furnace conveyor brought down ahead of schedule. The final major structure on the South Bank Zone, the Gas Holder, has also been demolished. Plans have also been submitted to remediate 150 acres of land set to house the Net Zero Teesside Project.

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 for 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://teesvalley-ca.gov.uk/transparency/south-tees-development-corporation/annual-statement-of-accounts/

Minutes of board meetings can be found at https://teesvalley-ca.gov.uk/meetings/south-tees-development-corporation/

2021/22 performance

Through 2021/22 STDC's principal focus was to regenerate the Teesworks site's contaminated and unsafe land by utilising central government funding allocated to support this regeneration activity.

STDC has continued to deliver its core objective, driving forward its redevelopment to create high-quality jobs, secure significant international investment and transform the region. This objective of the Teesworks site has always had two key phases of activity identified since before the CPO process began, namely: -

- Phase 1 – site decontamination (including removal of COMAH status), demolition and remediation; and
- Phase 2 – site infrastructure and development to secure inward investment.

Key milestones include

· **Favourable CPO outcome and site acquisition** – 2020/21 successful completion of the Compulsory Purchase order to secure the remaining 870 acres of land owned by SSI in receivership and subsequently the acquisition of the remainder of the site.

· **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, and with Teesworks at its heart, the Teesside Freeport is the largest in the UK and, as of November 2021, the first operational. 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.

· **South Bank Quay** – Construction continued on the main South Bank Quay, which will service the offshore sector and complement other investments being made on the site as part of the UK's premier offshore wind hub. This project was awarded £107million of funding in the UK Infrastructure Bank's first ever investment, with 200m of its construction due to be completed by December 2022, ahead of the full phase one 450m by March 2023.

· **Development on site** – In July 2022 construction work began on SeAH Wind Ltd's £400million offshore wind monopile production facility. When complete, it will be the largest of its type in the world, delivering up to 1,500 jobs in the supply chain and during construction, plus 750 direct jobs when fully operational. In March 2022, construction work was completed on the Teesworks Skills Academy building, which will help deliver activity to upskill the local workforce and help people in the region access the employment opportunities being created on-site.

· **International Investment** – bp is leading a consortium of energy companies on the Net Zero Teesside Power project, set to be based at Teesworks. It will become the UK's first fully integrated, commercial-scale gas-fired power station with carbon capture, utilisation and storage capabilities, paving the way to establish a fully decarbonised industrial cluster by 2040. Circular Fuels Ltd's renewable gas facility will take non-recyclable residual waste from households and industry, converting it into renewable dimethyl ether (rDME) to help decarbonise normally hard-to-reach properties not connected to the national gas grid.

Financial performance

The financial performance for the 12 months to 31 March 2022 shows a delivered spend of £175.2m (2021: £64.2m). At 31 March 2022 total current assets were £89.8m (2021: £50.9m) and net liabilities were £56.2m (2021: £0.9m).
On acquisition, the Teesworks site held a top-tier COMAH designation due to the hazardous materials present on-site that had to be removed for the designation to be lifted. As part of our extensive remediation works, an impairment of £121m has been recognised through the Comprehensive Income and Expenditure Statement. Only by removing the COMAH status as part of the Phase 1 plans could the site have investor-ready land able to attract the significant multibillion-pound international inward investment needed to transform the site and create jobs for future generations.

Future sustainability

STDC is committed to ensuring long term sustainability through the development of a world class, modern industrial park focused on Clean Growth. For this purpose, the TVCA Investment Plan included a commitment of £56.5m to STDC for land acquisition and infrastructure.

South Tees Site company continues to provide support at the Teesworks site as the site transitions to Phase 2 being site infrastructure and development to secure inward investment. SeAH Wind is now based on the site, and plans to remediate 150 acres for Net Zero Teesside are progressing, alongside Circular Fuels Ltd's renewable gas facility. Significant engagement with numerous international private sector investors continues, as does considerable marketing activity as it moves into this phase.

The requirements of STSC are reducing as the site is remediated and developed. As a result, a rundown process continues. Going forward a small number of employees will remain to support the remaining services and compliant responsibilities on the site.

Outlook, strategy, and operating model

As a result of the successful CPO conclusion, land acquisition, and the release of funding from central government, the focus of STDC's activity has been on the delivery of its regeneration programme.

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 650 jobs in the construction sector to date. The Teesworks Demolition Framework completed during the 2020/21 financial year. After confirmation of appointments and ensuring contractor resource, activity has accelerated at pace. As previously stated, a number of major structures have come down ahead of schedule with all expected to be brought down by the end of 2022. In March 2022 construction completed on the Teesworks Skills Academy and, in July 2022, construction began on SeAH Wind Ltd's monopile factory.

Commercial activity

Teesworks Limited is the venture vehicle between STDC and its private sector partners which manages commercialisation of land once remediated.

On August 18, 2021, an agreement was reached to transfer 40% of the share capital in Teesworks Limited to DCS Industrial Limited and JC Musgrave Capital Ltd, with South Tees Development Corporation retaining 10% of the Share Capital. The transfer is in exchange for Teesworks taking on the future development of the site together with the net future liabilities in preparing the site for tenants.

Key risks

The nature of the STDC site brings with it a 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. South Tees Site Company continues to manage these risks and progress has been made to decontaminate the site.

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. As demolition has progressed and areas of the site have been remediated this risk is reducing.

Ultimately there is a commercial risk linked to the level of appetite for investors to locate on site, however this is not considered significant given the confirmations of investment to date and the significant number of discussions going on with potential investors.

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.

Further Information Further information about our finances is available from the Combined Authority's website, https://teesvalleyca.gov.uk or from the Group Director of Finance & Resources, Tees Valley Combined Authority, Teesside Airport Business Suite, Teesside International Airport,
Darlington, DL2 1NJ.

South Tees Development Corporation Group Statement of Accounts 2021/22

Group Movement in Reserves Statement for the year ended 31 March 2022

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

	General Fund Balance	Capital Grants Unapplied	**Total Usable Reserves**	Capital Adjustment Account	Other Unusable Reserves	**Unusable Reserves**	**Total Corporation Reserves**	Corporations Share of Subsidiaries Reserves	**Total Group Reserves**
	£000s	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Movement in reserves during 2020/21 Restated									
Balance at 1 April 2020 brought forward	968	5,225	**6,193**	(695)	(512)	**(1,207)**	**4,986**	-	**4,986**
Total Comprehensive Income and Expenditure	(4,238)	-	**(4,238)**	-	(305)	**(305)**	**(4,543)**	**(1,375)**	**(5,918)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	4,238	(5,172)	**(934)**	1,025	(91)	**934**	**-**	**-**	-
Increase/Decrease in Year	**-**	**(5,172)**	**(5,172)**	**1,025**	**(396)**	**629**	**(4,543)**	**(1,375)**	**(5,918)**
Balance at 31 March 2021 carried forward	**968**	**53**	**1,021**	**330**	**(908)**	**(578)**	**443**	**(1,375)**	**(932)**
Re-Allocation of Subsidiary Reserves	2,603	-	**2,603**	(3,978)	-	**(3,978)**	**(1,375)**	1,375	-
Balance at 31 March 2021 carried forward	**3,571**	**53**	**3,624**	**(3,648)**	**(908)**	**(4,556)**	**(932)**	**-**	**(932)**
Amounts earmarked (Note 7)	3,249								
Amounts uncommitted	322								
Total General Fund Balance at 31 March 2021	**3,571**								
Movement in reserves during 2021/22									
Balance at 1 April 2021 brought forward	3,571	53	**3,624**	(3,648)	(908)	**(4,556)**	**(932)**	**-**	**(932)**
Total Comprehensive Income and Expenditure	(47,421)	-	**(47,421)**	-	176	**176**	**(47,245)**	**(8,652)**	**(55,897)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	66,202	(53)	**66,149**	(65,783)	(366)	**(66,149)**	**-**	**-**	-
Increase/Decrease in Year	**18,781**	**(53)**	**18,728**	**(65,783)**	**(190)**	**(65,973)**	**(47,245)**	**(8,652)**	**(55,897)**
Balance at 31 March 2022 carried forward	**22,352**	**-**	**22,352**	**(69,431)**	**(1,098)**	**(70,529)**	**(48,177)**	**(8,652)**	**(56,829)**
Re-Allocation of Subsidiary Reserves	(2,623)	-	**(2,623)**	(4,700)	(1,329)	**(6,029)**	**(8,652)**	8,652	-
Balance at 31 March 2022 carried forward	**19,729**	**-**	**19,729**	**(74,131)**	**(2,427)**	**(76,558)**	**(56,829)**	**-**	**(56,829)**
General Fund analysed over:									
Amounts earmarked (Note 7)	19,407								
Amounts uncommitted	322								
Total General Fund Balance at 31 March 2022	**19,729**								

Comprehensive Income and Expenditure Statement
for the year ended 31 March 2022

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

2020/21				2021/22		
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
6,500	(6,517)	**(17)**	Core Running Costs	5,633	(4,388)	**1,245**
23,601	(23,088)	**513**	Enabling Infrastructure	51,598	(45,900)	**5,698**
22,362	-	**22,362**	Development Costs	120,544	(16,670)	**103,874**
52,463	**(29,605)**	**22,858**	**Cost Of Services**	**177,775**	**(66,958)**	**110,817**
			Financing and Investment Income and Expenditure:			
-	-	-	Interest payable and similar charges	1,062	-	1,062
23	(13)	**10**	Net interest on the net defined benefit liability/asset	42	(20)	22
			Taxation and Non-Specific Grant Income:			
-	-	-	Taxation	-	-	-
-	(13,940)	**(13,940)**	Capital grants and contributions	-	(50,450)	(50,450)
52,486	**(43,558)**	**8,928**	**(Surplus) or Deficit on Provision of Services**	**178,879**	**(117,428)**	**61,451**
		(3,315)	Share of (Surplus) or deficit on Joint Ventures & Associates			(5,378)
		305	Re-measurements of the defined benefit liability			(176)
		(3,010)	**Other Comprehensive Income and Expenditure**			**(5,554)**
		5,918	**Total Comprehensive Income and Expenditure**			**55,897**

Balance Sheet as at 31 March 2022

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

	Note	**31 March 2022 £000s**	31 March 2021 £000s (Restated)	31 March 2021 £000s
Non-current assets				
Property, plant and equipment	8	41,320	34,328	34,328
Investment In Subsidiary / Associate		-	3,315	3,315
Total non-current assets		41,320	37,643	37,643
Current assets				
Inventories		300	300	300
Debtors	13	98,133	51,711	38,006
Cash and Cash Equivalents	14	35,475	9,484	9,484
Total current assets		133,908	61,495	47,790
Current liabilities				
Grant Receipts In Advance	20	-	(200)	(200)
Short Term Creditors	15	(155,904)	(62,825)	(49,120)
Total current liabilities		**(155,904)**	(63,025)	(49,320)
Long term liabilities				
Long Term Borrowing	16	(74,238)	(36,022)	(36,022)
Other Long Term Liabilities	16 & 22	(1,081)	(884)	(884)
Provisions		(834)	(139)	(139)
Total long term liabilities		**(76,153)**	(37,045)	(37,045)
Net Assets:		**(56,829)**	(932)	(932)
Reserves				
Usable reserves:				
General Fund Balance		322	322	322
Earmarked General Fund Reserves	7	19,407	3,249	3,249
Capital Grants Unapplied	7	-	53	53
		19,729	3,624	3,624
Unusable Reserves:				
Pensions Reserve	16 & 22	(1,081)	(884)	(884)
Subsidiary Reserves		(1,329)	-	-
Capital Adjustment Account	9	(74,131)	(3,648)	(3,648)
Accumulated Absences Account		(17)	(24)	(24)
		(76,558)	(4,556)	(4,556)
Total Reserves:		**(56,829)**	(932)	(932)

Gary Macdonald ....

Group Director of Finance & Resources
Date

Cash Flow Statement For The Year Ended 31 March 2022

The Cash Flow Statement shows the changes in cash and cash equivalents of STDC during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way contributions and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the 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 Group.

	Note	**2021/22** £000s	2020/21 £000s (Restated)
Net (surplus) or deficit on the provision of services		**61,451**	8,928
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(100,899)	(22,177)
Revaluation Gains / (Losses)		(20,470)	-
Pension Fund adjustments		(373)	(83)
Increase/(Decrease) in Inventories (Stock)		-	300
Increase/(Decrease) in Revenue Debtors (net of acquisition effects)	13	60,127	37,137
(Increase)/Decrease in Revenue Creditors (net of acquisition effects)	15	(90,291)	(36,681)
(Increase)/Decrease in Provisions (net of acquisition effects)		(695)	-
(Increase)/Decrease in Grants In Advance		200	-
		(152,401)	(21,504)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services		(50,450)	-
		(50,450)	-
Net cashflow from operating activities		**(141,400)**	**(12,576)**
Investing activities			
Income From Joint Ventures & Associates		(8,693)	-
Purchase of property, plant and equipment, investment property and intangibles		111,868	35,719
Purchase of Subsidiary (net cash acquired)		-	(1,217)
Proceeds from short term and long term investments			
Other payment / receipts from investing activities		50,450	-
Net cashflow from investing activities		**153,625**	34,502
Financing activities			
Movement in short and long term borrowings		(38,216)	(24,807)
Net cashflow from financing activities		**(38,216)**	(24,807)
Net (increase) or decrease in cash and cash equivalents		**(25,991)**	(2,881)
Cash and cash equivalents at the beginning of the reporting period		**9,484**	**6,603**
Cash and cash equivalents at the end of the reporting period	14	**35,475**	**9,484**

The cashflow for operating activities includes the following items:

Note 1: Expenditure & Funding Analysis

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

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
4,352	(4,369)	**(17)**	Core Running Costs	6,520	(5,275)	**1,245**
19,715	(19,202)	**513**	Enabling Infrastructure	36,139	(30,441)	**5,698**
(401)	22,763	**22,362**	Development Costs	(411)	104,285	**103,874**
23,666	**(808)**	**22,858**	**Net Cost Of Services**	**42,248**	**68,569**	**110,817**
(23,666)	9,736	(13,930)	Other Income and Expenditure	(42,248)	(7,118)	(49,366)
-	**8,928**	**8,928**	Surplus or Deficit	**-**	**61,451**	**61,451**
322			**Opening General Fund Balance**	**322**		
-			Less/Plus Surplus or (Deficit)	**-**		
322			**Closing General Fund Balance at 31 March 2022**	**322**		

Note 1: Expenditure & Funding Analysis

Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2021/22				
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	30	351	(5,656)	**(5,275)**
Enabling Infrastructure	-	-	(30,441)	**(30,441)**
Development Costs	120,955	-	(16,670)	**104,285**
Net Cost Of Services	120,985	351	(52,767)	**68,569**
Other Income and Expenditure from the Expenditure and Funding Analysis	(50,450)	22	43,310	**(7,118)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	70,535	373	(9,457)	**61,451**

Adjustments between Funding and Accounting Basis 2020/21 (Restated)				
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	14	73	(4,456)	**(4,369)**
Enabling Infrastructure	-	-	(19,202)	**(19,202)**
Development Costs	22,763	-	-	**22,763**
Net Cost Of Services `	22,777	73	(23,658)	**(808)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,940)	10	23,666	**9,736**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	8,837	83	8	**8,928**

Adjustments for capital purposes: this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	2021/22	2020/21
	£000s	£000s
Expenditure		
Employee benefits expenses	11,126	4,835
Other services expenses	45,280	25,447
Revaluation, Depreciation,amortisation and impairment	121,369	22,181
Interest payments	1,104	23
Total Expenditure	**178,879**	52,486
Income		
Fees, charges and other service income	(32,341)	(5,940)
Interest and investment income	(22)	(13)
Government grants and contributions	(85,065)	(37,605)
Total Income	**(117,428)**	(43,558)
(Surplus) or Deficit on the Provision of Services	**61,451**	8,928

Segmental Income

Income received on a segmental basis is analysed below:

	2021/22	2020/21
	£000s	£000s
Services	**Income from Services**	Income from Services
Core Running Costs	(849)	(2,212)
Enabling Infrastructure	(14,822)	(3,728)
Development Costs	(16,670)	-
Total income analysed on a segmental basis	**(32,341)**	**(5,940)**

Note 2: Group Structure

During 2021/22 there has been the below changes to the group structure:

Teesworks:

- On 18 August 2021, and agreement was reached to transfer 40% of the share capital in Teesworks Limited to DCS Industrial Limited and JC Musgrave Limited, with South Tees Development Corporation retaining 10% of the Share Capital. The transfer is in exchange for Teesworks taking on the future development of the site together with the net future liabilities in preparing the site for tenants. As part of the agreement an option exists, allowing the purchase of areas of the Teesworks site for a value which is equal to a value determined by an independent valuer. The transaction has an effective date of 26 November 2021.
- Teesworks has been accounted for as a Joint Venture until 26 November 2021 and subsequently as an associate. The in year share of Surplus or deficit on Joint Ventures & Associates is shown on the comprehensive income and expenditure statement.
- The financial statements of Teesworks are prepared under FRS102 and are to the same financial year end as South Tees Development Corporation. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Teesworks Power (STDC Holdings) Limited & Teesworks Power (JVCO) Limited:

- On 14 July 2021 Teesworks Power (STDC Holdings) Limited was incorporated as a holding company. Teesworks Power (STDC Holdings) Limited is 100% owned by South Tees Development Corporation and was dormant in the financial year.
- On 15 July 2021 Teesworks Power (JVCO) Limited were established for the purpose of construction of utility projects for electricity and telecommunications under 100% ownership of Teesworks Power (STDC Holdings) Limited and was dormant in the financial year.

Details of other Group entities are set out below:

South Tees Developments Limited ("STDL"):

- On 3rd January 2019 STDC formed a new 100% subsidiary company South Tees Developments Limited.
- South Tees Developments Ltd was set up in 2019 to hold and develop land areas on behalf of STDC. The masterplan for the redevelopment of the site under STDC has been agreed with the long term view to redevelop the site to provide a high value, low carbon, diverse and inclusive economy. Creating significant employment prospects for the area.
- As the organisation is 100% owned by the STDC it will be treated as a subsidiary and as such will combine like items of assets, liabilities, reserves, income, expenses and cash flows of the
subsidiary with the parent for the Group Accounts. Any intra group transactions will be eliminated in full upon consolidation.
- The financial statements of STDL are prepared under FRS102 and are to the same financial year end as the Corporation. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

South Tees Site Company (“STSC”):

- On 8th October 2020 STDC acquired South Tees Site Company Limited (STSC) from the Department for Business Energy and Industrial Strategy for a nominal sum. STSC is responsible for the management and keep safe of the former SSI steelworks site which vested into the ownership of STDC on the same day.
- As the organisation is 100% owned by the STDC it will be treated as a subsidiary and as such will combine like items of assets, liabilities, reserves, income, expenses and cash flows of the subsidiary with the parent for the Group Accounts. Any intra group transactions will be eliminated in full upon consolidation.
- The financial statements of STSC are prepared under FRS102 and are to the same financial year end as the Corporation. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Note 3: 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:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard.
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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

Note 4: Critical Judgements in Applying Accounting Policies

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

The Code of Practice requires bodies to produce Group Accounts to reflect significant activities by other organisations in which the Corporation has an interest. The Corporation has considered its interests in this respect, both quantitatively and qualitatively, and has concluded that South Tees Development Limited, South Tees Site Company and Teesworks Limited, are materially significant to the overall financial position of the Corporation and are therefore consolidated into the Group Financial Statements.

Note 5: 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 STDC 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 Group's Balance Sheet at 31 March 2022 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 STDC with expert advice about the assumptions to be applied. Sensitivities are included in Note 22
- **Plant, Property and Equipment:** Valuations are carried out on a regular basis, meaning that there is a possibility of material changes in value between valuations. The risk is minimised by annual valuations of all significant assets and annual reviews of market conditions for all asset categories to ensure that the fair value of assets as at the 31 March are not materially misstated. See note 8 for full details.

Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

2021/22	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	65,783	-	-	(65,783)
Adjustments involving the Capital Grants Unapplied Account	53	-	(53)	-
Adjustments involving the Pensions Reserve	373	-	-	(373)
Adjustments involving the Accumulated Absences Adjustment Account	(7)	-	-	7
Total Adjustments	**66,202**	**-**	**(53)**	**(66,149)**

2020/21 (Restated)	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	(1,025)	-	-	1,025
Adjustments involving the Capital Grants Unapplied Account	5,172	-	(5,172)	-
Adjustments involving the Pensions Reserve	83	-	-	(83)
Adjustments involving the Accumulated Absences Adjustment Account	8	-	-	(8)
Total Adjustments	**4,238**	**-**	**(5,172)**	**934**

Note 7: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22

Earmarked Reserves	Balance at 1 April 2021 £000s	Transfers Out 2021/22 £000s	Transfers In 2021/22 £000s	Balance at 31 March 2022 £000s
Revenue Reserves				
Planned Activities - STDC	(626)	626	(19,407)	(19,407)
Planned Activities - Subsidiaries	(2,623)	2,623	-	-
Total Revenue Reserves	**(3,249)**	**3,249**	**(19,407)**	**(19,407)**
Capital Grants Unapplied	(53)	53	-	-
Total Capital Reserves	**(3,302)**	**3,302**	**(19,407)**	**(19,407)**

Earmarked Reserves	Balance at 1 April 2020 £000s	Transfers Out 2020/21 £000s	Transfers In 2020/21 £000s	Balance at 31 March 2021 £000s
Revenue Reserves				
Planned Activities - STDC	(626)	-	-	(626)
Planned Activities - Subsidiaries	(20)	-	(2,603)	(2,623)
Total Revenue Reserves	**(646)**	**-**	**(2,603)**	**(3,249)**
Capital Grants Unapplied	(5,225)	5,172	-	(53)
Total Capital Reserves	**(5,871)**	**5,172**	**(2,603)**	**(3,302)**

Details of reserves
The planned activities reserve for STDC relates to income received to carry out initial site investigation works.
The planned activities reserve for subsidiaries relates to funds held to carry out their activity.
Capital Grants Unapplied reserve relates to capital grants which have been received but are yet to be expended.

Note 8: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Assets Under Construction	Surplus Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation						
As at 1 April 2021	34,202	135	23	-	-	**34,360**
Additions	1,473	-	-	126,888	-	**128,361**
Revaluation	(20,470)	-	-	-	-	**(20,470)**
Reclassification	(15,000)	-	-	-	15,000	**-**
Disposals	-	-	-	-	-	**-**
As at 31 March 2022	205	135	23	126,888	15,000	**142,251**
Depreciation						
As at 1 April 2021	-	14	18	-	-	**32**
Additions	-	-	-	-	-	**-**
Depreciation Charge	-	30	5	-	-	**35**
Impairments	-	-	-	100,864	-	**100,864**
Reclassification	-	-	-	-	-	**-**
Derecognition of Disposals	-	-	-	-	-	**-**
As at 31 March 2022	-	44	23	100,864	-	**100,931**
Net Book Value						
As at 31 March 2021	34,202	121	5	-	-	34,328
As at 31 March 2022	**205**	**91**	**-**	**26,024**	**15,000**	**41,320**

Basis of Classification

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Land and buildings are revalued by external independent professional valuers on a 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 the current value of the STDC Group land was prepared in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation was carried out on 20/10/21 by Knight Frank LLP, a desktop exercise was carried out by management as at 31/03/22 where no material amendments to this valuation were identified and this has informed the revalued figure shown in the accounts. A valuation was carried out by George F White on the surplus assets as at 31/03/22. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value with the exception of newly constructed assets by the Corporation.

Assets under construction relate to the construction of the quay, training academy and regeneration work being carried out on the land owned on the Development Corporation Site. As part of the annual valuation of the land the regeneration work undertaken to date is taken into account, therefore any impairment is first applied to the assets under construction before the land itself.

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.

Impairment
Inspection of the Teesworks Site as part of the Groups revaluation process has resulted in the recognition of an impairment loss charged to the Comprehensive Income and Expenditure Statement. The property comprises the former Redcar Steel Works site, an extensive land holding extending to approximately 1,427 acres. The valuation has been undertaken by a RICS qualified valuer using appropriate valuation methodology and the valuers professional judgement. The comparative method of valuation was used to determine the market value.

The site, owing to its former use as a steel works, is heavily contaminated and has a number of redundant assets. The site was deemed to be in a significant liability position and the expenditure incurred on the asset to date for remediation and demolition has not increased the assets value. This is consistent with the business case submitted to government and why public sector intervention was needed.

The impairment recognised in the statement of comprehensive income and expenditure was £101 million relating to the Teesworks Site, comprising the former Redcar Steel Work site which is categorised as Assets Under Construction in the above table.

The recoverable amount of the asset is its fair value less costs of disposal. The measurements are categorised within level 2 of the financial asset hierarchy. The valuation has been undertaken by a RICS qualified valuer using appropriate valuation methodology and the valuers professional judgement. The comparative method of valuation was used to determine the market value and no discount rate assumptions made.

Contractual Commitments
At 31 March 2022 the Group had entered into contracts which would continue into the 2022/23 financial year. These consisted of £102 million in relation to the ongoing remediation, demolition and regeneration works at the Teesworks site, with the largest being £67 million attributable to the construction of South Bank Quay. (2020/21 £3.5 million)

Note 8: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
As at 1 April 2020	11,500	-	-	-	**11,500**
Additions	17,996	135	23	26,867	**45,021**
Revaluation	-	-	-	-	**-**
Reclassification	8,200	-	-	(8,200)	**-**
Disposals	-	-	-	-	**-**
As at 31 March 2021	37,696	135	23	18,667	**56,521**
Depreciation					
As at 1 April 2020	-	-	-	-	**-**
Additions	-	-	13	-	**13**
Depreciation Charge	-	14	5	-	**19**
Impairments	3,494	-	-	18,667	**22,161**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2021	3,494	14	18	18,667	**22,193**
Net Book Value					
As at 31 March 2020	11,500	-	-	-	11,500
As at 31 March 2021	**34,202**	**121**	**5**	**-**	**34,328**

Basis of Classification

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Land and buildings are revalued by external independent professional valuers on a 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 the current value of the STDC Group land was prepared by Avison Young in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation has informed the revalued figure shown in the accounts with an effective date of 31/03/2021. 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 due to the unique nature and scale of the land holdings in relation to the £34.2 million land & buildings valuation in the above table. They clarify that: For the avoidance of doubt, the inclusion of the 'material uncertainty' declaration above does not mean that the valuation cannot be relied upon.

Assets under construction relate to the regeneration work being carried out on the land owned on the Development Corporation Site. As part of the annual valuation of the land the regeneration work undertaken to date is taken into account, therefore any impairment is first applied to the assets under construction before the land itself.

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.

Impairment

Inspection of the Teesworks Site as part of the Groups revaluation process has resulted in the recognition of an impairment loss charged to the Comprehensive Income and Expenditure Statement. The property comprises the former Redcar Steel Works site, an extensive land holding extending to approximately 1,427 acres. The valuation has been undertaken by a RICS qualified valuer using appropriate valuation methodology and the valuers professional judgement. The comparative method of valuation was used to determine the market value.

The site, owing to its former use as a steel works, is heavily contaminated and has a number of redundant assets. The site was deemed to be in a significant liability position and the expenditure incurred on the asset to date for remediation and demolition has not increased the assets value. This is consistent with the business case submitted to government and why public sector intervention was needed.

The impairment recognised in the statement of comprehensive income and expenditure was £22 million relating to the Teesworks Site, comprising the former Redcar Steel Work site which is categorised as Assets Under Construction and land in the above table.

The recoverable amount of the asset is its fair value less costs of disposal. The measurements are categorised within level 2 of the financial asset hierarchy. The valuation has been undertaken by a RICS qualified valuer using appropriate valuation methodology and the valuers professional judgement. The comparative method of valuation was used to determine the market value and no discount rate assumptions made.

Contractual Commitments

At 31 March 2021 the Group had entered into contracts which would continue into the 2021/22 financial year. These consisted of £3.5 million for preparation of land for development. (2019/20 £173,196)

Note 9: Capital Adjustment Account

	2021/22 £000s	2020/21 £000s
Balance at 1 April	3,648	695
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Revaluation losses on Property, Plant and Equipment	20,470	-
Impairments	100,864	22,161
Depreciation	35	16
	121,369	22,177
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	(50,450)	(13,940)
Application of grants to capital financing from the Capital Grants Unapplied Account	(53)	(5,172)
Statutory provision for the financing of capital investment charged against the General Fund	(378)	(111)
Capital expenditure charged against the General Fund balance	(5)	(1)
	(50,886)	(19,224)
Balance at 31 March	**74,131**	**3,648**

Note 10: Capital Expenditure and Financing

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

	31 March 2022 £000s	31 March 2021 £000s
Opening Capital Financing Requirement	**36,882**	**11,107**
Capital investment		
PPE Additions	128,361	44,998
Sources of Finance		
Government grants and other contributions	(50,503)	(19,112)
Sums set aside from revenue:		
Minimum Revenue Provision (MRP)	(378)	(111)
Capital expenditure charged against the General Fund balance	(5)	0
Closing Capital Financing Requirement	**114,357**	**36,882**

Note 11: STDC 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 2021/22 amounted to Nil (2020/21 £3,497).
The Mayor and his associated remuneration is reflected in the accounts of TVCA.

Note 12: Employee remuneration

The Below table sets out the senior employees remuneration for 2021/22:-

Remuneration of Senior Employees 2021/22						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefits In Kind £**	**Total Remuneration excluding pension contributions £**	**Pension contributions £**	**Total Remuneration including pension contributions £**
Engineering & Project Director	148,291	863	-	**149,154**	27,935	**177,089**
Commercial Director	125,150	299	650	**126,099**	23,963	**150,062**
Strategic Utilities Project Director	94,093	-	-	**94,093**	19,007	**113,100**
Operations Director	127,200	-	-	**127,200**	24,604	**151,804**
EHSS Director	79,170	-	-	**79,170**	15,992	**95,162**
Capital Projects Director	121,800	-	-	**121,800**	24,604	**146,404**
Director of Estates	110,981	-	-	**110,981**	21,535	**132,516**
TOTAL	**806,685**	**1,162**	**650**	**808,497**	**157,639**	**966,136**

With the exception of the Director of Estates, who left his post in February 2022, all other posts in the above table were employed by the Corporation for the full year.

Group Governance arrangements were amended for 21/22 and are provided by Tees Valley Combined Authority where the roles and responsibilities of the Group Chief Executive, Group Commercial Director and Group Director of Finance & Resources covered the Corporation in 21/22.

Recharges for each post for the year were:-
Group Chief Executive £32,946 (2020/21 Nil)
Group Commercial Director £7,400 (2020/21 Nil)
Group Director of Finance & Resources £40,220 (2020/21 £51,944)

Remuneration of Senior Employees 2020/21						
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefits In Kind £**	**Total Remuneration excluding pension contributions £**	**Pension contributions £**	**Total Remuneration including pension contributions £**
CEO	35,000	-	-	**35,000**	-	**35,000**
Engineering & Project Director	136,247	-	-	**136,247**	27,522	**163,769**
Commercial Director	123,300	32	-	**123,332**	24,907	**148,239**
Strategic Utilities Project Director	92,475	-	-	**92,475**	18,680	**111,155**
Operations Director	70,000	-	3,150	**73,150**	14,140	**87,290**
EHSS Director	6,500	-	-	**6,500**	1,313	**7,813**
Capital Projects Director	5,484	-		**5,484**	1,108	**6,592**
Director of Estates	3,375	-	-	**3,375**	682	**4,057**
TOTAL	**472,381**	**32**	**3,150**	**475,563**	**88,352**	**563,915**

The CEO left his post in April 2020 and the above payment includes costs associated with his redundancy.
Engineering & Project Director, Commercial Director and Strategic Utilities Director were all in post for the full year. The remaining posts were all employed during the year with details set out below:-
Operations Director commenced in September 2020
EHSS Director role commenced in March 2021
Capital Projects Director role commenced in March 2021
Director of Estates role commenced in March 2021

Note 12: Employee remuneration

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:

	Number of Employees	Number of Employees
	2021/22	2020/21
£50,001 - £55,000	10	3
£55,001 - £60,000	9	-
£60,001 - £65,000	1	-
£65,001 - £70,000	-	1
£70,001 - £75,000	-	-
£75,001 - £80,000	-	-
£80,001 - £85,000	-	-
£85,001 - £90,000	2	-

Remuneration of the senior staff has been excluded from the salary range analysis shown in the table above. The increase in employees within this table is a direct result of the expansion of the group to include South Tees Site Company.

Note 13: Debtors

	31 March 2022 £000s	31 March 2021 £000s (Restated)
Central Government	12,506	2,901
Local Government	76,827	45,934
Other entities and individuals	8,800	2,876
	98,133	**51,711**

Note 14: Cash and Cash Equivalents

	31 March 2022 £000s	31 March 2021 £000s
Bank and Imprests	20,475	9,484
Cash Equivalents	15,000	-
	35,475	**9,484**

Note 15: Short Term Creditors

	31 March 2022 £000s	31 March 2021 £000s (Restated)
Central Government	(230)	(232)
Local Government	(111,220)	(39,389)
Other entities and individuals	(44,454)	(23,204)
	(155,904)	**(62,825)**

Note 16: Other Long Term Liabilities

	31 March 2022 £000s	31 March 2021 £000s
Net pensions liability	(1,081)	(884)
Provisions	(834)	(139)
Long Term Borrowing	(74,238)	(36,022)
	(76,153)	**(37,045)**

Note 17: Related Party Transactions

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

Central Government

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

Senior Officers

The Corporation's senior managers may influence financial and operating policies through the professional advice to elected Members and through the management decisions they make under delegated powers. Such officers are subject to the Corporation's Employee Code of Conduct and professional bodies' standards. There are no related party transactions between the Corporation and its senior managers that require disclosure in 2021/22 (none in 2020/21).

Related Parties

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

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

2021/22	**Income Received £000s**	**Expenditure £000s**
Tees Valley Combined Authority	85,329	1,833
Redcar & Cleveland Borough Council	-	218
Stockton on Tees Borough Council	-	5
Total	**85,329**	**2,056**

2020/21 (Restated)	**Income Received £000s**	**Expenditure £000s**
Tees Valley Combined Authority	30,480	192
Stockton on Tees Borough Council	-	9
Total	**30,480**	**201**

As at 31 March 2022 the below balances were held in the Group's balance sheet in respect of the controlled organisations.

	Long Term Debtors £000s	**Short Term Debtors £000s**	**Long Term Creditors £000s**	**Short Term Creditors £000s**
Tees Valley Combined Authority	-	76,827	74,238	111,219
Total	**-**	**76,827**	**74,238**	**111,219**

As at 31 March 2021 the below balances were held in the Group's balance sheet in respect of the controlled organisations.

(Restated)	**Long Term Debtors £000s**	**Short Term Debtors £000s**	**Long Term Creditors £000s**	**Short Term Creditors £000s**
Tees Valley Combined Authority	-	45,934	36,022	39,389
Stockton on Tees Borough Council	-	-	-	5
Total	**-**	**45,934**	**36,022**	**39,394**

Note 18: External Audit Costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts by the Group's external auditors:

	2021/22	2020/21
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	46	16
Fees payable to Azets with regard to external audit services	35	9
	81	**25**

Note 19: Leases

The Group is required to review all lease transactions and consider whether they are operational or finance leases.

STDL has leases which came with the land (both as lessee and lessor), they 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. These items are leases to allow permissions to use infrastructure which is renewable on an annual basis therefore the figures below relate to the annual income and expenditure only.

	2021/22	2020/21
	£000s	£000s
Income	(416)	(213)
Expenditure	255	173

Note 20: Grant Income

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2021/22	2020/21
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
Development Grant from MHCLG	-	5,290
STDC Business Case Grant via TVCA	48,450	6,550
Get Building Fund Grant via TVCA	2,000	2,100
Total	**50,450**	13,940
Credited to Services		
TVCA Investment Fund Grant	-	8,156
Development grant from TVCA	200	-
STDC/STSC Business Case Grant via TVCA	34,413	13,704
Operating Grant BEIS	-	1,806
	34,613	23,666
Capital and Revenue Grants Receipts in Advance		
Development grant from TVCA	-	200
Total	**-**	200

Note 21: Financial Instruments

Categories of Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Group becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Assets

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

- 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.

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

Financial Liabilities

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

Financial Instruments

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

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

	Long Term		**Short Term**	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021 (Restated)
	£000s	£000s	**£000s**	£000s
At Amortised Cost	-	-	121,005	57,643
Total financial assets	**-**	-	**121,005**	57,643

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

	Long Term		**Short Term**	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021 (Restated)
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(74,238)	(36,022)	(155,563)	(62,367)
Total financial liabilities	**(74,238)**	(36,022)	**(155,563)**	(62,367)

Note 21: Financial Instruments

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Financial Instruments - Gains and Losses	Financial Liabilities £'000	Financial Assets £'000	2021-22 Total £'000	2020-21 Total £'000
Interest expense on liabilities held at amortised cost	1,062	-	1,062	-
Losses from changes in fair value of assets held at fair value through profit and loss	-	-	-	-
Interest Payable and Similar Charges	**1,062**	**-**	**1,062**	**-**
Interest income on assets held at amortised cost	-	-	-	-
Dividend income on assets held at fair value through profit and loss	-	-	-	-
Interest and Investment Income	**-**	**-**	**-**	**-**
Net Impact on surplus/deficit on provision of services	**1,062**	**-**	**1,062**	**-**

Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31st March 2022.

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

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

Financial Assets	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022		31 March 2021 (Restated)	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	15,000	15,000	-	-
Other Short Term Assets*	N/A	106,005	106,005	57,643	57,643
Total Financial Assets		**121,005**	121,005	**57,643**	57,643
Recorded on Balance Sheet as:-					
Short Term Debtors		85,530		34,454	
Cash and Cash Equivalents		35,475		9,484	
Total Financial Assets		**121,005**		**43,938**	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Note 21: Financial Instruments

Financial Liabilities	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022		31 March 2021 (Restated)	
		£000s	**£000s**	£000s	£000s
Long Term Loans**	2	(74,238)	(74,238)	(36,022)	(36,022)
Other Short Term Liabilities*	N/A	(155,563)	(155,563)	(62,367)	(62,367)
Total Financial Liabilities		**(229,801)**	(229,801)	**(98,389)**	(98,389)
Recorded on Balance Sheet as:-					
Short Term Creditors		(155,563)		(62,367)	
Long Term Borrowing		(74,238)		(36,022)	
Total Financial Liabilities		**(229,801)**		**(98,389)**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

** The long term are owed to Tees Valley Combined Authority, repayment terms of these loans are on a 366 day notice period.

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Group
- liquidity risk – the possibility that the Group might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Group as a result of changes in such measures as interest rates and stock market movements

Credit Risk:

The Group carries out financial checks on customers to ensure that all risks of non payment are assessed and minimised. Any treasury investments are only placed with organisations of high credit quality as set out in the Groups Treasury Management Strategy. The following analysis summarises the Groups trade receivables by due date. Only those receivables meeting the definition of a financial asset are included.

