

**South Tees Development Corporation &  
Group Statement of Accounts 2023/24**

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# South Tees Development Corporation and Group - Annual Financial Statements 2023/24

## Narrative Report

### Introduction

Welcome to the South Tees Development Corporation and Group's Annual statement of Accounts for 2023/24 which have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The 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.

The South Tees Development Corporation was established in August 2017 in the wake of the closure of the SSI Steelworks and was 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 is becoming 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 is 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.

It has created 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, was concluded in 2023 with the final explosive demolition of the Redcar Power Station. Work is nearing completion on the remediation of the 150 acres of land earmarked for bp and Equinor's £4 billion Net Zero Teesside project. South Tees Site Company Limited (STSC) is responsible for decontamination, keep safe, maintenance and security across the Teesworks site, is in the final stages of being wound down, with any remaining functions folding into STDC's remit.

### 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.

An independent review was established by the Secretary of State for the then Department of Levelling Up, Housing and Communities following claims of corruption made in Parliament in relation to the redevelopment of Teesworks. The report, published in January 2024, found no evidence of corruption or illegality in respect of Teesworks Ltd, the Joint Venture Partners, the South Tees Development Corporation or Tees Valley Combined Authority (TVCA).

Recommendations were made to further strengthen governance and improve transparency and a review is ongoing regarding the implementation of the recommendations and their implications for the TVCA / STDC constitutions and governance arrangements.

A working group made up of statutory officers from all five constituent authorities – including their Chief Executives, Monitoring Officers and Chief Financial Officers has been established to agree an action plan for the implementation of the review recommendations at pace.

An STDC Board sponsor has been appointed to the working group. Whilst most of the recommendations are noted as being for TVCA / STDC / Local Authorities to consider, the STDC Board sponsor will provide feedback on the proposals as they progress to ensure that they address matters from an STDC perspective.

Once this work is completed, the action plan, together with the revised governance arrangements and constitutions, will be submitted to the TVCA Cabinet and STDC Board together for approval.

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/>

## **South Tees Development Corporation and Group - Annual Financial Statements 2023/24**

### **Legal Action**

During 2023/24, STDC made a High Court application for declaratory relief relating to access rights claimed by PD Teesport (PDT) across multiple routes of STDC land.

A High Court hearing was held in October 2023 to assess the respective merits of the claims. The court's ruling upheld six of 18 claims.

STDC made extensive effort to avoid legal action but a lack of documentary evidence supporting PDT's claim left no option other than to seek a legal determination.

Work has subsequently been carried out to formalise the rights of access supported by the judgment.

The resolution of the legal case provides a clear basis to allow major economic redevelopment to progress at pace and deliver vital investment and jobs.

### **2023/24 performance**

In 2023/24, STDC and the Teesworks site hit a number of major milestones while continuing to deliver its core objective, driving forward the redevelopment of the site to create high-quality jobs and secure significant international investment for the region.

In June 2023, the final major structures were blown down as part of the site's accelerated demolition programme, with a controlled explosion toppling the Redcar power station gas holder and chimney. This brought to an end one of the UK's most complex and condensed demolition projects in history and meant that remediation of key zones could begin in earnest.

A key obligation imposed on STDC in the original Business Case when the South Tees Site Company transitioned into local control was to deliver the Decontamination Project and, ultimately, remove the site's Top Tier COMAH status. The Environment Agency confirmed in November 2023 that material quantities were now below the required threshold of COMAH status and the designation was removed from the site.

Freeport status – The Teesside Freeport, the heart of which is located at Teesworks, is continuing its operations. In February 2024 statistics from the Department of Levelling Up, Housing and Communities showed the Teesside Freeport to be outperforming the other eight zones across the UK in terms of Total Investment, Foreign Direct Investment and Current Employment. Of the 5,740 jobs created to date of publication, more than one third – 2,150 – were delivered on Teesside.

South Bank Quay – The first 450m phase of the 1km South Bank Quay, to facilitate the offshore industry, is now completed. It is expected to be operational in summer 2024, ahead of construction work beginning on the second phase.

Development on site – Work is continuing on SeAH Wind Ltd's £850million 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. A deal has been struck with British Steel's Teesside Steel Beam Mill to supply steel for the development. The firm has also engaged in a mass recruitment drive across the region during Q4 of the financial year.

International Investment – Net Zero Teesside Power and the Northern Endurance Partnership have now selected contractors for the world's first commercial-scale gas fired power stations with carbon capture, and its related infrastructure. This will pave the way to establish a fully decarbonised industrial cluster by 2040.