Credit Risk	Trade Receivables	Trade Receivables
	31 March 2022	31 March 2021
	£000s	£000s (Restated)
Current / Past Due < than 3 months	82,545	34,090
Past Due 3-6 months	585	325
Past Due 6-12 months	1,551	39
Past Due 12+ months	849	-
Total Receivables	**85,530**	**34,454**

Liquidity Risk

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

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

Liquidity Risk	Borrowing	Investments	Borrowing	Investments
	31 March 2022		31 March 2021	
	£000s		£000s	
Within 1 Year	-	15,000		-
1-2 Years	(46,474)	-	(36,022)	-
2-5 Years	(2,574)	-	-	-
Over 5 Years	(25,190)	-	-	-
Total	**(74,238)**	**15,000**	**(36,022)**	**-**

Note 21: Financial Instruments

Market Risk

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)

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

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

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

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

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

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

Note 22: Defined Benefit Pension Scheme

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

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

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
· Current service cost	693	232
· Past service cost	20	-
Financing and Investment Income and Expenditure		
Net interest cost	22	10
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**735**	242
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
· Return on plan assets (excluding the amount included in the net interest expense)	(96)	(141)
· Actuarial gains and losses arising on changes in financial assumptions	(68)	452
· Actuarial gains and losses due to liability experience	7	(6)
· Actuarial gains and losses due to changes in demographic assumptions	(19)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(176)**	305
Movement in Reserves Statement		
· Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(735)	(242)
Actual amount charged against the General Fund Balance for pensions in the year:		
· Employers' contributions payable to scheme	**362**	**159**

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is £0.176m (2020/21 £0.305m)

Note 22: Defined Benefit Pension Scheme Continued

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£000s	£000s
Present value of defined benefit obligation	(2,389)	(1,564)
Fair value of assets	1,308	680
Net liability recognised in the Balance Sheet	**(1,081)**	(884)

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£000s	£000s
Opening fair value of scheme assets at 1 April	680	631
Interest income	20	13
Remeasurement gains and (losses)	96	141
Contributions from the employer	362	159
Contributions from employees into the scheme	151	73
Benefits paid	(1)	(337)
Closing balance value of scheme assets at 31 March	**1,308**	680

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£000s	£000s
Opening balance of defined benefit obligation at 1 April	(1,564)	(1,127)
Current service cost	(693)	(232)
Interest cost	(42)	(23)
Contributions by scheme participants	(151)	(73)
Actuarial gains and losses - financial assumptions	68	(452)
Actuarial gains and losses - demographic assumption	19	-
Actuarial gains and losses - liability experience	(7)	6
Benefits paid	1	337
Past service cost	(20)	0
Closing balance of defined benefit obligation at 31 March	**(2,389)**	(1,564)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2021/22		2020/21	
	£000s	**%**	£000s	%
Equity investments (Quoted)	994	76.0%	543	79.8%
Property (Quoted)	105	8.0%	51	7.5%
Cash	209	16.0%	51	7.5%
Other Investments	-	0.0%	35	5.2%
	1,308	**100%**	680	100%

Note 22: Defined Benefit Pension Scheme Continued

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 Hymans Robertson, 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:

	2021/22	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.7	21.9
Women	23.5	23.6
Longevity at 45 for future pensioners:		
Men	22.9	23.3
Women	25.3	25.4
Other assumptions:		
Rate of inflation (CPI)	3.2%	2.6%
Rate of increase in salaries	4.2%	3.6%
Rate for discounting scheme liabilities	2.8%	2.1%

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (decrease or increase in 1 year)	(2,485)	(2,389)	(2,293)
Rate of increase in salaries (decrease or increase by 0.1%)	(2,404)	(2,389)	(2,374)
Rate of increase in pensions payment (decrease or increase by 0.1%)	(2,438)	(2,389)	(2,340)
Rate for discounting scheme liabilities (decrease or increase by 0.1%)	(2,454)	(2,389)	(2,324)

Impact on the Group's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 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 Scheme 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 Scheme in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings Scheme to pay pensions and other benefits to certain public servants.

The Group anticipates to pay £0.34m contributions to the scheme in 2022/2023.

The weighted average duration of the defined benefit obligation for scheme members is 28 years.

Note 23: Termination Benefits

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2020/21	**2021/22**	2020/21	**2021/22**	2020/21	**2021/22 £000s**	2020/21 £000s
£1 to £20,000	6	-	34	1	40	1	234	3
£20,001 to £40,000	6	-	3	1	9	1	254	35
£40,001 to £60,000	-	-	1	-	1	-	43	-
£60,001 to £80,000	-	-	-	1	-	1	-	61
£80,001 to £100,000	-	-	-	-	-	-	-	-
Total	**12**	-	**38**	3	**50**	3	**531**	99

Since the closure of the former SSI Steelworks in 2015 and the subsequent creation of the South Tees Development Corporation and Teesworks site, the long-term aim for the area has been to prepare and remediate the land to make it investor-ready. As the area is a top-tier COMAH site, the South Tees Site Company was initially established by Government to oversee its keep-safe and security. Following the acquisition of the outstanding land within Teesworks by the South Tees Development Corporation, the Site Company was transferred from the Department for Business, Energy and Industrial Strategy to local control.

In 2021/22 demolition and remediation work accelerated rapidly at Teesworks as deals were agreed for investors such as Net Zero Teesside and SeAH Wind Ltd to base themselves on the site. As structures came down and land was prepared for new projects, the requirements of the site changed, including in respect of the roles and responsibilities of some Site Company staff. This led to a phased rundown of the Site Company, with individuals who were being made redundant supported with training and into alternative employment by the Teesworks Skills Academy.

Note 24 -Cash Flow Statement - Reconciliation of liabilities arising from financing activities

	1 April 2021	Financing Cashflows	Non Financing Cashflows	31 March 2022
	£000s	£000s	£000s	£000s
Long term Borrowing	(36,022)	(38,216)	-	(74,238)

	1 April 2020	Financing Cashflows	Non Financing Cashflows	31 March 2021
	£000s	£000s	£000s	£000s
Long term Borrowing	(11,215)	(24,807)	-	(36,022)

Note 25: Provisions

Within South Tees Site Company a provision of £834k exists in relation to statutory redundancy payments for employees transferred from SSI UK (in liquidation) who remained in employment. (2020/21 £139k)

Note 26: Contingent Liabilities

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 2022 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.

Within STSC the company's staff were transferred from SSI UK in Liquidation in a TUPE like arrangement. Enhanced payment in lieu of notice was offered to those who remained in post throughout its liquidation and this will be honoured upon final decommissioning of the site. There is a potential outflow of £169,126 (20/21 £537,815) which is dependant on staff remaining in post throughout the full decommissioning process. If staff leave before this they will not be entitled to these terms, consequently the timing and amount are uncertain and hence no provision has been made.

Note 27: Post Balance Sheet Events

The Draft Statement of Accounts was authorised for issue by the Group Director of Finance & Resources on 29th July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

After the balance sheet date Teesworks Limited have exercised their option and drew down the land relating to the South Bank Quay and Teesworks Skills Academy.

South Tees Development Corporation Statement of Accounts 2021/22

South Tees Development Corporation - Annual Financial Statements 2021/22

Movement in Reserves Statement for the year ended 31 March 2022

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

	General Fund Balance	Capital Grants Unapplied	**Total Usable Reserves**	Capital Adjustment Account	Other Unusable Reserves	**Unusable Reserves**	**Total Corporation Reserves**
	£000s	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Movement in reserves during 2020/21							
Balance at 1 April 2020 brought forward	948	5,225	**6,173**	108	(512)	**(404)**	**5,769**
Total Comprehensive Income and Expenditure	(4,238)	-	**(4,238)**	-	(305)	**(305)**	**(4,543)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	4,238	(5,172)	**(934)**	1,025	(91)	**934**	**-**
Increase/Decrease in Year	-	**(5,172)**	**(5,172)**	**1,025**	**(396)**	**629**	**(4,543)**
Balance at 31 March 2021 carried forward	**948**	**53**	**1,001**	**1,133**	**(908)**	**225**	**1,226**
Amounts earmarked (Note 6)	626						
Amounts uncommitted	322						
Total General Fund Balance at 31 March 2021	**948**						
Movement in reserves during 2021/22							
Balance at 1 April 2021 brought forward	948	53	**1,001**	1,133	(908)	**225**	**1,226**
Total Comprehensive Income and Expenditure	(47,421)	-	**(47,421)**	-	176	**176**	**(47,245)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	66,202	(53)	66,149	(65,783)	(366)	(66,149)	-
Increase/Decrease in Year	**18,781**	**(53)**	**18,728**	**(65,783)**	**(190)**	**(65,973)**	**(47,245)**
Balance at 31 March 2022 carried forward	**19,729**	**-**	**19,729**	**(64,650)**	**(1,098)**	**(65,748)**	**(46,019)**
General Fund analysed over:							
Amounts earmarked (Note 6)	19,407						
Amounts uncommitted	322						
Total General Fund Balance at 31 March 2022	**19,729**						

STDC Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

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

2020/21 (Restated)				2021/22		
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
2,259	(2,275)	**(16)**	Core Running Costs	3,913	(2,413)	**1,500**
17,396	(17,396)	**-**	Enabling Infrastructure	35,094	(31,078)	**4,016**
18,184	-	**18,184**	Development Costs	116,634	(47,076)	**69,558**
37,839	**(19,671)**	**18,168**	**Cost Of Services**	**155,641**	**(80,567)**	**75,074**
			Financing and Investment Income and Expenditure:			
-	-	-	Interest payable and similar charges	1,062	-	1,062
23	(13)	**10**	Net interest on the net defined benefit liability/asset	42	(20)	22
-	-	**-**	Interest and investment income	-	(8,693)	(8,693)
			Taxation and Non-Specific Grant Income:			
-	(13,940)	**(13,940)**	Capital grants and contributions	-	(20,044)	(20,044)
37,862	**(33,624)**	**4,238**	**(Surplus) or Deficit on Provision of Services**	**156,745**	**(109,324)**	**47,421**
		305	Re-measurements of the defined benefit liability			(176)
		305	**Other Comprehensive Income and Expenditure**			**(176)**
		4,543	**Total Comprehensive Income and Expenditure**			**47,245**

STDC Balance Sheet as at 31 March 2022

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

	Note	**31 March 2022 £000s**	31 March 2021 £000s (Restated)	31 March 2021 £000s
Non-current assets				
Property, plant and equipment	7	26,320	14,623	14,623
Long Term Loan	12	23,726	23,726	24,253
Investment In Subsidiary		527	527	-
Long Term Debtors	12	505	505	505
Total non-current assets		51,078	39,381	39,381
Current assets				
Debtors	13	115,694	46,538	32,833
Cash and Cash Equivalents	14	21,249	1,727	1,727
Total current assets		136,943	48,265	34,560
Current liabilities				
Grant Receipts In Advance	20	-	(200)	(200)
Short Term Creditors	15	(158,721)	(49,314)	(35,609)
Total current liabilities		**(158,721)**	(49,514)	(35,809)
Long term liabilities				
Long Term Borrowing	16	(74,238)	(36,022)	(36,022)
Other Long Term Liabilities	16 & 22	(1,081)	(884)	(884)
Total long term liabilities		**(75,319)**	(36,906)	(36,906)
Net Assets:		**(46,019)**	1,226	1,226
Reserves				
Usable reserves:				
General Fund Balance		322	322	322
Earmarked General Fund Reserves	6	19,407	626	626
Capital Grants Unapplied		-	53	53
		19,729	1,001	1,001
Unusable Reserves:				
Pensions Reserve	16 & 22	(1,081)	(884)	(884)
Capital Adjustment Account	8	(64,650)	1,133	1,133
Accumulated Absences Account		(17)	(24)	(24)
		(65,748)	225	225
Total Reserves:		**(46,019)**	1,226	1,226

Gary Macdonald ....

Group Director of Finance & Resources
Date

STDC Cash Flow Statement For The Year Ended 31 March 2022

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

	Note	**2021/22** £000s	2020/21 Restated £000s
Net (surplus) or deficit on the provision of services		**47,421**	4,238
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(70,488)	(18,197)
Revaluation Gains / (Losses)		(15,770)	-
Pension Fund adjustments		(373)	(83)
Increase/(Decrease) in Revenue Debtors	13	82,861	39,295
(Increase)/Decrease in Revenue Creditors	15	(110,427)	(39,632)
(Increase)/Decrease in Grants Received in Advance	20	200	-
Increase/(Decrease) in Long Term Debtors	12	-	13,485
		(113,997)	(5,132)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services		(20,044)	(13,940)
		(20,044)	(13,940)
Net cashflow from operating activities		**(86,620)**	**(14,834)**
Investing activities			
Purchase of property, plant and equipment, investment property and intangibles		85,270	27,008
Other payment / receipts from investing activities		20,044	13,940
Net cashflow from investing activities		**105,314**	40,948
Financing activities			
Movement in short and long term borrowings		(38,216)	(24,807)
Net cashflow from financing activities		**(38,216)**	(24,807)
Net (increase) or decrease in cash and cash equivalents		**(19,522)**	1,307
Cash and cash equivalents at the beginning of the reporting period		**1,727**	**3,034**
Cash and cash equivalents at the end of the reporting period	14	**21,249**	1,727
The cashflow for operating activities includes the following items:			
Dividends received		8,693	

Note 1: Expenditure & Funding Analysis STDC

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

2020/21 (Restated)				2021/22		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
1,999	(2,015)	**(16)**	Core Running Costs	5,165	(3,665)	**1,500**
3,692	(3,692)	**-**	Enabling Infrastructure	4,016	-	**4,016**
111	18,073	**18,184**	Development Costs	379	69,179	**69,558**
5,802	**12,366**	**18,168**	**Net Cost Of Services**	**9,560**	**65,514**	**75,074**
(5,802)	(8,128)	(13,930)	Other Income and Expenditure	(9,560)	(18,093)	(27,653)
-	**4,238**	**4,238**	Surplus or Deficit	**-**	**47,421**	**47,421**
322			**Opening General Fund Balance at 1 April**	**322**		
-			Less/Plus Surplus or (Deficit)	**-**		
322			**Closing General Fund Balance at 31 March**	**322**		

Note 1: Expenditure & Funding Analysis STDC

Notes to the Expenditure and Funding Analysis: STDC

Adjustments between Funding and Accounting Basis 2021/22				
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	30	351	(4,046)	**(3,665)**
Enabling Infrastructure	-	-	-	**-**
Development Costs	85,849	-	(16,670)	**69,179**
Net Cost Of Services	85,879	351	(20,716)	**65,514**
Other Income and Expenditure from the Expenditure and Funding Analysis	(20,044)	22	1,929	**(18,093)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	65,835	373	(18,787)	**47,421**

Adjustments between Funding and Accounting Basis 2020/21 (Restated)				
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	14	73	(2,102)	(2,015)
Enabling Infrastructure	-	-	(3,692)	(3,692)
Development Costs	18,073	-	-	18,073
Net Cost Of Services `	18,087	73	(5,794)	**12,366**
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,940)	10	5,802	(8,128)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**4,147**	**83**	**8**	**4,238**

Adjustments for capital purposes: this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	2021/22	2020/21
	£000s	£000s
Expenditure		(Restated)
Employee benefits expenses	3,458	1,447
Other services expenses	65,925	18,194
Revaluation, Depreciation,amortisation and impairment	86,258	18,198
Interest payments	1,104	23
Total Expenditure	**156,745**	37,862
Income		
Fees, charges and other service income	(17,154)	(166)
Interest and investment income	(8,715)	(13)
Government grants and contributions	(83,455)	(33,445)
Total Income	**(109,324)**	(33,624)
(Surplus) or Deficit on the Provision of Services	**47,421**	4,238

Segmental Income

Income received on a segmental basis is analysed below:

	2021/22	2020/21
	£000s	£000s
Services	**Income from Services**	Income from Services
Core Running Costs	(484)	(166)
Development Costs	(16,670)	-
Total income analysed on a segmental basis	**(17,154)**	**(166)**

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:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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

Note 3: Critical Judgements in Applying Accounting Policies

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by STDC 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 STDC's Balance Sheet at 31 March 2022 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 STDC with expert advice about the assumptions to be applied. Sensitivities are included in Note 22

- **Plant, Property and Equipment:** Valuations are carried out on a regular basis, meaning that there is a possibility of material changes in value between valuations. The risk is minimised by annual valuations of all significant assets and annual reviews of market conditions for all asset categories to ensure that the fair value of assets as at the 31 March are not materially misstated. See note 7 for full details.

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

2021/22	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	65,783	-	-	(65,783)
Adjustments involving the Capital Grants Unapplied Account	53	-	(53)	-
Adjustments involving the Pensions Reserve	373	-	-	(373)
Adjustments involving the Accumulated Absences Adjustment Account	(7)	-	-	7
Total Adjustments	**66,202**	**-**	**(53)**	**(66,149)**

2020/21 (Restated)	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	(1,025)	-	-	1,025
Adjustments involving the Capital Grants Unapplied Account	5,172	-	(5,172)	-
Adjustments involving the Pensions Reserve	83	-	-	(83)
Adjustments involving the Accumulated Absences Adjustment Account	8	-	-	(8)
Total Adjustments	**4,238**	**-**	**(5,172)**	**934**

Note 6: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22

Earmarked Reserves	Balance at 1 April 2021 £000s	Transfers Out 2021/22 £000s	Transfers In 2021/22 £000s	Balance at 31 March 2022 £000s
Revenue Reserves				
Planned Activities	(626)	626	(19,407)	(19,407)
Total Revenue Reserves	**(626)**	**626**	**(19,407)**	**(19,407)**

Earmarked Reserves	Balance at 1 April 2020 £000s	Transfers Out 2020/21 £000s	Transfers In 2020/21 £000s	Balance at 31 March 2021 £000s
Revenue Reserves				
Planned Activities	(626)	-	-	(626)
Total Revenue Reserves	**(626)**	**-**	**-**	**(626)**

Details of reserves

The planned activities reserve relates to funding held in reserve to facilitate future phases of development.

Note 7: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
As at 1 April 2021	14,502	135	-	-	**14,637**
Additions	1,473	-	-	96,482	**97,955**
Revaluation	(15,770)	-	-	-	**(15,770)**
Disposals	-	-	-	-	**-**
As at 31 March 2022	205	135	-	96,482	**96,822**
Depreciation					
As at 1 April 2021	-	14	-	-	**14**
Additions	-	-	-	-	**-**
Depreciation Charge	-	30	-	-	**30**
Impairments	-	-	-	70,458	**70,458**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2022	-	44	-	70,458	**70,502**
Net Book Value					
As at 31 March 2021	14,502	121	-	-	14,623
As at 31 March 2022	**205**	**91**	**-**	**26,024**	**26,320**

Basis of Classification

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Land and buildings are revalued by external independent professional valuers on a 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 the current value of the STDC Group land was prepared in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation was carried out on 20/10/21 by Knight Frank LLP, a desktop exercise was carried out by management as at 31/03/22 where no material amendments to this valuation were identified and this has informed the revalued figure shown in the accounts . Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value with the exception of newly constructed assets by the Corporation.

Assets under construction relate to the construction of the quay, training academy and regeneration work being carried out on the land owned on the Development Corporation Site. As part of the annual valuation of the land the regeneration work undertaken to date is taken into account, therefore any impairment is first applied to the assets under construction before the land itself.

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.

Impairment

Inspection of the Teesworks Site as part of the Corporations revaluation process has resulted in the recognition of an impairment loss charged to the Comprehensive Income and Expenditure Statement. The property comprises the former Redcar Steel Works site, an extensive land holding extending to approximately 1,427 acres. The valuation has been undertaken by a RICS qualified valuer using appropriate valuation methodology and the valuers professional judgement. The comparative method of valuation was used to determine the market value.

The site, owing to its former use as a steel works, is heavily contaminated and has a number of redundant assets. The site was deemed to be in a significant liability position and the expenditure incurred on the asset to date for remediation and demolition has not increased the assets value. This is consistent with the business case submitted to government and why public sector intervention was needed.

The impairment recognised in the statement of comprehensive income and expenditure was £70 million relating to the Teesworks Site, comprising the former Redcar Steel Work site which is categorised as Assets Under Construction in the above table.

The recoverable amount of the asset is its fair value less costs of disposal. The measurements are categorised within level 2 of the financial asset hierarchy. The valuation has been undertaken by a RICS qualified valuer using appropriate valuation methodology and the valuers professional judgement. The comparative method of valuation was used to determine the market value and no discount rate assumptions made.

Contractual Commitments

At 31 March 2022 the Corporation had entered into contracts which would continue into the 2022/23 financial year. These consisted of £102 million in relation to the ongoing remediation, demolition and regeneration works at the Teesworks site, with the largest being £67 million attributable to the construction of South Bank Quay. (2020/21 £3.5 million)

Note 7: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
As at 1 April 2020	-	-	-	-	**-**
Additions	17,996	135	-	14,689	**32,820**
Revaluation	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
As at 31 March 2021	17,996	135	-	14,689	**32,820**
Depreciation					
As at 1 April 2020	-	-	-	-	**-**
Additions	-	-	-	-	**-**
Depreciation Charge	-	14	-	-	**14**
Impairments	3,494	-	-	14,689	**18,183**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2021	3,494	14	-	14,689	**18,197**
Net Book Value					
As at 31 March 2020	-	-	-	-	-
As at 31 March 2021	**14,502**	**121**	**-**	**-**	**14,623**

Basis of Classification

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Land and buildings are revalued by external independent professional valuers on a 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 the current value of the STDC Group land was prepared by Avison Young in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation has informed the revalued figure shown in the accounts with an effective date of 31/03/2021. 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 due to the unique nature and scale of the land holdings. They clarify that: For the avoidance of doubt, the inclusion of the 'material uncertainty' declaration above does not mean that the valuation cannot be relied upon.

Assets under construction relate to the regeneration work being carried out on the land owned on the Development Corporation Site. As part of the annual valuation of the land the regeneration work undertaken to date is taken into account, therefore any impairment is first applied to the assets under construction before the land itself.

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.

Impairment
Inspection of the Teesworks Site as part of the Corporations revaluation process has resulted in the recognition of an impairment loss charged to the Comprehensive Income and Expenditure Statement. The property comprises the former Redcar Steel Works site, an extensive land holding extending to approximately 1,427 acres. The valuation has been undertaken by a RICS qualified valuer using appropriate valuation methodology and the valuers professional judgement. The comparative method of valuation was used to determine the market value.

The site, owing to its former use as a steel works, is heavily contaminated and has a number of redundant assets. The site was deemed to be in a significant liability position and the expenditure incurred on the asset to date for remediation and demolition has not increased the assets value. This is consistent with the business case submitted to government and why public sector intervention was needed.

The impairment recognised in the statement of comprehensive income and expenditure was £18 million relating to the Teesworks Site, comprising the former Redcar Steel Work site which is categorised as Assets Under Construction and land in the above table.

The recoverable amount of the asset is its fair value less costs of disposal. The measurements are categorised within level 2 of the financial asset hierarchy. The valuation has been undertaken by a RICS qualified valuer using appropriate valuation methodology and the valuers professional judgement. The comparative method of valuation was used to determine the market value and no discount rate assumptions made.

Contractual Commitments
At 31 March 2021 the Corporation had entered into contracts which would continue into the 2021/22 financial year. These consisted of £3.5 million for preparation of land for development. (2019/20 £173,196)

Note 8: Capital Adjustment Account

	2021/22 £000s	2020/21 £000s
Balance at 1 April	(1,133)	(108)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Revenue expenditure funded from capital under statute	30,406	-
Revaluation losses on Property, Plant and Equipment	15,770	-
Impairments	70,458	18,184
Depreciation	30	14
	116,664	18,198
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	(50,450)	(13,940)
Application of grants to capital financing from the Capital Grants Unapplied Account	(53)	(5,172)
Statutory provision for the financing of capital investment charged against the General Fund	(378)	(111)
	(50,881)	(19,223)
Balance at 31 March	**64,650**	**(1,133)**

Note 9: Capital Expenditure and Financing

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

	31 March 2022 £000s	31 March 2021 £000s
Opening Capital Financing Requirement	**35,803**	**11,107**
Capital investment		
PPE Additions	97,955	32,820
Loans to Subsidiaries	-	11,099
Revenue expenditure funded from capital under statute	30,406	-
Sources of Finance		
Government grants and other contributions	(50,503)	(19,112)
Sums set aside from revenue:		
Minimum Revenue Provision (MRP)	(378)	(111)
Closing Capital Financing Requirement	**113,283**	**35,803**

Note 10: STDC 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 2021/22 amounted to Nil (2020/21 £3,497).

The Mayor and his associated remuneration is reflected in the accounts of TVCA.

Note 11: Employee remuneration

The Below table sets out the senior employees remuneration for 2021/22:-

Remuneration of Senior Employees 2021/22

Post holder information	Salary (Including fees & Allowances) £	Expense Allowances £	Benefits In Kind £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Engineering & Project Director	148,291	863	-	**149,154**	27,935	**177,089**
Commercial Director	125,150	299	650	**126,099**	23,963	**150,062**
Strategic Utilities Project Director	94,093	-	-	**94,093**	19,007	**113,100**
Operations Director	127,200	-	-	**127,200**	24,604	**151,804**
EHSS Director	79,170	-	-	**79,170**	15,992	**95,162**
Capital Projects Director	121,800	-	-	**121,800**	24,604	**146,404**
Director of Estates	110,981	-	-	**110,981**	21,535	**132,516**
TOTAL	**806,685**	**1,162**	**650**	**808,497**	**157,639**	**966,136**

With the exception of the Director of Estates, who left his post in February 2022, all other posts in the above table were employed by the Corporation for the full year.

Group Governance arrangements were amended for 21/22 and are provided by Tees Valley Combined Authority where the roles and responsibilities of the Group Chief Executive, Group Commercial Director and Group Director of Finance & Resources covered the Corporation in 21/22.

Recharges for each post for the year were:-
Group Chief Executive £32,946 (2020/21 Nil)
Group Commercial Director £22,199 (2020/21 Nil)
Group Director of Finance & Resources £20,110 (2020/21 £51,944)

Remuneration of Senior Employees 2020/21

Post holder information	Salary (Including fees & Allowances) £	Expense Allowances £	Benefits In Kind £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
CEO	35,000	-	-	**35,000**	-	**35,000**
Engineering & Project Director	136,247	-	-	**136,247**	27,522	**163,769**
Commercial Director	123,300	32	-	**123,332**	24,907	**148,239**
Strategic Utilities Project Director	92,475	-	-	**92,475**	18,680	**111,155**
Operations Director	70,000	-	3,150	**73,150**	14,140	**87,290**
EHSS Director	6,500	-	-	**6,500**	1,313	**7,813**
Capital Projects Director	5,484	-		**5,484**	1,108	**6,592**
Director of Estates	3,375	-	-	**3,375**	682	**4,057**
TOTAL	**472,381**	**32**	**3,150**	**475,563**	**88,352**	**563,915**

The CEO left his post in April 2020 and the above payment includes costs associated with his redundancy.
Engineering & Project Director, Commercial Director and Strategic Utilities Director were all in post for the full year. The remaining posts were all employed during the year with details set out below:-
Operations Director commenced in September 2020
EHSS Director role commenced in March 2021
Capital Projects Director role commenced in March 2021
Director of Estates role commenced in March 2021

Note 11: Employee remuneration

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:

	Number of Employees	Number of Employees
	2021/22	2020/21
£50,001 - £55,000	1	3
£55,001 - £60,000	3	-
£60,001 - £65,000	-	-
£65,001 - £70,000	-	1
£70,001 - £75,000	-	-

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

Note 12: Long Term Debtors & Loans

	31 March 2022	31 March 2021 (Restated)
	£000s	£000s
Other entities and individuals	24,231	24,231
	24,231	**24,231**

Note 13: Debtors

	31 March 2022	31 March 2021
	£000s	£000s
Central Government	11,420	1,570
Local Government	75,188	44,746
Other entities and individuals	29,086	222
	115,694	**46,538**

Note 14: Cash and Cash Equivalents

	31 March 2022	31 March 2021
	£000s	£000s
Bank and Imprests	6,249	1,727
Cash Equivalents	15,000	-
	21,249	**1,727**

Note 15: Short Term Creditors

	31 March 2022	31 March 2021
	£000s	£000s
Central Government	(54)	(69)
Local Government	(54,876)	(25,684)
Other entities and individuals	(103,791)	(23,561)
	(158,721)	**(49,314)**

Note 16: Other Long Term Liabilities

	31 March 2022	31 March 2021
	£000s	£000s
Net pensions liability	(1,081)	(884)
Long Term Borrowing	(74,238)	(36,022)
	(75,319)	**(36,906)**

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 them or to be controlled or influenced by them. Disclosure of these transactions allows readers to assess the extent to which STDC might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Corporation.

Central Government

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

Senior Officers

The Corporation's senior managers may influence financial and operating policies through the professional advice to elected Members and through the management decisions they make under delegated powers. Such officers are subject to the Corporation's Employee Code of Conduct and professional bodies' standards. There are no related party transactions between the Corporation and its senior managers that require disclosure in 2021/22 (none in 2020/21).

Related Parties

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

On 8th October 2020 STDC acquired South Tees Site Company Limited (STSC) from the Department for Business Energy and Industrial Strategy for a nominal sum. STSC is responsible for the management and keep safe of the former SSI steelworks site which vested into the ownership of STDC on the same day.

On 3rd January 2019 STDC formed a new 100% subsidiary company South Tees Developments Limited. South Tees Developments Ltd was set up in 2019 to hold and develop land areas on behalf of STDC.

On 18 August 2021, an agreement was reached to transfer 40% of the share capital in Teesworks Limited to DCS Industrial Limited and JC Musgrave Limited, with South Tees Development Corporation retaining 10% of the Share Capital. The transfer is in exchange for Teesworks taking on the future development of the site together with the net future liabilities in preparing the site for tenants. As part of the agreement an option exists, allowing the purchase of areas of the Teesworks site for a value which is equal to a value determined by an independent valuer. The transaction has an effective date of 26 November 2021.

On 14 July 2021 Teesworks Power (STDC Holdings) Limited was incorporated as a holding company. Teesworks Power (STDC Holdings) Limited is 100% owned by South Tees Development Corporation and was dormant in the financial year.

The shareholdings of the above named subsidiaries are valued at cost in the accounts.

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

2021/22	Income Received £000s	Expenditure £000s
Tees Valley Combined Authority	83,719	1,495
South Tees Site Company	175	33,062
South Tees Development Limited	-	30,406
Teesworks	25,362	1,925
Redcar & Cleveland Borough Council	-	62
Stockton on Tees Borough Council	-	5
Total	**109,256**	**66,955**

2020/21 (Restated)	Income Received £000s	Expenditure £000s
Tees Valley Combined Authority	28,155	192
South Tees Site Company	-	13,715
Teesworks	-	827
Stockton on Tees Borough Council	-	9
Total	**28,155**	**14,743**

As at 31 March 2022 the below balances were held in the Corporation's balance sheet in respect of the controlled organisations.

	Long Term Debtors £000s	Short Term Debtors £000s	Long Term Creditors £000s	Short Term Creditors £000s
Tees Valley Combined Authority	-	75,188	74,238	54,876
South Tees Site Company	-	175	-	46,771
South Tees Developments Limited	24,758	27,597	-	30,406
Teesworks	-	886	-	-
Total	**24,758**	**103,846**	**74,238**	**132,053**

As at 31 March 2021 the below balances were held in the Corporation's balance sheet in respect of the controlled organisations.

	Long Term Debtors £000s	Short Term Debtors £000s	Long Term Creditors £000s	Short Term Creditors £000s
Tees Valley Combined Authority	-	44,746	36,022	25,684
South Tees Site Company	-	-	-	13,706
South Tees Developments Limited	24,759	-	-	-
Teesworks	-	-	-	3,331
Stockton on Tees Borough Council	-	-	-	5
Total	**24,759**	**44,746**	**36,022**	**42,726**

Note 18: External Audit Costs

The Corporation has incurred the following costs in relation to the audit of the Statement of Accounts by the Corporation's external auditors:

	2021/22	2020/21
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	36	16

Note 19: Leases

The Coporation has no leases as a single entity

Note 20: Grant Income

The Corporation credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2021/22	2020/21 (Restated)
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
Development Grant from MHCLG	-	5,290
STDC Business Case Grant via TVCA	18,044	6,550
Get Building Fund Grant via TVCA	2,000	2,100
Total	**20,044**	13,940
Credited to Services		
Development grant from TVCA	200	-
STDC Business Case Grant via TVCA	63,209	13,704
TVCA Investment Fund Grant	-	5,801
	63,409	19,505
Capital and Revenue Grants Receipts in Advance		
Development grant from TVCA	-	200
Total	**-**	200

Note 21: Financial Instruments

Categories of Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Corporation becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Assets

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

- Financial assets held at amortised cost. 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 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 Liabilities

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

Financial Instruments

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

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

	Long Term		**Short Term**	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021 (Restated)
	£000s	£000s	**£000s**	£000s
At Amortised Cost	24,758	24,758	125,505	46,630
Total financial assets	**24,758**	24,758	**125,505**	46,630

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

	Long Term		**Short Term**	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021 (Restated)
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(74,238)	(36,022)	(158,608)	(49,140)
Total financial liabilities	**(74,238)**	(36,022)	**(158,608)**	(49,140)

Note 21: Financial Instruments

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Financial Instruments - Gains and Losses	Financial Liabilities £'000	Financial Assets £'000	2021-22 Total £'000	2020-21 Total £'000
Interest expense on liabilities held at amortised cost	1,062	-	1,062	-
Losses from changes in fair value of assets held at fair value through profit and loss	-	-	-	-
Interest Payable and Similar Charges	**1,062**	**-**	**1,062**	**-**
Interest income on assets held at amortised cost	-	-	-	-
Dividend income on assets held at fair value through profit and loss	-	(8,693)	(8,693)	-
Interest and Investment Income	**-**	**(8,693)**	**(8,693)**	**-**
Net Impact on surplus/deficit on provision of services	**1,062**	**(8,693)**	**(7,631)**	**-**

Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31st March 2022.

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

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

Financial Assets	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022		31 March 2021	
		£000s	**£000s**	£000s	£000s
Money Market Funds	1	15,000	15,000	-	-
Loans to Subsidiaries	2	23,726	23,726	23,726	23,726
Investments	2	527	527	527	527
Other Long Term Assets*	N/A	505	505	505	505
Other Short Term Assets*	N/A	110,505	110,505	46,630	32,925
Total Financial Assets		**150,263**	150,263	**71,388**	57,683
Recorded on Balance Sheet as:-					
Long Term Debtors		24,758		24,758	
Short Term Debtors		104,256		44,903	
Cash and Cash Equivalents		21,249		1,727	
Total Financial Assets		**150,263**		**71,388**	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

** The loans to subsidiairies have repayment terms of a 366 day notice period.

Note 21: Financial Instruments

Financial Liabilities	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022		31 March 2021	
		£000s	**£000s**	£000s	£000s
Long Term Loans**	2	(74,238)	(74,238)	(36,022)	(36,022)
Other Short Term Liabilities*	N/A	(158,608)	(158,608)	(49,140)	(35,435)
Total Financial Liabilities		**(232,846)**	(232,846)	**(85,162)**	(71,457)
Recorded on Balance Sheet as:-					
Short Term Creditors		(158,608)		(49,140)	
Long Term Borrowing		(74,238)		(36,022)	
Total Financial Liabilities		**(232,846)**		**(85,162)**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

** The long term are owed to Tees Valley Combined Authority, repayment terms of these loans are on a 366 day notice period.

Key risks

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Corporation
- liquidity risk – the possibility that the Corporation might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Corporation as a result of changes in such measures

Credit Risk:

The corporation carries out financial checks on customers to ensure that all risks of non payment are assessed and minimised. Any treasury investments are only placed with organisations of high credit quality as set out in the Groups Treasury Management Strategy. The following analysis summarises the Corporations trade receivables by due date. Only those receivables meeting the definition of a financial asset are included.

Credit Risk	Trade Receivables	Trade Receivables
	31 March 2022	31 March 2021
	£000s	£000s
Current / Past Due < than 3 months	104,256	44,903
Past Due 3-6 months	-	-
Past Due 6-12 months	-	-
Past Due 12+ months	-	-
Total Receivables	**104,256**	**44,903**

Liquidity Risk

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

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

Liquidity Risk	Borrowing	Investments	Borrowing	Investments
	31 March 2022		31 March 2021	
	£000s		£000s	
Within 1 Year	-	15,000	-	-
1-2 Years	(46,474)	-	(36,022)	-
2-5 Years	(2,574)	-	-	-
Over 5 Years	(25,190)	-	-	-
Total	**(74,238)**	**15,000**	**(36,022)**	**-**

Note 21: Financial Instruments

Market Risk

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

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

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

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

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

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

Note 22: Defined Benefit Pension Scheme

Participation in Pension Scheme
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.

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	
	2021/22	2020/21
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
· Current service cost	693	232
· Past service cost	20	-
Financing and Investment Income and Expenditure		
Net interest cost	22	10
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**735**	242
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
· Return on plan assets (excluding the amount included in the net interest expense)	(96)	(141)
· Actuarial gains and losses arising on changes in financial assumptions	(68)	452
· Actuarial gains and losses due to liability experience	7	(6)
· Actuarial gains and losses due to changes in demographic assumptions	(19)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(176)**	305
Movement in Reserves Statement		
· Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(735)	(242)
Actual amount charged against the General Fund Balance for pensions in the year:		
· Employers' contributions payable to scheme	**362**	**159**

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.176m) (2020/21 £0.305m)

Note 22: Defined Benefit Pension Scheme Continued

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£000s	£000s
Present value of defined benefit obligation	(2,389)	(1,564)
Fair value of assets	1,308	680
Net liability recognised in the Balance Sheet	**(1,081)**	(884)

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£000s	£000s
Opening fair value of scheme assets at 1 April	680	631
Interest income	20	13
Remeasurement gains and (losses)	96	141
Contributions from the employer	362	159
Contributions from employees into the scheme	151	73
Benefits paid	(1)	(337)
Closing balance value of scheme assets at 31 March	**1,308**	680

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£000s	£000s
Opening balance of defined benefit obligation at 1 April	(1,564)	(1,127)
Current service cost	(693)	(232)
Interest cost	(42)	(23)
Contributions by scheme participants	(151)	(73)
Actuarial gains and losses - financial assumptions	68	(452)
Actuarial gains and losses - demographic assumption	19	-
Actuarial gains and losses - liability experience	(7)	6
Benefits paid	1	337
Past service cost	(20)	0
Closing balance of defined benefit obligation at 31 March	**(2,389)**	(1,564)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2021/22		2020/21	
	£000s	**%**	£000s	%
Investment Funds (Quoted)	994	76.0%	543	79.8%
Property (Quoted)	105	8.0%	51	7.5%
Cash	209	16.0%	51	7.5%
Other Investments	-	0.0%	35	5.2%
	1,308	**100%**	680	100%

Note 22: Defined Benefit Pension Scheme Continued

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 Hymans Robertson, 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:

	2021/22	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.7	21.9
Women	23.5	23.6
Longevity at 45 for future pensioners:		
Men	22.9	23.3
Women	25.3	25.4
Other assumptions:		
Rate of inflation (CPI)	3.2%	2.6%
Rate of increase in salaries	4.2%	3.6%
Rate for discounting scheme liabilities	2.8%	2.1%

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase	**Base Figure**	**Decrease**
	£000s	**£000s**	**£000s**
Longevity (decrease or increase in 1 year)	(2,485)	(2,389)	(2,293)
Rate of increase in salaries (decrease or increase by 0.1%)	(2,404)	(2,389)	(2,374)
Rate of increase in pensions payment (decrease or increase by 0.1%)	(2,438)	(2,389)	(2,340)
Rate for discounting scheme liabilities (decrease or increase by 0.1%)	(2,454)	(2,389)	(2,324)

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 Scheme 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 Scheme in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings Scheme to pay pensions and other benefits to certain public servants.

The Corporation anticipates to pay £0.34m contributions to the scheme in 2022/2023.

The weighted average duration of the defined benefit obligation for scheme members is 28 years.

Note 23: Termination Benefits

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2020/21	**2021/22**	2020/21	**2021/22**	2020/21	**2021/22** **£000s**	2020/21 £000s
£1 to £20,000	-	-	1	-	1	-	3	-
£20,001 to £40,000	-	-	-	1	-	1	-	35
£40,001 to £60,000	-	-	1	-	1	-	43	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-	-	-	-	-	-
Total	**-**	-	**2**	1	**2**	1	**46**	35

Note 24 -Cash Flow Statement - Reconciliation of liabilities arising from financing activities

	1 April 2021	Financing Cashflows	Non Financing Cashflows	31 March 2022
	£000s	**£000s**	**£000s**	**£000s**
Long term Borrowing	(36,022)	(38,216)	-	(74,238)

	1 April 2020	Financing Cashflows	Non Financing Cashflows	31 March 2021
	£000s	**£000s**	**£000s**	**£000s**
Long term Borrowing	(11,215)	(24,807)	-	(36,022)

Note 25: Provisions

There are no provisions for the Corporation (2020/21 Nil)

Note 26: Contingent Liabilities

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 2022 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 27: Post Balance Sheet Events

The Draft Statement of Accounts was authorised for issue by the Group Director of Finance & Resources on 29th July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

After the balance sheet date Teesworks Limited have exercised their option and drew down the land relating to the South Bank Quay and Teesworks Skills Academy.