Plans have been approved for Willis Sustainable Fuels (UK) Ltd's Sustainable Aviation Fuel plant for the Dorman Point area of the site. The plant will produce 20million litres of SAF per year, which has the potential to cut CO2 emissions by up to 85% when compared with traditional petrol-based aviation fuel.

## **South Tees Development Corporation and Group - Annual Financial Statements 2023/24**

### **Financial Performance**

The financial performance for the 12 months to 31 March 2024 shows a delivered spend of £84.0m (2023: £168.1m). At 31 March 2024 total current assets were £46.5m (2023: £112.0m) and net liabilities were £184.4m (2023: £117.6m). 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 £60m has been recognised through the Comprehensive Income and Expenditure Statement. The impairment charge reinforces the requirement for why public sector intervention was essential, due to the negative liabilities associated with the site. This reinforces the principals of the business case. 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.

### **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 managed these risks until there was no further requirement for this due to the advancement in the remediation programme, with any outstanding risks being managed by retained staff at STDC.

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.

Given the political environment that the development corporation operates in, there remains challenges in relation to the reputational risk to the organisation including policy changes arising from a new government. This risk was heightened due to the commissioning of the Tees Valley Independent Review. This review was concluded and the report published in January 2024, it found no evidence of corruption or illegality in respect of Teesworks Ltd, the Teesworks Joint Venture Partners, the South Tees Development Corporation or Tees Valley Combined Authority (TVCA).

## **South Tees Development Corporation and Group - Annual Financial Statements 2023/24**

### **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 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 2023/24

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Movement in Reserves Statement for the year ended 31 March 2024

This statement shows the movement in the year on the different reserves held by the 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
<b><u>Movement in reserves during 2022/23</u></b>									
<b>Balance at 1 April 2022 brought forward</b>	19,729	-	<b>19,729</b>	(74,131)	(2,427)	<b>(76,558)</b>	<b>(56,829)</b>	-	<b>(56,829)</b>
Total Comprehensive Income and Expenditure	(71,279)	-	<b>(71,279)</b>	-	1,598	<b>1,598</b>	<b>(67,957)</b>	<b>9,253</b>	<b>(58,704)</b>
Adjustments between accounting basis & funding basis under regulations	81,865	-	<b>81,865</b>	(179,983)	98,118	<b>(81,865)</b>	-	-	-
<b>Increase/Decrease in Year</b>	<b>10,586</b>	-	<b>10,586</b>	<b>(179,983)</b>	<b>99,716</b>	<b>(80,267)</b>	<b>(67,957)</b>	<b>9,253</b>	<b>(58,704)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>30,315</b>	-	<b>30,315</b>	<b>(254,114)</b>	<b>97,289</b>	<b>(156,825)</b>	<b>(124,786)</b>	<b>9,253</b>	<b>(115,533)</b>
Re-Allocation of Subsidiary Reserves	-	-	-	9,481	(228)	<b>9,253</b>	<b>9,253</b>	(9,253)	-
<b>Balance at 31 March 2023 carried forward</b>	<b>30,315</b>	-	<b>30,315</b>	<b>(244,633)</b>	<b>97,061</b>	<b>(147,572)</b>	<b>(115,533)</b>	-	<b>(115,533)</b>
Amounts earmarked (Note 7)	29,993								
Amounts uncommitted	322								
<b>Total General Fund Balance at 31 March 2023</b>	<b>30,315</b>								
<b><u>Movement in reserves during 2023/24</u></b>									
<b>Balance at 1 April 2023 brought forward</b>	30,315	-	<b>30,315</b>	(244,633)	97,061	<b>(147,572)</b>	<b>(117,257)</b>	-	<b>(117,257)</b>
Total Comprehensive Income and Expenditure	(67,958)	-	<b>(67,958)</b>	-	180	<b>180</b>	<b>(67,778)</b>	<b>657</b>	<b>(67,121)</b>
Adjustments between accounting basis & funding basis under regulations	58,323	-	<b>58,323</b>	(83,010)	24,687	<b>(58,323)</b>	-	-	-
<b>Increase/Decrease in Year</b>	<b>(9,635)</b>	-	<b>(9,635)</b>	<b>(83,010)</b>	<b>24,867</b>	<b>(58,143)</b>	<b>(67,778)</b>	<b>657</b>	<b>(67,121)</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>20,680</b>	-	<b>20,680</b>	<b>(327,643)</b>	<b>121,928</b>	<b>(205,715)</b>	<b>(185,035)</b>	<b>657</b>	<b>(184,378)</b>
Re-Allocation of Subsidiary Reserves	219	-	<b>219</b>	-	438	<b>438</b>	<b>657</b>	(657)	-
<b>Balance at 31 March 2024 carried forward</b>	<b>20,899</b>	-	<b>20,899</b>	<b>(327,643)</b>	<b>122,366</b>	<b>(205,277)</b>	<b>(184,378)</b>	-	<b>(184,378)</b>
<b>General Fund analysed over:</b>									
Amounts earmarked (Note 7)	20,577								
Amounts uncommitted	322								
<b>Total General Fund Balance at 31 March 2024</b>	<b>20,899</b>								