Statement of Accounting Policies - STDC and Group

General Principles

The Statement of Accounts summarises STDC's and Group transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Corporation Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

Upon consolidation of the Group accounts all subsidiary accounting policies are aligned to those of the Corporation.

Going Concern

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

Accruals of Income and Expenditure

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

- Income from the sale of goods is recognised when the Corporation 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.
- Investment income relates to Dividends received and is accounted for in the period which the relevant entity declares dividends for distribution.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Cash and Cash Equivalents

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

Statement of Accounting Policies - STDC and Group

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.

Charges to Revenue for Non Current Assets

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

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

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

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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Corporation or Group to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Service Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Corporation or Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Corporation or Group to the pension fund or pensioner in the year.

Statement of Accounting Policies - STDC and Group

Post Employment Benefits

Employees of the Corporation are members of one pension scheme:

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

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 pension funds actuary Central AA Curve.

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

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

Service cost comprising:

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

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

Remeasurements comprising:

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

Contributions paid to the Teesside Pension Fund:

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

Statement of Accounting Policies - STDC and Group

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 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.

Post Employment Benefits
Group entities make available defined contribution schemes set out below:

- South Tees Site Company - the scheme is administered by Aviva via Jelf, an independent pensions managing agent. Each employee has their own independent pension policy. The charge for the year represents contributions payable in the year.
- South Tees Developments Limited - the scheme is administered by Nest pension.

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

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

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

Financial Instruments

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

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

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

Statement of Accounting Policies - STDC and Group

Government Grants and Contributions

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

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

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

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

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

Inventories

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

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.

The Corporation as Lessee

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to

Operating Leases

The Corporation as Lessor

Finance Leases

Where the Corporation grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held For Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure as part of the gain or loss on disposal. A gain, representing the Corporation's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Statement of Accounting Policies - STDC and Group

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received), and
- a finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the deferred Capital Receipts Reserve in the movement in Reserves Statement.

The written-off value of disposals is not a charge against Corporation tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

Overheads and Support Services

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

Disposals and Non current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, plant and equipment or Assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Corporation’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Corporation tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Statement of Accounting Policies - STDC and Group

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.

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.

The results of subsidiaries acquired during the year are included I the Consolidated Income Statement from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring there account policies into line with those used by the group.

Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are measured at their acquisition-date fair values

Statement of Accounting Policies - STDC and Group

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group’s share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group’s interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Interests in companies and other entities.

The Corporation has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the corporation’s own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment. The de-minimis level for the capitalisation of assets is £10,000

(i) Land and buildings

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

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

(ii) Other property, plant and equipment

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

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

(iii) Components of costs

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

Statement of Accounting Policies - STDC and Group

Depreciation

Freehold land is not depreciated.

Buildings are depreciated using straight line method over 50 years.

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

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

Subsequent expenditure

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

Disposal

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

Capital Expenditure and Capital Financing

Capital expenditure in STDL has been financed by a loan from STDC. The expenditure in the prior year was the acquisition of land for regenerative purposes in line with the masterplan. Subsequent capital expenditure within STDL relates to the regeneration of the land under ownership of STDL.

Responsibilities for the Annual Financial Statements

The Corporation and Group's Responsibilities

The South Tees Development Corporation 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 Officers Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of South Tees Development Corporation Group Accounts at the accounting date and its income and expenditure for the year ended 31 March 2022.

G Macdonald **Date:** 29/07/2022
Group Director of Finance & Resources

These financial statements replace the unaudited financial statements certified by the Director of Finance on 29th July 2022

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

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

Appendix A

Glossary of Terms

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

Amortised cost
The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount. International Accounting Standard (IAS) 39 requires the amortised cost to be calculated using the effective interest method.

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

Capital Expenditure

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

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

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

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

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

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

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

Fair Value

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

Appendix A

Glossary of Terms

Finance Lease

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

Going Concern

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

Government Grants

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

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.

Investments

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

Long Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Appendix A

Glossary of Terms

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

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

Operating Lease
A lease other than a finance lease.

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

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

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

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

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

Unusable Reserves

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

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AGENDA ITEM 07

REPORT TO THE STDC AUDIT & GOVERNANCE COMMITTEE

17 JUNE 2024

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

REVIEW OF THE ANTI-FRAUD AND CORRUPTION POLICY

SUMMARY

The purpose of this report is to present the South Tees Development Corporation (STDC) Audit & Governance Committee with the Anti-Fraud and Corruption Policy for review.

RECOMMENDATIONS

It is recommended that the STDC Audit & Governance Committee:

i. Notes the Anti-Fraud and Corruption Policy.

DETAIL

1. This document is a reference document used internally by staff members and stakeholders at the South Tees Development (STDC) Group and was updated in May 2024 for best practice.
2. STDC is committed to prevent fraud, bribery and corruption within the organisation, to ensure funds are used as they are intended.
3. The purpose of this policy is to improve the knowledge and understanding of all STDC staff and stakeholders, about the risk of fraud, bribery and corruption within the organisation. The policy sets out the Corporation's responsibilities in terms of deterrence, prevention, detection and investigation of fraud, bribery and corruption.
4. Given the roles and responsibilities of the Audit & Governance Committee in relation to the Corporations exposure to fraud and corruption the committee will be asked to review and note the content of it. This is therefore the purpose of this Report.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

6. There are no legal implications arising from the subject matter in this document.

RISK ASSESSMENT

7. This document is categorised as low risk.

CONSULTATION & COMMUNICATION

8. This document is shared for communication purposes only.

EQUALITY & DIVERSITY

9. There are no equality or diversity implications arising from the subject matter in this document.

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SOUTH TEES DEVELOPMENT CORPORATION

South Tees Development Corporation

Anti-Fraud & Corruption Policy

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Policy

1.0 INTRODUCTION

1.1 STDC is committed to prevent fraud, bribery and corruption within the organisation, to ensure funds are used as they are intended. STDC will seek the appropriate disciplinary, regulatory, civil and criminal sanctions against fraudsters and where possible, will attempt to recover losses.

1.2 This policy applies to all projects which are administered by the Corporation.

2.0 PURPOSE

2.1 The purpose of this policy is to:

2.1.1 Improve the knowledge and understanding of all STDC staff, irrespective of their position, about the risk of fraud, bribery and corruption within the organisation.

2.1.2 Promote an anti-crime culture and an environment where staff feel able to raise concerns and understand that fraud, bribery and corruption is unacceptable.

2.1.3 Set out the Corporation’s responsibilities in terms of deterrence, prevention, detection and investigation of fraud, bribery and corruption.

2.1.4 Ensure appropriate sanctions are considered following an investigation, which may include internal disciplinary action, civil recovery and/or criminal prosecution.

3.0 SCOPE

3.1 This policy applies to all individuals working at all levels including Board, Executive and Non-Executive Members, Honorary Members of the Board, Members, employees (whether permanent, fixed-term, or temporary), consultants, contractors, vendors, suppliers, service users, trainees, seconded, home-workers, casual staff and agency staff, interns and students, agents, sponsors, volunteers, employees and committee members of organisations funded by STDC, employees and principals of partner organisations, or any other internal and external stakeholders or persons associated with STDC and any other parties who have a business relationship with STDC wherever located (collectively referred to as “Staff”) in this Policy.

3.2 This policy is not intended to provide a comprehensive approach to preventing and detecting fraud, bribery and corruption.

3.3 Any abuse or non-compliance with this policy or procedures will be subjected to a full investigation and appropriate disciplinary action.

4.0 POLICY PARTICULARS

4.1 The Corporation has a responsibility to protect public funds for which we are responsible. Fraud on public funds is unacceptable therefore the Corporation is committed to minimising the risk of fraud, corruption and misappropriation. Development of an anti-fraud culture is part of improving resilience to fraud through raising awareness, clearly defined responsibilities, robust reporting mechanisms and a suitably resourced anti-fraud strategy.

4.2 In terms of the Corporation and the functions it delivers, the levels of fraud detected nationally are very low and as such the risk of fraud to the Corporation is considered low.

4.3 This Policy will be focused on employee related fraud and procurement fraud.

4.4 The Corporation recognises that as well as causing financial loss, fraud is also detrimental to the provision of services, and damaging to the reputation of, and confidence in, the Corporation and public bodies in general.

4.5 The Corporation is clear it will not tolerate any impropriety by employees, members or third-party organisations, and will ensure appropriate sanctions are considered following an investigation. This may include appropriate internal disciplinary action, civil recovery and/or criminal prosecution following a full investigation.

5.0 DEFINITIONS

5.1 FRAUD

5.1.1 Fraud involves **dishonestly** making a false representation, failing to disclose information or abusing a position held, with the intention of making a gain or causing a loss. The gain or loss does not have to succeed, as long as the intent is there.

5.1.2 The Fraud Act 2006 came into force on 15th January 2007 and applies in England, Wales and Northern Ireland.

5.1.3 Fraud by false representation – a representation can be in words, written or communicated by conduct. There must be knowledge that the representation was untrue or misleading.

5.1.4 Fraud by failing to disclose – not declaring something (verbally or in writing) when there is a legal duty to disclose that information.

5.1.5 Fraud by abuse of position – occupying a position in which you are expected to safeguard, or not to act against, the financial interests of another person or organisation, and abusing that position.

5.1.6 Further areas for consideration are – possession of articles for use in fraud and the making or supplying articles for use in fraud.

5.1.7 Actions that could be seen to constitute fraud include, but are not limited to:

- Any dishonest or deceptive act;
- Making fraudulent statements e.g. falsifying timesheets, travel and subsistence, sick or special leave
- Theft, destruction of property or data, or misappropriation of funds;
- Impropriety in the handling and reporting of money or financial transactions;
- Subletting;
- Profiteering because of inside knowledge of the company's activities;
- Disclosing confidential information;
- Obtaining goods, money or services by deception
- Intimidation or exploitation
- False accounting/invoicing and / or the destruction, removal or inappropriate use of records;
- Serious misuse of IT or communications systems.

5.2 BRIBERY AND CORRUPTION

5.2.1 Bribery and corruption involves offering, promising or giving a payment or benefit-in-kind in order to influence others to use their position in an improper way to gain an advantage.

5.2.2 Offences of bribing another person:

The Bribery Act 2010 makes person (P), guilty of an offence if either of the following two cases apply:

- P offers, promises or gives a financial or other advantage to another person, and P intends the advantage to induce a person to perform improperly a relevant function or activity, or to reward a person for improper performance of such a function or activity.

- P offers, promises or gives a financial or other advantage to another person, and P knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

5.2.3 Offences relation to being bribed:

The Bribery Act 2010 makes person (R) guilty of an offence if any of the following applies:

- R requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly (whether by R or another person).

- R requests, agrees to receive or accepts a financial or other advantage, and the request, agreement or acceptance itself constitutes the improper

- R requests, agrees to receive or accepts a financial or other advantage as a reward for the improper performance (whether by R or another person) of a relevant function or activity.

- In anticipation of or in consequence of R requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly by R or by another person at R's request or with R's assent or acquiescence.

5.2.4 Failure of a commercial organisation to prevent bribery (Section 7 of the Bribery Act 2010):

A relevant commercial organisation (e.g. STDC) is guilty of an offence under this section if a person associated with the organisation bribes another person intending to obtain or retain business for the organisation, or to obtain or retain advantage in the conduct of business for the organisation.

5.2.5 However, it is a defense for the organisation to prove that it had in place adequate procedures designed to prevent persons associated with the organisation from undertaking such conduct.

6.0 RESPONSIBILITIES WITHIN THE ORGANISATION

6.1 Through our day to day work, we are in the best position to recognise risks within our own areas of responsibility. We also have a duty to ensure that those risks are identified and eliminated. This section outlines the roles and responsibilities of individuals within STDC who can contribute to protecting it by reporting fraud and other irregularities.

6.2 CHIEF EXECUTIVE (CEO)

6.2.1. The Chief Executive must ensure adequate policies and procedures are in place to protect the organisation.

6.3 Audit & Governance Committee

6.3.1 The Audit & Governance Committee are responsible for seeking assurance that STDC has adequate arrangements in place for countering fraud and this will include, but is not limited to STDC.

6.4 GROUP DIRECTOR OF FINANCE AND RESOURCES

6.4.1 The Group Director of Finance and Resources as S73 Officer has the overall responsibility for funds entrusted to the organisation as the accountable officer.

6.4.2 The Group Director of Finance and Resources prepares documents and maintains detailed financial procedures and systems which apply the principles of separation of duties and internal checks to supplement those procedures and systems.

6.4.3 The Group Director of Finance and Resources will co-ordinate any suspected cases of fraud, bribery and corruption.

6.4.4 The Group Director of Finance and Resources will, depending on the outcome of the initial investigations, inform appropriate senior management of suspected cases of fraud, bribery and corruption, especially in cases where the loss may be above an agreed limit or where the incident may lead to adverse publicity.

6.4.5 The Group Director of Finance and Resources will consult and take advice from the Human Resources (HR) Advisor, if a member of staff is to be interviewed or disciplined. The Group Director of Finance and Resources will not conduct a disciplinary investigation, but the employee may be subject to a separate investigation by HR.

6.5 INTERNAL AND EXTERNAL AUDIT

6.5.1 The role of internal and external audit includes reviewing controls and systems and ensuring compliance with financial instructions. Auditors have a duty to pass on any suspicions of fraud, bribery or corruption to the Group Director of Finance and Resources.

6.6 HUMAN RESOURCES (HR)

6.6.1 HR will liaise closely with the managers from the outset if an employee is suspected of being involved in fraud, bribery or corruption. HR will also ensure appropriate use of

Group's Disciplinary Policy and Procedure. HR will advise those involved in the investigation on matters of employment law and other procedural matters such as disciplinary and complaints procedures as requested. Close liaison between any appointed external agencies and HR will be essential to ensure that parallel sanctions are effectively applied in a coordinated manner.

6.6.2 HR will conduct robust pre-employment checks at the recruitment stage for all employees, (temporary, fixed term and permanent) and refer any discrepancies to the CEO. Checks will include identification, eligibility to reside and work in the UK, qualifications, membership of professional body, references/previous employment and when relevant, DBS and health checks.

6.7 MANAGERS

6.7.1 Managers are responsible for ensuring policies, procedures and processes within their local area are adhered to and kept under constant review including conducting risk assessments and mitigating identified risks.

6.7.2 Managers have a responsibility to ensure staff are aware of fraud, bribery and corruption and understand the importance of protecting the organisation from it. Managers are also responsible for the enforcement of disciplinary action for staff who fail to comply with policies and procedures.

6.7.3 Any instances of actual or suspected fraud, bribery or corruption brought to the attention of a manger should be reported to the Group Director of Finance and Resources immediately. It is important that managers do not investigate any suspected financial crimes themselves.

6.8 ALL EMPLOYEES

6.8.1 All staff are required to comply with the TVCA Group and STDC policies and procedures and apply best practice to prevent fraud, bribery and corruption (for example in the areas of procurement, personal expenses and ethical business behaviour). Staff should be made aware of their own responsibilities in protecting STDC from these crimes.

6.8.2 Employees who are involved in or manage internal control systems should receive adequate training and support in order to carry out their responsibilities.

6.8.3 Employees are expected to act in accordance with the standards laid down by their professional institutes, where applicable, and have a personal responsibility to ensure that they are familiar with them.

6.8.4 Employees also have a duty to protect the assets of the organisation, including information, goodwill and property. This means, in addition to maintaining the normal standards of personal honesty and integrity, all employees should always:

- avoid acting in any way that might cause others to allege or suspect them of dishonesty;
- behave in a way that would not give cause for others to doubt that STDC employees deal fairly and impartially with official matters; and
- be alert to the possibility that others might be attempting to deceive.

6.8.5 All employees have a duty to ensure that public funds are safeguarded, whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers.

6.8.6 All employees should be aware that fraud and bribery will normally, dependent upon the circumstances of the case, be regarded as gross misconduct thus warranting summary dismissal without previous warnings. However, no such action will be taken before an investigation and a disciplinary hearing have taken place. Such actions may be in addition to the possibility of criminal prosecution.

6.8.7 Employees will not request or receive a bribe from anybody, nor imply that such an act might be considered. This means that you will not agree to receive or accept a financial or other advantage from a former, current or future client, business partner, contractor or supplier or any other person as an incentive or reward to perform improperly your function or activities.

6.8.8 The Standing Orders and Standing Financial Instructions place an obligation on all staff and Non-Executive Directors to act in accordance with best practice. In addition, all STDC staff and Non-Executive Directors must declare and register any interests that might potentially conflict with those of STDC.

6.8.9 If an employee suspects that fraud, bribery or corruption has taken place, it should be reported as per the Whistleblowing policy.

6.9 INFORMATION MANAGEMENT AND TECHNOLOGY

6.9.1 The Head of Information Security (or equivalent) will contact Finance Director immediately in all cases where there is suspicion that IT is being used for fraudulent purposes. This includes inappropriate internet/intranet, e-mail, telephone, PDA use and any offence under the Computer Misuse Act 1990. Human Resources will be informed if there is a suspicion that an employee is involved.

6.10 EXTERNAL PARTIES

6.10.1 Those organisations undertaking work on behalf of STDC are expected to maintain strong anti-fraud principles and have adequate controls in place to prevent fraud when handling public funds and dealing with customers on behalf of STDC. Contractors and sub-contractors acting on STDC's behalf are responsible through contractual arrangements put in in place during the tender process and through contracts, for compliance with the Bribery Act 2010.

6.11 EXTERNAL COMMUNICATIONS

6.11.1 Individuals (be they employees, agency staff, locums, contractors or suppliers etc) must not communicate with any member of the press, media or another third party about a suspected fraud as this may seriously damage the investigation and any subsequent actions to be taken. Anyone who wishes to raise such issues should discuss the matter with either the Group Financial Controller or Group Director of Finance and Resources.

7 DETECTION

7.1 The Corporation will use all legal and cost-effective means to detect fraud, corruption and bribery including:

- working with other organisations in national data matching schemes e.g. the National Fraud Initiative and HMRC Taxes and Management Act Returns. This may require the lawful sharing of information.

- The risk based Internal Audit Plan that ensures areas with a risk of fraud are reviewed at least annually.

7.2 All stakeholders are expected to report suspected fraud, corruption or bribery.

8 PREVENTION

8.1 There are a number of key requirements to support the prevention of fraud, corruption and bribery:

- Establishment of adequate internal control systems to prevent fraud is the responsibility of management.

- Senior Management Team responsibility for assessing the effectiveness of internal control systems in relation not fraud, corruption and bribery.
- Internal Audit coverage is sufficient to provide annual assurance to the Corporation's Audit & Governance Committee and supports mangers by assessing controls in relation to the prevention of fraud.
- Awareness raising with staff around the importance of maintaining adequate controls systems.

9 RESPONSE

9.1 Any instances of fraud, bribery or corruption will be dealt with through the following mechanisms:

- All instances of fraud must be notified to Internal Audit services to enable the completion of annual returns and to form evidence to support the Annual Governance Statement.

- Investigations will be conducted by the most appropriate section as follows. Fraud involving employees will be investigated in accordance with the Corporation's disciplinary procedures by a nominated Investigation Manager, with support as required from the Internal Audit service.

- The Corporation will adhere to the provisions of the Regulations of Investigatory Powers Act (RIPA) and Money Laundering Legislation.

- Any decision to involve the Police in any investigation of fraud will be taken by the Group Director of Finance and Resources in consultation with the CEO and the Monitoring Officer.

9.2 The outcome of the investigation of fraud against the Corporation will be reported appropriately to ensure systems and procedures are amended and to act as a deterrent.

9.3 The Corporation recognises the need to ensure that its investigation process is not misused. Any abuse such as the raising of malicious allegations by officers/members will be dealt with as a disciplinary matter.

9.4 Sanctions - including recovery of proceeds could be through POCA, Civil Law or Pensions.

10. SANCTIONS AND REDRESS

10.1 This section outlines the sanctions that can be applied and the redress that can be sought against individuals who commit fraud, bribery or corruption against STDC and should be read in conjunction with Group and STDC's Disciplinary Policy and procedure.

10.2 The types of sanction which the organisation may apply are:

- Civil - sanctions can be taken to recover money and/or assets which have been fraudulently obtained, including interest and costs.

- Criminal - STDC will work in partnership with the police and the Crown Prosecution

Service to bring a case to court against an offender. Outcomes, if found guilty, can include fines, a community order or imprisonment and of course, a criminal record.

- Disciplinary - procedures will be initiated when an employee is suspected of being involved in fraudulent or illegal activity.

10.3 STDC will seek financial redress whenever possible to recover losses to fraud, bribery and corruption. Redress can take the form of confiscation under the Proceeds of Crime Act 2002, compensation orders, a civil order for repayment, or a local agreement between STDC and the offender. Funds recovered will be returned to STDC for use as originally intended.

11. REPORTING A SUSPICION OF FRAUD, BRIBERY OR CORRUPTION

11.1 If any person has any concerns about fraud, bribery or corruption, they must inform the Group Director of Finance and Resources immediately [unless the Group Director of Finance and Resources is implicated, in which case they should follow the Whistleblowing Policy procedures. The individual should not contact the Police unless it is an emergency.

11.2 Appendix A provides a summary of do's and don'ts when it comes to suspecting and reporting fraud. Managers are encouraged to copy this to staff and place it on the notice boards in their department.

11.3 All reports of fraud, bribery and corruption will be taken seriously and are thoroughly investigated. The Director of Finance and Resources will make sufficient enquiries to establish whether or not there is any foundation to the suspicion that has been raised. If the allegations are found to be malicious, they will also be considered for further investigation to establish their source.

11.4 STDC wants all employees to feel confident that they can report any fraud, bribery and corruption suspicions without any risk to themselves. In accordance with the Public Interest Disclosure Act 1998, STDC has produced a Whistleblowing Policy which should be read in conjunction with this policy.

11.5 The Public Interest Disclosure Act 1998 gives protection to individuals, casual workers, agency workers and contractors, non-employees etc who make a qualifying disclosure when they reasonably believe it is in the public interest for them to do so.

12. POLICY FRAMEWORK

12.1 The policy framework surrounding prevention of fraud, bribery and corruption includes:

- Code of Conduct including protocol on Gifts & Hospitality, Declarations of interest and Confidential Reporting ("whistleblowing") policy and Complaints procedures.
- Procurement Policy
- Financial Procedure rules
- ICT Security Policies
- Robust internal control systems, processes and reliable record keeping
- Effective Internal Audit
- Effective Recruitment procedures
- Disciplinary Policy and Procedures
- Induction and Training

13. PROCESS FOR MONITORING COMPLIANCE AND EFFECTIVENESS

13.1 The following monitoring processes are in place for this policy:

Standard	Monitoring Process
Monitoring arrangements for compliance and effectiveness.	A report will be provided to the approving committee.
Responsibility for conducting the monitoring/audit	This policy shall be reviewed in line with legislative requirements and based upon continual usage by the Audit & Governance Committee.
Frequency of the monitoring/audit.	Annual.

Process for reviewing results and ensuring improvements in performance occur.	The Audit & Governance Committee will review the results of this audit/report. The discussion and action any action points will be recorded in the minutes and followed up by the Audit & Governance Committee.

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Appendix A

Fraud and Corruption : what to do and not to do; A desktop guide for STDC

FRAUD is the dishonest intent to obtain a financial gain from, or cause a financial loss to, a person or party through false representation, failing to disclose information or abuse of position.

BRIBERY is the deliberate use of bribery or payment of benefit-in-kind to influence an individual to use their position in an unreasonable way to help gain advantage for another.

DO

- note your concerns

  Record details such as your concerns, names, dates, times, details of conversations and possible witnesses. Time, date and sign your notes.

- retain evidence

  Retain any evidence that may be destroyed, or make a note and advise the Finance Director.

- report your suspicion

Confidentiality will be respected – delays may lead to further financial loss.

DO NOT

- confront the suspect or convey concerns to anyone other than those as detailed within this policy
-

  Never attempt to question a suspect yourself; this could alert a fraudster or accuse an innocent person.

- try to investigate, or contact the police directly

  Never attempt to gather evidence yourself unless it is about to be destroyed; gathering evidence must take into account legal procedures in order for it to be useful. The Head of Finance can conduct an investigation in accordance with legislation.

- be afraid of raising your concerns

The Public Interest Disclosure Act 1998 protects employees who have reasonable concerns. You will not suffer discrimination or victimisation by following the correct procedures.

- Do nothing

SOUTH TEES DEVELOPMENT CORPORATION

AGENDA ITEM 08

REPORT TO THE STDC AUDIT & GOVERNANCE COMMITTEE

17 JUNE 2024

REPORT OF THE ACTING CHIEF LEGAL OFFICER
(MONITORING OFFICER)

REVIEW OF THE STDC WHISTLEBLOWING POLICY

SUMMARY

The purpose of this report is to present the South Tees Development Corporation Whistleblowing Policy to the Committee for approval.

OPTIONS FOR THE BOARD

The Board may choose to:

i. approve the Whistleblowing Policy as drafted; or
ii. propose amendments to the draft Whistleblowing Policy for consideration by Officers.

RECOMMENDED OPTION

It is recommended that the STDC Board:

i. approves the Whistleblowing Policy as drafted; and
ii. notes that the Whistleblowing Policy will be brought back to this Committee for an annual review by this Committee in 2025.

REASONS FOR THE RECOMMENDED OPTION

As an employer, it is best practice for STDC to have a ‘whistleblowing’ Policy. The current Policy aligns with the recommendations from ACAS and given that there have been no cases under it, there are no learnings to be gained from its use.

DETAIL

1. ‘Whistleblowing’ is the act of an employee or other qualifying person which exposes
    a. a criminal offence, for example fraud;
    b. that someone’s health and safety is in danger;
    c. risk or actual damage to the environment;

d. a miscarriage of justice;
e. the organisation is breaking the law; or
f. that someone is covering up wrongdoing.

2. The South Tees Development Corporation has a 'Confidential Reporting Policy' embedded within its Constitution – this is effectively a Whistleblowing Policy. The Annex of this Report details the current Policy.

3. The responsibility for the Policy sits with the Development Corporation's Monitoring Officer, and it approved by the Development Corporation's Audit & Governance Committee.

4. During the municipal year of 2023/2024 (to date) there has been no reports made under the Policy.

5. ACAS provides guidance on Whistleblowing Policies. It advises that an employer should:
   a. share the policy across the whole organisation
   b. regularly review it
   c. use it as the basis for any whistleblowing training for managers
   d. show it to and discuss it with staff regularly
   e. include it in any employee induction process

6. ACAS provides that the following should be included in any Whistleblowing Policy:
   a. what whistleblowing is and how it differs from a grievance
   b. how it can affect employees and managers
   c. who the point of contact is in the organisation for whistleblowing queries
   d. an employee should raise a whistleblowing disclosure
   e. a statement making clear the organisation wants to encourage all staff to make disclosures to them when they have concerns
   f. how the organisation will not tolerate whistleblowers experiencing detriment because they raised a concern
   g. how the organisation will investigate and respond to disclosures
   h. what whistleblowing support is available to staff
   i. how the organisation is open and trained to deal with whistleblowing

7. As there have been no reports under the Policy in the last municipal year (to date) there ae no learnings to incorporate into a revised Policy.

8. Following a review of the current Whistleblowing Policy, it accords which the guidance from ACAS.

9. Subject to a review of the Development Corporation's approach to the Confidential Reporting Policy to ensure that the ACAS guidance as detailed above s complied with and including the Policy as a separate document on the Development Corporation's intranet, no amendments are proposed to the current Policy.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

11. The recommendations in this report serve to meet the Development Corporation's obligation to have in place a 'whistleblowing' Policy.

RISK ASSESSMENT

12. This Update Report is categorised as low risk.

CONSULTATION & COMMUNICATION

13. The Confidential Reporting Policy are to be published on the STDC website and should be reviewed annually and be approved by the STDC Audit & Governance committee to ensure that they remain fit for purpose.

EQUALITY & DIVERSITY

14. It is not expected that the content of this report will affect protected characteristics.

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Confidential Reporting Policy ("Whistleblowing")

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This policy enables employees, and other persons working for the South Tees Development Corporation ("the Development Corporation") on Development Corporation premises, together with suppliers and those providing services under a contract with the Development Corporation to voice confidentially serious concerns over alleged malpractice and alleged wrongdoing within the Development Corporation.

Officers will be nominated for the purpose of dealing with concerns raised by employees or other persons under this policy.

1. INTRODUCTION

1.1 Employees/Officers are sometimes the first to realise that there may be something seriously wrong, but they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Development Corporation; or they may fear harassment, victimisation or other reprisals. In these circumstances it may be easier to ignore the concern rather than report what may be just a suspicion of malpractice.

1.2 The Development Corporation is committed to the highest possible standards in the delivery of its services, and for full accountability for those services. In line with that commitment employees are encouraged to come forward and voice any serious concerns they may have about the Development Corporation's operations. It is recognised that certain matters will have to be dealt with on a confidential basis. This policy makes it clear that you can do so without fear of reprisals. This policy is intended to encourage and enable you to raise serious concerns within the Development Corporation rather than overlooking a problem or "blowing the whistle" outside.

1.3 The policy applies to all Officers, employees and any contractors working for the Development Corporation on Development Corporation premises. It also covers suppliers and those providing services under a contract with the Development Corporation in their own premises.

2. AIMS AND SCOPE OF THIS POLICY

2.1 This policy aims to:

(a) provide avenues for you to raise concerns and receive feedback on any action taken;

(b) allow you to take the matter further if you are dissatisfied with the Development Corporation's response to the concerns expressed; and

(c) reassure you that you will be protected from possible reprisals or victimisation

2.2 Complaints systems are in place to provide a mechanism for individuals to complain about the standard of service, action or lack of action by the Development Corporation or its employees, which affect our services to the public. If you are an employee there are procedures in place to enable you to lodge a grievance relating to your own employment. The Confidential Reporting Policy is intended to cover concerns that fall outside the scope of these procedures e.g. malpractice or wrongdoing. Thus any serious concern that you may have regarding possible malpractice or wrongdoing in any aspect of service provision or the conduct of Officers or Members of the Development Corporation (although complaints about Members' conduct will need to be forwarded to the Development Corporation's Monitoring Officer) or others acting on behalf of the Development Corporation, can and should be reported under this policy. Employees and Officers are expected to report malpractice and wrongdoing and may be liable to disciplinary action if they knowingly and deliberately do not disclose information relating to malpractice or wrongdoing in any aspect of service provision or the conduct of Officers or Members of the Development Corporation or others acting on behalf of the Development Corporation.

3. WHAT IS MALPRACTICE OR WRONGDOING?

3.1 Malpractice and wrongdoing may be about something which: -

- is unlawful; or
- against the Development Corporation's Procedure Rules or policies; or
- is not in accordance with established standards of practice; or
- amounts to improper conduct by an Officer or a Member.

The overriding concern should be that it would be in the public interest for the malpractice or wrongdoing to be corrected and, if appropriate, sanctions to be applied.

The following are examples of issues which could be raised under this policy. It is not intended to be an exhaustive list and there may be other matters which could be dealt with under the policy:

(a) any unlawful act or omission, whether criminal or a breach of civil law

(b) maladministration, as defined by the Local Government Ombudsman

(c) breach of any statutory code of practice

(d) breach of, or failure to implement or comply with any policy determined by the Development Corporation

(e) failure to comply with appropriate professional standards or other established standards of practice

(f) corruption or fraud

(g) actions which are likely to cause physical danger to any person, or give rise to a risk of significant damage to property

(h) failure to take reasonable steps to report and rectify any situation which is likely to give rise to a significant avoidable cost, or loss of income, to the Combined Authority or would otherwise seriously prejudice the Development Corporation

(i) abuse of power, or the use of the Development Corporation's powers and authority for any unauthorised or ulterior purpose unfair discrimination in the Development Corporation's employment or services

(j) dangerous procedures risking health and safety

(k) damage to the environment

(l) other unethical conduct

4. SAFEGUARDS

4.1 HARASSMENT OR VICTIMISATION

The decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice or from the Development Corporation as a whole. The Development Corporation will not tolerate any harassment or victimisation and will take appropriate action in order to protect you if you raise a concern in good faith. In addition you are protected in law by the Public Interest Disclosure Act 1998, which gives employees protection from detriment and dismissal where they have made a protected disclosure, provided the legal requirements of the Act are satisfied.

This does not however necessarily mean that if you are already the subject of disciplinary procedures that those procedures will be halted as a result of a concern being raised under this policy.

4.2 CONFIDENTIALITY

It will be easier to follow up and to verify complaints if complainants are prepared to give their names. However, wherever possible the Development Corporation will protect those who do not want their names to be disclosed. It must be appreciated that any investigation process may nonetheless reveal the source of the information and that a statement from you may be required as part of the evidence.

4.3 ANONYMOUS ALLEGATIONS

Concerns expressed anonymously are much less powerful, and they will be treated with caution and considered at the discretion of the Development Corporation. In exercising this discretion the factors to be taken into account would include:

(a) the seriousness of the issues raised;

(b) the credibility of the concern; and

(c) the likelihood of obtaining the necessary information and confirmation of the allegation.

4.4 DELIBERATELY FALSE OR MALICIOUS ALLEGATIONS

The Development Corporation will view very seriously any deliberately false or malicious allegations it receives and will regard the making of any deliberately false or malicious allegations by any employee as a serious disciplinary offence which could result in dismissal If you make an allegation in good faith but it is not confirmed by the investigation, no action will be taken against you.

The Development Corporation will try to ensure that the negative impact of either a malicious or unfounded allegation about any employee is minimised. However, it must be acknowledged that it may not be possible to prevent all of the repercussions potentially involved.

5. HOW DO I RAISE A CONCERN?

5.1 If you suspect wrongdoing in the workplace:

- do not approach or accuse the individuals directly
- do not try to investigate the matter yourself
- do not convey your suspicions to anyone other than those with the proper authority, but do something!

5.2 As a first step, you should normally raise concerns with your immediate manager or supervisor. However, the most appropriate person to contact will depend on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. For example, if you believe that senior management is involved in the matter of concern, or the normal channels of communication are inappropriate for some reason, as an employee of the Corporation you should approach a Nominated Officer (HR Advisor). If you feel that this would be inappropriate in the light of the particular matter concerned, or if you are not a Development Corporation employee, you can contact the Development Corporation's Monitoring Officer.

5.3 Concerns may be raised verbally but are better raised in writing. You are invited to set out the background and history of the concern giving relevant names, dates and places where possible, and the reason why you are particularly concerned about the situation. If you do not feel able to put your concern in writing you can telephone or meet the appropriate Officer.

5.4 The earlier a concern is expressed, the easier it is to take appropriate action.

5.5 Although you are not expected to prove the truth of an allegation that is made, it will be necessary for you to demonstrate to the person contacted that there are sufficient grounds for concern.

5.6 Advice and guidance on how matters of concern may be pursued can be obtained from the Development Corporation's Monitoring Officer.

5.7 Alternatively, you may wish to seek advice from your professional association.

6. HOW THE DEVELOPMENT CORPORATION WILL RESPOND

6.1 The action taken by the Development Corporation will depend on the nature of the concern. Where appropriate, the matters raised may:

- be investigated by management, internal audit, or through the disciplinary process
- be referred to the Police
- be referred to the external Auditor
- need to be the subject of a referral to the Development Corporation's Monitoring Officer
- form the subject of an independent enquiry

6.2 In order to protect individuals and the Development Corporation, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures (for example allegations of breaches of the Development Corporation's Code of Conduct, or discrimination issues) will normally be referred for consideration under these procedures.

6.3 Some concerns may be resolved by agreed action without the need for investigation.

6.4 Within 14 calendar days of a concern being raised under this procedure the relevant Officer will write to you:

(a) acknowledging that the concern has been received;

(b) indicating how it is proposed to deal with the matter;

(c) giving an estimate (so far as reasonably practicable) as to how long it will take to provide a final response;

(d) telling you whether any initial enquiries have been made; and

(e) telling you whether further investigations will take place and if not, why not.

6.5 The amount of contact between you and the Officers considering the issues will depend on the nature of the matters raised; the potential difficulties involved; and the clarity of information provided. If necessary, further information will be sought from you.

6.6 Where any meeting is arranged, you have the right, if you so wish, to be accompanied by someone who is not involved in the area of work and/or the matter to which the concern relates.

6.7 The Development Corporation will take appropriate steps to minimise any difficulties you may experience as a result of raising a concern. For example, if you are required to give evidence in criminal or disciplinary proceedings the Development Corporation will advise you about the procedure.

6.8 The Development Corporation accepts that you need to be reassured that the matter has been properly addressed. Therefore, subject to any legal restraints, you will receive as much information as possible about the outcomes of any investigation.

7. HOW CAN I TAKE THE MATTER FURTHER?

7.1 This policy is intended to provide employees and other persons with an avenue to raise concerns **within** the Development Corporation and it is hoped that you will take this option in the first place. The Development Corporation hopes you will be satisfied with the action taken under the policy. If you are not, and you feel it is right to take the matter outside the Development Corporation, then depending upon the nature of the issue involved, the following are possible contact points:

a) the External Auditor
b) relevant professional bodies or regulatory organisations
c) the Police
d) the Local Government Ombudsman
e) Public Concern at Work
f) an independent legal adviser within the meaning of the Public Interest Disclosure Act 1998
g) a regulatory body designated for the purposes of the Public Interest Disclosure Act

7.2 If you do wish to take the matter outside the Development Corporation, you must first ensure that you do not disclose confidential information. Check with the Compliance & Governance Manager or the Monitoring Officer about that. In addition, if you wish to secure the protections afforded by the Public Interest Disclosure Act, you must ensure that your disclosure is protected within the meaning of the Act and that it complies with a set of specific conditions which vary according to whom the disclosure is made. Again please check with the Compliance & Governance Manager or the Monitoring Officer about these matters.

8. RESPONSIBILITY FOR THE POLICY

8.1 The responsibility for the effectiveness of this policy rests with the Monitoring Officer. That Officer will be advised about and maintain records of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Development Corporation or one of its Committees.

SOUTH TEES
DEVELOPMENT
CORPORATION

AGENDA ITEM 09

REPORT TO THE STDC AUDIT & GOVERNANCE COMMITTEE

17 JUNE 2024 2024

REPORT OF THE ACTING CHIEF LEGAL OFFICER
(MONITORING OFFICER)

SUMMARY

The purpose of this report is to present to the Tees Valley Combined Authority (TVCA), Audit and Governance Committee an overview the Governance Toolkit for 2024/25.

RECOMMENDATIONS

It is recommended that the TVCA Audit & Governance Committee:

i. Notes the Governance Toolkit.

DETAIL

1. This document is a reference document used internally by staff members at the TVCA Group and was updated in April 2024 to reflect a number of changes in the Group, and to practices and procedures.

2. The concept of the Governance Toolkit was established in early 2022 with the first version of the Toolkit being published later that same year.

3. The purpose of the Governance Toolkit is to identify processes within the TVCA Group linked to governance or legal compliance including decision making processes and to set out processes for staff to follow to ensure consistent compliance.

4. It is hoped that this approach, ensuring consistent application of processes in certain workflows will provide a degree of assurance.

5. Given the nature of the content of the Governance Toolkit, the Audit & Governance Committees across the TVCA Group will be asked to review and note the content of it. This is therefore the purpose of this Report.

6. Since the Governance Toolkit was last noted by this Committee at its meeting on in November 2022, the Toolkit and its relevance has been reviewed. The Toolkit previously referred to a number of processes and procedures which were not directly linked to the Governance of the organisation. These include:

   (a) how to advertise a job vacancy
   (b) procurement processes
   (c) how to pay external providers
   (d) invoicing
   (e) how to obtain approval for external funding
   (f) how to obtain Director/CEO approval; and
   (g) programme and project management.