## South Tees Development Corporation Group - Annual Financial Statements 2023/24

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

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

2022/23				2023/24			
£000s	£000s	£000s		£000s	£000s	£000s	
Expenditure	Income	Net		Expenditure	Income	Net	
6,127	(296)	<b>5,831</b>	Core Running Costs	5,782	(360)	<b>5,422</b>	
44,253	(35,879)	<b>8,374</b>	Enabling Infrastructure	18,093	(9,237)	<b>8,856</b>	
117,626	(22,298)	<b>95,328</b>	Development Costs	60,077	(8,356)	<b>51,721</b>	
<b>168,006</b>	<b>(58,473)</b>	<b>109,533</b>	<b>Cost Of Services</b>	<b>83,952</b>	<b>(17,953)</b>	<b>65,999</b>	
<b>Financing and Investment Income and Expenditure:</b>							
1,960	-	1,960	Interest payable and similar charges	3,868	-	3,868	
76	(42)	34	Net interest on the net defined benefit liability/asset	85	(93)	(8)	
-	(3,022)	<b>(3,022)</b>	Interest receivable and similar income	-	(2,558)	(2,558)	
<b>Taxation and Non-Specific Grant Income:</b>							
-	(46,479)	<b>(46,479)</b>	Capital grants and contributions	-	-	-	
<b>170,042</b>	<b>(108,016)</b>	<b>62,026</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>87,905</b>	<b>(20,604)</b>	<b>67,301</b>	
		(1,598)	Re-measurements of the defined benefit liability			(180)	
		<b>(1,598)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(180)</b>	
		<b>60,428</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>67,121</b>	

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Balance Sheet as at 31 March 2024

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by 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 2024 £000s	31 March 2023 £000s
<b>Non-current assets</b>			
Property, plant and equipment	8	29,890	1,602
Long Term Debtors	13	118,712	101,486
Net Pension Asset	23	327	171
<b>Total non-current assets</b>		<u>148,929</u>	<u>103,259</u>
<b>Current assets</b>			
Debtors	14	33,723	87,289
Cash and Cash Equivalents	15	6,722	21,360
<b>Total current assets</b>		<u>40,445</u>	<u>108,649</u>
<b>Current liabilities</b>			
Short Term Borrowing		(3,549)	-
Grant Receipts In Advance	20	(1,232)	-
Provisions		(17)	-
Short Term Creditors	16	(41,697)	(111,981)
<b>Total current liabilities</b>		<u>(46,495)</u>	<u>(111,981)</u>
<b>Long term liabilities</b>			
Long Term Borrowing	17	(327,257)	(217,161)
Provisions		-	(23)
<b>Total long term liabilities</b>		<u>(327,257)</u>	<u>(217,184)</u>
<b>Net Assets:</b>		<u><b>(184,378)</b></u>	<u>(117,257)</u>
<b>Reserves</b>			
<b>Usable reserves:</b>			
General Fund Balance		322	322
Earmarked General Fund Reserves	7	20,577	29,993
		20,899	30,315
<b>Unusable Reserves:</b>			
Pensions Reserve	17 & 23	327	171
Subsidiary Reserves		(1,119)	(1,557)
Capital Adjustment Account	9	(327,643)	(244,633)
Deferred Capital Receipts Reserve		123,172	98,464
Accumulated Absences Account		(14)	(17)
		<u>(205,277)</u>	<u>(147,572)</u>
<b>Total Reserves:</b>		<u><b>(184,378)</b></u>	<u>(117,257)</u>

Gary Macdonald .....