7. The processes removed were not directly related to Governance and in fact have their own procedures elsewhere.

8. The Toolkit now focuses solely on Governance and the processes involved to ensure appropriate Governance across the Authority and as a key document which provides wider Governance assurance.

9. The Committee is aware that, following the Tees Valley Review into the relationship between South Tees Development Corporation and Teesworks Limited, there were a number of recommendations in respect of the Governance of the TVCA Group, which includes Tees Valley Combined Authority.

10. Whilst the Governance Toolkit is presented to the Committee today, it will be reviewed again as part of the wider review following the Tees Valley Review Report. Any revisions of the Governance Toolkit as a consequence, will be brought back to this Committee in advance of receipt by Tees Valley Combined Authority Cabinet.

FINANCIAL IMPLICATIONS

11. There are no financial implications arising from the subject matter of this document.

LEGAL IMPLICATIONS

12. There are no legal implications arising from the subject matter in this document.

RISK ASSESSMENT

13. This document is categorised as low risk.

CONSULTATION & COMMUNICATION

14. This document is shared for communication purposes only.

EQUALITY & DIVERSITY

15. There are no equality or diversity implications arising from the subject matter in this document.

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TEES VALLEY

TVCA Group Governance Toolkit

Version Control			
Publication Date	**Version Number**	**Approved By**	**Next Review Date**
November 2022	V 001		November 2023
April 2024	V 002		

Anything
is possible

TEES VALLEY

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1. Introduction

Purpose of the governance toolkit

This Toolkit has been designed as a reference source for Officers of the Tees Valley Combined Authority **(TVCA)** Group to give guidance on key activities, including the decision-making processes, and to provide support on how those activities should be undertaken.

Our Constitution sets out how we operate, how decisions are made, what our governance arrangements are and what processes are followed to ensure these are effective, transparent, and accountable. These arrangements are designed to be consistent with the principles and best practice outlined in the CIPFA guidance on good practice.

The TVCA Group is led by the Combined Authority Cabinet Members, chaired by the Elected Tees Valley Mayor and the Leaders from the Tees Valley Local Authorities of Redcar and Cleveland, Hartlepool, Darlington, Stockton on Tees and Middlesbrough and the Chair of the Business Board. The Business Board brings together business representatives to ensure that we deliver services and investment across the Tees Valley supporting businesses to grow.

The devolution deal committed to a new place-based approach giving the Tees Valley greater flexibility over a wider investment fund than ever before. Government recognised that the delivery of long-term growth required longer-term funding commitments, and that Tees Valley should be able to manage funds locally, meeting the region’s specific needs and responding flexibly to opportunities as they arose. To facilitate transparency, the Combined Authority and its statutory Committees all take decisions at meetings which the public can attend.

The Tees Valley Combined Authority's governance and operations have expanded to integrate Hartlepool Development Corporation **(HDC)**, Middlesbrough Development Corporation **(MDC)** and South Tees Development Corporation **(STDC)** and its subsidiaries. We also have a significant investment interest in the Teesside International Airport Group - Goosepool 2019 Limited **(Goosepool)** and Teesside International Airport Limited **(TIAL).** We provide support to the Airport Group, through a formal Group Support Services Arrangement. The Group also holds interests in commercial property development joint ventures, which we do not control, but have certain participations and direction rights through the JV Agreements. Our two main JV arrangements are [Teesworks Limited **(TWL)** and Teesside International Airport Business Park Limited **(BPL)**. Our relationship with these companies, whilst both important and significant, is entirely commercial and they are not part of our Group.

Keeping you up to date

- As a “live document” the Toolkit will continue to be amended and updated as necessary, in line with procedural, legislative and Group changes.

- We will send updates about key changes that we all need to be aware of.

Those Officers responsible for key areas should notify the Governance Team of changes to processes, systems and key frameworks and organisational policies to keep the document relevant.

This resource will be updated annually to ensure the Toolkit is kept up to date.

What is governance?

Governance is the system of rules, practices, and processes by which an organisation is directed and controlled. The Governance Framework (the system of rules, practices, and processes) is designed by legislative requirements and recognised good practice standards.

Good governance, accountability and transparency are all essential for public bodies to ensure that appropriate processes and structures are in place to direct and manage the organisation's operations and activities, and to ensure that they function well. Good governance frameworks are often linked to management information that informs organisational progress against its objectives, and which helps the organisation to identify, understand and mitigate risks.

The Combined Authority operates a system based on a framework of financial regulations and administrative controls including codes of conduct, decision making and administrative policies and procedures.

What is good governance and why is it important to us?

Public sector organisations are entrusted with spending public money. It is our privilege to do so on behalf of the people of the Tees Valley. Our political leaders are directly accountable to the public through elections. At the highest level all our decisions should be made by our elected members (the elected Mayor and Cabinet) or in accordance with a framework set by them. In turn, that framework must also accord with all applicable laws made by Parliament and any conditions set by Government when it passes funding to us.

Parliament and the public understandably expect the highest standards in its reflected representatives and public officials. As officers of a public body, we are required to reach higher standards than those that work in other sectors. These standards are reflected in law (criminal,[1]

[1] See for example crimes in relation to Misconduct in Public Office (Misconduct in Public Office | The Crown Prosecution Service (cps.gov.uk)) and offences under the Bribery Act 2010

civil[2] and procedural[3]). We, and our political leadership, are accountable to the public and government to ensure money is invested wisely. The public trust that we hold is significant, and in return for that trust we are expected to be able to demonstrate there is good quality internal governance and sound financial management.

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

The key elements of our governance framework

The following arrangements are in place to quantify the quality of our services, ensuring they are delivering our objectives, and making sure we are providing value for money:

The Constitution – the responsibilities of the Combined Authority employees and members is laid out in the Constitution which documents how the Authority operates, responsibilities for specific functions, schemes of delegation and how decisions are made.

Statutory Committees – the Combined Authority Constitution details the following statutory Committees:

- **Tees Valley Combined Authority Cabinet –** the principal decision-making body of the Members of the Combined Authority and all decisions of the Combined Authority, unless otherwise delegated, shall be taken by the Cabinet, according to the arrangements set out in the TVCA Constitution.

- **Overview and Scrutiny Committee –** reviews the policies and operations of the Combined Authority and ensures effective democratic scrutiny of decisions.

- **Audit and Governance Committee –** assuring sound governance and financial management of the Combined Authority overseeing the operation of the Authority's risk management arrangements, considers and reviews its Internal Audit arrangements and reviews its Financial Statements.

[2] For example, the civil liabilities of Statutory Chief Officers =contained in the Local Government Legislation.

[3] For example, the Public Contracts Regulations that prescribe public procurement requirements, the Freedom of Information Act, relating to the release of information held by public bodies, The Local Government Acts

- **Transport Committee** – reviews transport strategy and policies and makes recommendations to Cabinet.

- **Tees Valley Business Board** – plays a defining role in representing the voice of local business, feeding into the work of the Tees Valey Mayor, combined and local authorities, advising on schemes and programmes that deliver real change to the local economy.

The work of these statutory committees is to give strategic support and oversight to a series of non-statutory and advisory groups, made up of experts from the private, public and third-party sector areas, designed to create channels of communication with stakeholders and add value to the Combined Authority's wider community consultation and engagement efforts.

Statutory Officers:

- **Head of Paid Service (Group Chief Executive)**
  The Head of Paid Service is the Officer holding the post of Chief Executive and is designated as the Head of Paid Service by virtue of Section 4 Local Government and Housing Act 1989.

- **Monitoring Officer (Group Chief Legal Officer)**
  We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Chief Legal Officer is the designated Monitoring Officer.

- **Chief Financial Officer and Financial Arrangements (Group Director of Finance and Resources)**
  Under the requirements of Section 73 of the 1985 Local Government Act the Combined Authority has appointed a suitably qualified Chief Financial Officer, the Group Director of Finance and Resources. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010).

Internal Audit - The Combined Authority's Internal Audit function is currently undertaken by TIAA and ensures compliance with all the relevant standards and statutory requirements. The service develops and maximises the effectiveness of the Authority's internal control systems and delivers an annual report on the quality of our processes by liaising with relevant statutory and senior officers of the Authority. Representatives from TIAA attend both the TVCA, STDC Audit and Governance Committee, HDC Audit and Governance Committee and MDC Audit and Governance Committee meetings to provide regular updates to Members.

External Audit - The Combined Authority's External Audit function is currently undertaken by Mazars for financial years 2021/2022 and 2022/2023 and will move to Ernst Young for 2023/2024. They provide an opinion on the group accounts and Value for Money commentary. Mazars work closely with the Group Director of Finance and Resources as well as attending the TVCA, HDC, MDC and STDC Audit and Governance Committee meetings to provide Members with updates on a periodic basis.

Assurance Framework - The Combined Authority is entrusted with taxpayer's money and as such, the way in which public money is spent needs to be open and transparent and managed in accordance with Tees Valley Combined Authority Assurance Framework which takes on board the national guidance published by the Ministry of Housing, Communities and Local Government for the National Local Growth Assurance Framework (January 2019).

The Assurance Framework covers all funds within the Tees Valley Investment Fund, incorporating the Single Pot under the Tees Valley Devolution Deal agreed with Government and funds added to the Single Pot since the Devolution Deal.

The Assurance Framework provides Government with a guarantee that we are accountable for all single pot funds in a way that is consistent with their practices. Following this framework ensures we are open, transparent, and accountable for all our decisions relating to how we spend public funds, and it is reviewed annually.

We assess all investment proposals in line with the Assurance Framework and the supporting Assessment Framework. This is aligned with the HM Treasury Green Book Guidance.

The key objectives of the Assurance Framework are to support the Combined Authority to make judgements about the value for money of potential investments and to accept or reject accordingly. However, it is just one of a range of guidance documents developed by the Combined Authority to inform decision making and ensure value for money, including:

- **Strategic Economic Plan 2016-2026 – The Industrial Strategy for Tees Valley**
  - A key strategy for the region
  - Sets high level targets for jobs and Gross Value Added (GVA) for the Combined Authority and develops the rationale for intervention across the region over six themes and seven priority sectors.

- **Ten Year Investment Plan 2019-2029**
  - Sets output targets both in terms of spend and impact for the six themes in the Strategic Economic Plan.

- **Monitoring and Evaluation Framework 2020**
  - Sets out the process and requirements for the monitoring and evaluation of all projects and programmes supported by the Combined Authority.

- **Economic Assessment**
  - Provides the evidence base for the Local Industrial Strategy and the baseline for all outputs and outcomes identified in the thematic logic models detailed in the draft monitoring and evaluation plan.

Hartlepool Development Corporation (HDC)

The Mayoral Development Corporation has its own governance arrangements, Constitution, and statutory committees which are the HDC Board and HDC Audit and Governance Committee and HDC Planning Committee.

HDC Board - The primary purpose of the HDC Board is to guide and oversee delivery of the key objectives of HDC as defined within its Constitution:

- To further the economic development and regeneration of the Hartlepool area, through the delivery of the agreed functions within the identified areas so that Hartlepool becomes a major contributor to the Tees Valley economy and plays a core role in the delivery of the Tees Valley's Strategic Economic Plan;
- To help attract public and private sector investment and thereby create and secure additional jobs, accessible to the people of the Tees Valley; and
- To transform and improve the environment and the Corporation area, providing good quality commercial, leisure and housing facilities for the benefit of the people of Hartlepool and the specified sites and surrounding area.

In performing its duties, the Board maintains effective working relationships with the organisation's management, HDC Committee's and Groups, Government and the Tees Valley Combined Authority.

HDC Audit and Governance - The primary purpose of the HDC Audit and Governance Committee is to assist the HDC Board in fulfilling its oversight responsibilities in matters concerning risk. The Committee does not just provide oversight over the Organisation's financial affairs; it also considers matters of governance and probity. It is a key component of HDC's corporate governance arrangements providing independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

In performing its duties, the Group Audit and Governance Committee will maintain effective working relationships with the Board, the Organisation's management, the Official Receiver, and various professionals (including external and internal auditors, legal, financial and risk professionals).

Regular updates are provided to TVCA Cabinet and Overview and Scrutiny Committee on the progress of HDC activities, and any significant decisions are taken to TVCA Cabinet for a decision through a referral mechanism.

HDC Planning Committee - The primary purpose of HDC Planning Committee is to

i. To be the local planning authority for the purposes of
   - Part 3 of the Town and Country Planning Act 1990;
   - Part 2 of the Planning and Compulsory Purchase Act 2004; and
   - Part 3 of the Act.

ii. To have the functions conferred on the local planning authority by the provisions mentioned in Part 1 of Schedule 29 to the Local Government, Planning and Land Act 1980

iii. To have, the functions conferred on the relevant planning authority by Schedule 8 to the Electricity Act 1989 so far as applying to applications for consent under section 37 of the Act.

iv. The provisions specified in Part 2 of Schedule 29 to the Local Government, Planning and Land Act 1980 are to have effect, in relation to land and to the Corporation, subject to the modifications specified in that Part of that Schedule.

Middlesbrough Development Corporation (MDC)

The Mayoral Development Corporation has its own governance arrangements, Constitution, and statutory committees which are the MDC Board and MDC Audit and Governance Committee and MDC Planning Committee.

MDC Board - The primary purpose of the MDC Board is to guide and oversee delivery of the key objectives of MDC as defined within its Constitution:

- To further the economic development and regeneration of the Middlesbrough area, so that Middlesbrough continues to be a major contributor to the Tees Valley economy and the delivery of the Tees Valley's Strategic Economic Plan;
- To assist in attracting private sector investment and secure additional jobs, accessible to the people of the Tees Valley;

- To transform and improve the environment of the Corporation area, providing good quality commercial, leisure and housing facilities for the benefit of the people of Middlesbrough.

In performing its duties, the Board maintains effective working relationships with the organisation's management, MDC Committee's and Groups, Government and the Tees Valley Combined Authority.

MDC Audit and Governance - The primary purpose of the MDC Audit and Governance Committee is to assist the MDC Board in fulfilling its oversight responsibilities in matters concerning risk. The Committee does not just provide oversight over the Organisation's financial affairs; it also considers matters of governance and probity. It is a key component of MDC's corporate governance arrangements providing independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

In performing its duties, the Group Audit and Governance Committee will maintain effective working relationships with the Board, the Organisation's management, the Official Receiver, and various professionals (including external and internal auditors, legal, financial and risk professionals).

Regular updates are provided to TVCA Cabinet and Overview and Scrutiny Committee on the progress of MDC activities, and any significant decisions are taken to TVCA Cabinet for a decision through a referral mechanism.

MDC Planning Committee - The primary purpose of MDC Planning Committee is to

i. To be the local planning authority for the purposes of
   - Part 3 of the Town and Country Planning Act 1990;
   - Part 2 of the Planning and Compulsory Purchase Act 2004; and
   - Part 3 of the Act.

ii. To have the functions conferred on the local planning authority by the provisions mentioned in Part 1 of Schedule 29 to the Local Government, Planning and Land Act 1980

iii. To have, the functions conferred on the relevant planning authority by Schedule 8 to the Electricity Act 1989 so far as applying to applications for consent under section 37 of the Act.

iv. The provisions specified in Part 2 of Schedule 29 to the Local Government, Planning and Land Act 1980 are to have effect, in relation to land and to the MDC, subject to the modifications specified in that Part of that Schedule.

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South Tees Development Corporation (STDC)

The Mayoral Development Corporation has its own governance arrangements, Constitution, and statutory committees which are the STDC Board and STDC Audit and Governance Committee:

STDC Board - The primary purpose of the STDC Board is to guide and oversee delivery of the key objectives of STDC as defined within its Constitution:

- To further the economic development and regeneration of the South Tees area, so that it becomes a major contributor to the Tees Valley economy and the delivery of the Tees Valley's Strategic Economic Plan;
- To attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;
- To transform and improve the working environment of the Corporation area, providing good quality, safe conditions for the workforce and wider community;
- To contribute to the delivery of the UK Industrial Strategy, by supporting the growth of internationally competitive industries with access to global markets, taking a comprehensive approach to redevelopment at a scale that enables the realisation of an international-level investment opportunity.

In performing its duties, the Board maintains effective working relationships with the organisation's management, STDC Committees and Groups, Government and the Tees Valley Combined Authority.

STDC Audit and Governance Committee - The primary purpose of the STDC Audit and Governance Committee is to assist the STDC Board in fulfilling its oversight responsibilities in matters concerning risk. The Committee does not just provide oversight over the Organisation's financial affairs; it also considers matters of governance and probity. It is a key component of STDC's corporate governance arrangements providing independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

In performing its duties, the Group Audit and Governance Committee will maintain effective working relationships with the Board, the Organisation's management, the Official Receiver, and various professionals (including external and internal auditors, legal, financial and risk professionals).

Regular updates are provided to TVCA Cabinet and Overview and Scrutiny Committee on the progress of STDC activities, and any significant decisions are taken to TVCA Cabinet for a decision through a referral mechanism.

Goosepool

TVCA are 75% shareholders in Goosepool 2019 Ltd who in turn own 89% of the shares in Teesside International Airport. Regular updates on the progress against the Airport Business Plan are provided to TVCA Cabinet and other relevant Statutory committees.

Corporate Risk Register

The Combined Authority operates a comprehensive and proactive Risk Management Strategy outlining its approach to Risk Management. Central to this Strategy is a Corporate Risk register which details what risks have been identified, the probability and impact of these risks being realised, and what controls are in place to mitigate against these risks.

Code of Conduct

All Group employees and members are subject to a formal Code of Conduct – forming part of the Authority's Constitution.

Declarations of Interest

A conflict of interest exists when an employee or a spouse, partner, close relative, or associate of an employee can benefit personally, directly, or indirectly, from his/her relationship with a person or entity conducting business with the Group. All employees have an obligation to avoid conflict, or the appearance of conflict, between their personal interests and the interests of the Group and to avoid any situation that affects, or potentially could affect, his/her independent, unbiased judgment in the discharge of his/her duties to the Group.

Relevant Group employees and Members of statutory Committees are required to annually complete a declaration of interest form and when there are any changes in interest/circumstance. Employees must disclose any personal conflicts of interests and must not involve themselves in decisions or matters where their actions could be perceived as biased, and the form must be completed even if there are no interests to declare.

If employees are in any doubt as to what interests they need to declare they should disclose it anyway or talk to their line manager about it. Employees are personally responsible for the accuracy of the contents of their register entry. Non-disclosure or partial disclosure of an interest is a breach of the organisation's Code of Conduct and may result in disciplinary action.

All relevant new employees of the Group are notified of the importance of the declaration of interest procedure at induction and are asked to complete a declaration of interest and an annual request for completion is requested by the Governance Team with quarterly reminders. Staff are also asked that they familiarise themselves with the guidance in the Officers Code of Conduct within the TVCA Constitution. Managers have a duty to ensure that all members of their staff are fully aware of their responsibilities in relation to the Declaration of Interest Procedure.

The declaration of interest form for completion by employees of all areas of the Group is here.

Gifts and Hospitality

All offers of gifts and hospitality of £25.00 or more in value, including any offers of sponsorship for training or development, whether accepted or not, are recorded in an electronic register of gifts and hospitality which is held by the Governance Team. An electronic form is available on the intranet and this must be completed as soon as practicable after the offer is made, accepted, or refused. All outcomes must be recorded within 28 days from the offer being made. Completed forms should be submitted to and approved by the appropriate Head of Service / Director and then sent via e-mail to the Governance Team, who will record this. The Governance Team will retain the record for the duration of the employee's employment by the Combined Authority, plus one calendar year for transparency, audit, and monitoring purposes.

All new employees of the company are notified of the gifts and hospitality procedure at induction and an annual reminder is sent to all staff reminding them of the requirement to report all offers of gifts or hospitality, regardless of the outcome. In this reminder, staff are also asked that they re-familiarise themselves with the guidance in the Officers Code of Conduct within the TVCA Constitution. Managers have a duty to ensure that all their members of staff are fully aware of their responsibilities in relation to the recording of offers of gifts and hospitality.

The documentation and recording of gifts and hospitality is particularly important and caution should be taken in accepting gifts in the case of specific Officers where there could be an actual or perceived conflict of interest. This includes but is not limited to Directors; Managers; employees who deal with contracts/tenders; members of teams which investigate alleged fraud or corruption; and those who advise committees and other bodies.

In the interests of full transparency, and in accordance with the TVCA Constitution, Members' and Directors' acceptance or refusals of gifts and/or hospitality will be published on the TVCA website.

GIFTS AND HOSPITALITY - QUESTIONS TO ASK YOURSELF

Should you refuse the Gift or Hospitality offered?

Would acceptance be, or could it reasonably be, regarded as a breach of the Officer's Code of Conduct?

Is the Gift or Hospitality, or could it be perceived to be, an inducement or reward for anything you do as an Officer of TVCA?

Could acceptance of the gift or Hospitality be open to misinterpretation?

If the answer to any of these questions is: **YES**

Politely refuse the Gift or Hospitality.

THIS SHOULD BE NO LATER THAN 28 DAYS FROM THE OFFER.

Complete a Gift and Hospitality Form, sign, and date it and submit it to the appropriate Director for approval and signature.

The completed form should then be sent electronically to the Governance Team.

This Offer of Gifts and/or Hospitality will be entered on a central register for recording and monitoring.

The form will be retained for the duration of your employment with the Combined Authority plus one calendar year.

If the answer to any of these questions is: **NO**

You may accept the Gift or Hospitality.

THIS SHOULD BE NO LATER THAN 28 DAYS FROM THE OFFER.

If its value is £25 or more, or you are unsure about its value, complete a Gift and Hospitality Form, sign, and date it and submit it to the appropriate Director for approval and signature.

The completed form should then be sent electronically to the Governance Team.

This Offer of Gifts and/or Hospitality will be entered on a central register for recording and monitoring.

The form will be retained for the duration of your employment with the Combined Authority plus one calendar year.

Governance arrangements

A dedicated Governance Team is in place to ensure that the Combined Authority Group is compliant with its regulatory responsibilities and to advise Members, employees, and partner organisations. The team oversees a variety of areas which includes but is not limited to transparent decision making, declarations of interest, whistleblowing, freedom of information request handling and data protection oversight.

2. An Introduction to the Decision-Making Process

TVCA is a political organisation, and decisions are made in two ways:

Day to day decisions - delegated under our budget to the Chief Executive Officer as Head of Paid Services e.g.:
- Paying our rent
- Paying staff
- Procuring e.g., Consultants

All other decisions are for **Cabinet**:
- Either in a meeting - requiring agreement by the Tees Valley Mayor plus the five Council Leaders (depends on the financial value of project/decision) or
- As a Delegated Decision involving the Tees Valley Mayor and at least one other Leader (usually the relevant Portfolio Holder)

2.1 How do I know what decision I need?

Investment Fund Delegated Decisions

The Investment Plan identifies our priority areas of activity and projects/programmes for investment. The Assurance Framework details how we provide an appropriate level of assurance to our investments. Most decisions on investment are made at the Combined Authority Cabinet. There are three scenarios where responsibility for financial decision making relating to investment funds is delegated from cabinet:

- **To approve a Business Case and commit funding**:
  The Combined Authority Chief Executive is delegated to approve Business Cases for those projects and programmes in the Investment Plan with agreed financial allocations, in consultation, with the Tees Valley Management Group, the S73 Officer and the Monitoring Officer.

- **To release funding in advance of the submission of a Business Case**:
  The Combined Authority Chief Executive is delegated to approve expenditure in advance of Business Case approval, in liaison with the Mayor and the thematic portfolio holder for the project in question. However, these projects must also have an agreed financial allocation within the Investment Plan. Typically, advanced funding shall be sought for required development work associated with bringing a Business Case forward such as designs, planning or urgent acquisition of land, site assembly etc.

- **To make an allocation of resource to a new project in exceptional circumstances**:
  The Combined Authority Chief Executive has delegated authority to authorise expenditure up to £1m, in consultation with the Mayor and the relevant portfolio holder. However, allocations of funding must only be in exceptional circumstances. Proposals must be consistent with the Strategic Economic Plan and Local Industrial Strategy, there must also be an allocation for this type of activity within the Investment Plan. The request must not have a significant impact on the thematic allocation for this type of activity and must be considered affordable within the overall Investment Plan programme.

2.2 How do I get something approved?

- **How do I get approval from Cabinet?**

  TVCA Cabinet is made up of the Tees Valley Mayor, five Local Authority (LA) Leaders and the Chair of the Tees Valley Business Board, they meet at least quarterly to consider items that require Cabinet approval. There are several steps required to get approval from TVCA Cabinet.

  Forward Plan:
  The Governance Team keep an internal 'Forward Plan' of items requiring a Cabinet decision. As soon as you are aware you are going to need Cabinet approval you should speak to a member of the Governance Team to ensure it is listed on the Forward Plan. The Executive Team review the Forward Plan regularly.

  Once your item is listed on the Forward Plan you will be sent regular reminders about the deadlines you need to meet, to meet the Cabinet cycle requirements.

  A published Forward Plan is required to be available on the TVCA website for 28 days prior to a Cabinet meeting. Any items not on the published forward plan at this point, but needing Cabinet approval can be added by a process of either general exception or special urgency if it is deemed this is required. If you need to add an item to the Cabinet Forward Plan after it has been published, you should speak to your Director and the Governance Team as a matter of urgency to agree how, and if this can be accommodated.

  Approval Route:
  You will generally need the first draft of your report for Cabinet to be ready around six weeks prior to the date of the Cabinet meeting so that it can be presented to Tees Valley Management Group and the Governance Team will remind you about the deadlines in advance. After each stage of the process, you may need to make amendments to your report. Either a member of the Executive Team or the Governance Team will advise of any amendments required.

It is vitally important that you meet the deadlines given by the Governance Team to ensure papers are reviewed and approved internally and are then published within the required statutory timescales. These timescales are set out in the legislation that governs the Combined Authority and must be adhered to.

Useful information:

- The report templates that should be used for the TVCA Cabinet cycle are available on the intranet here.
- More detailed information relating to Cabinet can be found in the TVCA Constitution pages 7-10.
- All Cabinet Agendas and Papers are published here five clear working days ahead of the meeting date.

- **How do I get approval by Delegated Decision?**

Step by Step Guide to Completing a Delegated Decision Form for Investment Funds

Before completing the form

1. **Ensure that your proposal meets the criteria for a Delegated Decision –** if you are in doubt contact the Head of Investment for advice and guidance. Identifying the correct route as early as possible will avoid delays when requesting sign off and ensure that the proposal meets the requirements of the Assurance Framework. The forms are below:

    - Advanced Funding
    - Commit Funding
    - Exceptional Decision
    - Hartlepool Development Corporation
    - Middlesbrough Development Corporation
    - South Tees Development Corporation

2. **Consider your timescales for needing a decision.** If the Delegated Decision is classified as a Key Decision, Governance must publish Key Decisions within two working days of the decision being made. Key Decisions will be forwarded to the Overview and Scrutiny Committee members and may be subject to call in procedures. Decisions will only come into effect five clear days after the decision is published, providing that decision is not called in by Overview and Scrutiny Committee. If you are unsure if the Delegated Decision represents a Key Decision, ask for advice from the Governance and Scrutiny Manager.

3. **Ensure that appropriate consultation / briefing has been undertaken in advance** of completing the form for sign off. This should include Directors, other appropriate internal officers (thematic teams, finance etc) the Mayor, the Portfolio Holder, and any

governance groups. **You should do this <u>before</u> completing the form. This is to ensure that form itself is a formality at the point of sign off. The form should not be used as the tool to conduct your briefings/consultation.**

Once briefing/consultation complete:

4. Select the appropriate Delegated Decision template linked above.
5. Begin to fill in the form with a suitable level of detail, guidance on detail is provided in each section.
6. Consult the Head of Investment on the detail in the 'How the Assurance Framework has been Applied to the Decision' section.
7. Consult with the Finance Manager on the detail in the 'Financial Implications' section.
8. Forward the draft template to the Governance Team (TVCAGovernance@teesvalley-ca.gov.uk) to get a Delegated Decision number.
9. The Governance Team will record the decision and reference number in a central register.
10. Submit your Delegated Decision form to TVCA PAs inbox who will co-ordinate signatures.
11. Email the signed copy to the Governance Team (TVCAGovernance@teesvalley-ca.gov.uk).

    - If the decision has **not been marked as a key decision,** then the process is complete, and funds can be released.
    - If the decision **has been marked as a key decision,** then the signed copy needs to be sent to the Overview and Scrutiny Committee within 2 days of the final signature. The Governance team will facilitate this. The decision is then subject to call-in and you must wait until the Governance Team have confirmed that the decision has been signed off before you proceed – once confirmation is received you can proceed, and funds can be released.
    - Governance Team will file the decision record and add to the decision register. They will also ensure that the Delegated Decision is reported back to Tees Valley Management Group, The Tees Valley Cabinet and the Overview and Scrutiny Committee for information, as appropriate.

2.3 **How do I write a Paper for Boards and Committees?**

Guidance on how to write a Board/Committee Report can be found here

Report templates for all areas of the Group can be found here

3. Data Protection

3.1 How do I go about processing/sharing personal data?

Under the General Data Protection Regulation (GDPR), TVCA and STDC have a Data Protection Officer (DPO). This is the same Officer for each and is the Chief Legal Officer. The Governance Officer also provides colleagues with day-to-day data protection advice and guidance.

Before collecting / processing personal data:

You must inform the DPO of your intentions and then undertake a Data Protection Impact Assessment (DPIA). There is a standard template for this assessment on the intranet which should be completed by someone with sound knowledge of the project. Once you have completed the assessment you should share this with the DPO to review and provide any advice on how you should proceed.

You should agree with the DPO how you will ensure the security of the data.

At the point of collecting personal data:

If, after the assessments above, it is agreed that you will process the proposed data, you will need to ensure the relevant information is communicated to the individuals that the data relates to. This information should be provided at the point that they provide their data. As a minimum, you should tell the individuals:

- What you are collecting their data for;
- How long you will keep it;
- Who it will be shared with (if anyone);
- How they request to exercise their rights as data subjects;
- How they access the relevant organisation's privacy notice.

You must only use the data for the purpose you specify at the outset. If you want to change the use of the data, you must start the process of completing a data sharing agreement and informing the DPO as though you are making a whole new request.

If you intend to share this data with any other party, you must inform the data subjects and gain their consent, setting up a data sharing agreement with the parties involved. It is your responsibility to assist with the drafting of the data sharing agreement and it is recommended that you do this at the outset of your project, for reasons specified above, as changing the use of the data requires new consent from the data subjects and therefore a new data sharing agreement.

Data sharing agreements whether produced by TVCA/STDC or a third party, must be checked and approved by the Group Chief Legal Officer before signing.

After collection:

- You must only use the data for the purpose you specified at the outset (above);
- You must keep the data secure;
- You must ensure that individuals are offered the option to unsubscribe;
- You must delete the data when you specified you would at the outset;
- You must report any data breaches to the DPO.

For general information on Data Protection/GDPR see the ICO website

3.2 How do I respond to a Freedom of Information (FOR) / Environmental Information Regulation (EIO) request?

The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 provide public access to information held by public authorities. It does this in two ways:

- public authorities are obliged to publish certain information about their activities; and
- members of the public are entitled to request information from public authorities.

Information that TVCA, HDC, MDC and STDC publish can be found on our website within the ‘transparency’ section and is updated regularly.

TVCA, HDC, MDC and STDC are obliged to respond to requests made under the FOI/EIR Act.

There can be serious consequences if we do not reply or do not disclose the information we hold within the statutory deadline of 20 working days from the date that the request is received.

FOI / EIR requests
Anyone can request information – there are no restrictions on age, nationality or where they live.

A request must be made in writing. This can be via letter, email, or online contact form.

If you receive what you believe to be an FOI/EIR request, you should forward it to foi@teesvalley-ca.gov.uk.

The request will be logged and given a reference number. An acknowledgement will be sent to the requester including the date by which their request will be answered, which is statutory 20 working day deadline.

Requests must be responded to within 20 working days.
The first action after logging is to see if the information requested is already available in the public domain. The response can then simply be a link to the place where the information can be found.

If the information is not already publicly available, the governance team will allocate the request to the most appropriate colleague. That colleague should provide the governance team with the information required by email by the deadline given. If the nominated colleague does not hold information relevant to the request, they should let the governance team know at the earliest opportunity so that the request can be reassigned to the relevant business area/colleague.

The Governance team will draft a formal response to the request. This will require approval from the Monitoring Officer (Chief Legal Officer) depending on the nature of the request and if any exemptions apply. All responses are signed off by the Monitoring Officer and Chief Executive in consultation with the Mayor's Office and Marketing & Communications team. Requests for opinions or narrative around a subject are generally not FOI/EIR requests and should be treated with caution, as FOI/EIR only pertains to information that we already hold i.e. have a written record of. If the request is for information that we do not hold, we are not obliged to source the information requested. We can reply to a request to say we do not hold the information requested as long as we are sure this is the case. Please also note that it is illegal to delete information that is pertinent to a request after the request has been received.

Third party requests
Sometimes a third party may receive an FOI/EIR request that means they have to release information that includes TVCA information, a constituent local authority for example. In this instance the third party will contact TVCA to ask if we have any issues with the information being released. Again, this should be brought to the attention of the governance team who will consider whether TVCA should request that the

information, or certain parts of it should be withheld. This will often require discussion with the Monitoring Officer depending on the nature of the request. If you require any advice, please contact the Governance team.

The procedure for making an FOI request is detailed on our website for each entity:

TVCA Freedom of Information - About (teesvalley-ca-gov.uk)
STDC Freedom of Information Requests - About (teesvalley-ca-gov.uk)
MDC Freedom of Information Requests – About (teesvalley-ca.gov.uk)
HDC Freedom of Information Requests - About (teesvalley-ca.gov.uk)

4. Publication and Transparency

TVCA is committed to upholding the highest standards of governance and conducting its activities within the principles of openness and transparency. To facilitate transparency, the Combined Authority and its committees all take decisions at meetings held in public, all of which can be attended in person by the public and press and the agenda, papers and minutes can be reviewed online here.

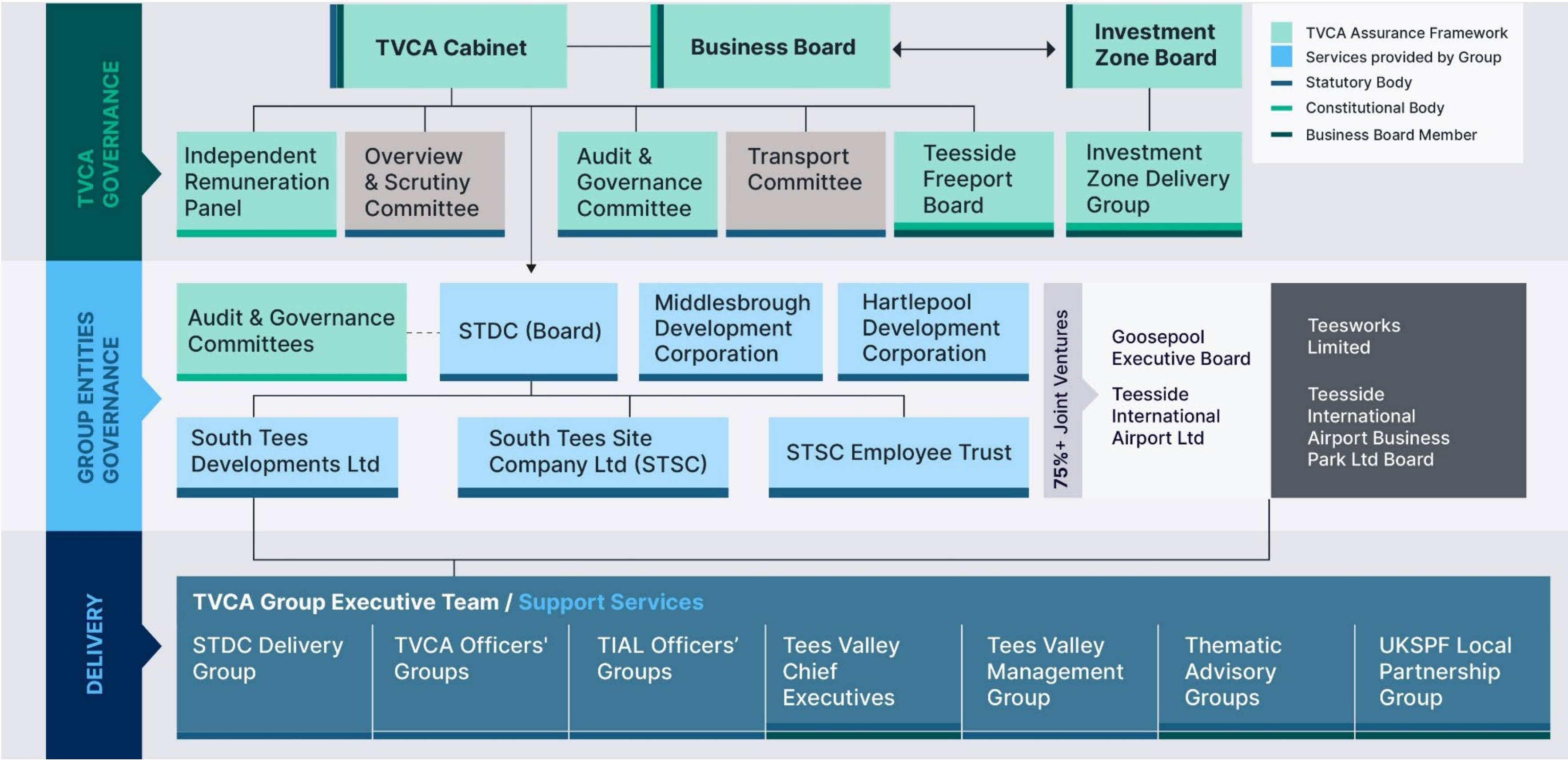
The TVCA Group is committed to open governance, transparency and the proactive release of the information that it holds under the Freedom of Information Act which gives the right to access recorded information held by public sector organisations.

Legislation/Requirements:

- ICO Publication Scheme
- Local Government Transparency Code 2015
- Local Gov Act 1972 Requirements Schedule 12 part 5A (Section 100A-100K) and Schedule 12
- Local Audit and Accountability Act 2014
- Assurance Framework
- Constitution Requirements

TEES VALLEY

5. Group Governance Structure



Anything is possible

Appendices

- TVCA Constitution
- HDC Constitution
- MDC Constitution
- STDC Constitution

SOUTH TEES DEVELOPMENT CORPORATION

South Tees Development Corporation – Audit & Governance Committee

Forward Programme 2024/2025

Standing Items

- Declarations of Interest
- Minutes from the Previous Meeting and Action Tracker
- Executive Update
- Internal Audit Actions Update
- Internal Audit Progress Report
- External Audit Actions Update (superseded when we have an annual report)
- External Audit Progress Report (Superseded when we have an annual report)
- Forward Programme
- CONFIDENTIAL – Risk Management Report
- CONFIDENTIAL – Environment, Health and Safety Update Report
- Date of the Next Meeting

Items to be scheduled	
Date	Item
Q1 - July – September 2024	• Review of Risk Management Policy & Framework (including Oversight of Risk & Control Processes) • Review of Assurance Framework • Internal Audit Annual Opinion • Summary Internal Controls Assurance Update • Brief Update on the Independent Review – in relation to the constitution
Q2 – October – December 2024	• Draft Accounts Update • Review of Effectiveness Survey/Skills Audit • Freeport Deep Dive and Compliance • Review & Approval of draft STDC Annual Governance Statement 20223/2024 • External Audit Strategy Memorandum 2023/24 • Summary Internal Controls Assurance Update • Teesworks Update • STDC Group Financial Statements and External Audit Report including Value for Money Commentary 2022/2023 • Independent Review Recommendations • Review of Code of Governance

SOUTH TEES DEVELOPMENT CORPORATION

Q3 – January – March 2025	• Summary Internal Controls Assurance Update
Q4 – April – June 2025	• Summary Internal Controls Assurance Update • External Audit – VFM commentary 2023/24 • External Auditors Final Annual Report 2023/24

Q1 2025 Annual Review of Terms of Reference