Group Director of Finance & Resources

Date

# South Tees Development Corporation Group - Annual Financial Statements 2023/24

## Cash Flow Statement For The Year Ended 31 March 2024

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	2023/24 £000s	2022/23 £000s
<b>Net (surplus) or deficit on the provision of services</b>		<b>67,301</b>	62,026
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>			
Depreciation, impairment and amortisation of non current assets		(60,140)	(119,231)
Pension Fund adjustments		(24)	(346)
Increase/(Decrease) in Inventories (Stock)		-	(300)
Increase/(Decrease) in Long Term Debtors		17,226	101,486
Increase/(Decrease) in Revenue Debtors	13	(53,566)	33,938
(Increase)/Decrease in Revenue Creditors	15	63,649	22,095
(Increase)/Decrease in Provisions		6	811
(Increase)/Decrease in Grants In Advance		(1,232)	-
		<b>(34,081)</b>	<b>38,453</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>			
Capital Grants credited to surplus or deficit on the provision of services		(12,828)	17,956
		<b>(12,828)</b>	<b>17,956</b>
<b>Net cashflow from operating activities</b>		<b>20,392</b>	<b>118,435</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment, investment property and intangibles		95,063	160,022
Proceeds from disposal of Plant, Property & Equipment		-	(103,463)
Other Investing Activity Expenditure		12,828	28,523
Other receipts from investing activities		-	(46,479)
<b>Net cashflow from investing activities</b>		<b>107,891</b>	<b>38,603</b>
<b>Financing activities</b>			
Movement in short and long term borrowings		(113,645)	(142,923)
<b>Net cashflow from financing activities</b>		<b>(113,645)</b>	<b>(142,923)</b>
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>14,638</b>	14,115
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>21,360</b>	<b>35,475</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	14	<b>6,722</b>	<b>21,360</b>

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### 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.

2022/23			2023/24		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	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
5,482	349	<b>5,831</b>	(2,580)	8,002	<b>5,422</b>
25,214	(16,840)	<b>8,374</b>	8,856	-	<b>8,856</b>
(12,793)	106,397	<b>95,328</b>	4,597	47,124	<b>51,721</b>
<b>17,903</b>	<b>89,906</b>	<b>109,533</b>	<b>10,873</b>	<b>55,126</b>	<b>65,999</b>
(17,903)	(29,604)	(47,507)	(11,530)	12,832	1,302
-	<b>60,302</b>	<b>62,026</b>	<b>(657)</b>	<b>67,958</b>	<b>67,301</b>
322		<b>Opening General Fund Balance</b>	<b>322</b>		
-		Less/Plus Surplus or (Deficit)	-		
-		Movement to other reserves	<b>657</b>		
<b>322</b>		<b>Closing General Fund Balance at 31 March 2024</b>	<b>322</b>		

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Note 1: Expenditure & Funding Analysis

#### Notes to the Expenditure and Funding Analysis

<b>Adjustments between Funding and Accounting Basis 2023/24</b>				
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	34	32	7,936	<b>8,002</b>
Enabling Infrastructure	-	-	-	-
Development Costs	59,954	-	(12,830)	<b>47,124</b>
<b>Net Cost Of Services</b>	59,988	32	(4,894)	<b>55,126</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	-	(8)	12,840	<b>12,832</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	59,988	24	7,946	<b>67,958</b>

<b>Adjustments between Funding and Accounting Basis 2022/23</b>				
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	37	312	-	<b>349</b>
Enabling Infrastructure	-	-	(16,840)	<b>(16,840)</b>
Development Costs	118,708	-	(10,587)	<b>108,121</b>
<b>Net Cost Of Services</b>	118,745	312	(27,427)	<b>91,630</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(46,479)	34	16,841	<b>(29,604)</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	72,266	346	(10,586)	<b>62,026</b>

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

**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:

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
<b>Expenditure</b>		
Employee benefits expenses	4,211	6,072
Other services expenses	19,498	42,703
Revaluation, Depreciation, amortisation and impairment	60,243	119,231
Interest payments	3,953	2,036
<b>Total Expenditure</b>	<b>87,905</b>	170,042
<b>Income</b>		
Fees, charges and other service income	(17,927)	(41,633)
Interest and investment income	(2,651)	(3,064)
Government grants and contributions	(26)	(63,319)
<b>Total Income</b>	<b>(20,604)</b>	(108,016)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>67,301</b>	62,026

### Segmental Income

Income received on a segmental basis is analysed below:

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
<b>Services</b>		
	<b>Income from Services</b>	Income from Services
Core Running Costs	(334)	(295)
Enabling Infrastructure	(9,237)	(19,040)
Development Costs	(8,356)	(22,298)
<b>Total income analysed on a segmental basis</b>	<b>(17,927)</b>	<b>(41,633)</b>

# South Tees Development Corporation Group - Annual Financial Statements 2023/24

## Note 2: Group Structure

Details of 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.

### Teesworks:

On 18 August 2021, an agreement was reached to transfer 40% of the share capital in Teesworks Limited to DCS Industrial Limited, Northern Land Management Ltd and JC Musgrave Capital 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 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 the 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.

### Steel River Energy Limited

- Steel River Energy Limited was incorporated on the 02 August 2023 and South Tees Development Corporation has a 10% shareholding. Both companies were dormant in the financial year.

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### 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:

- IFRS 16 Leases issued in January 2016
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
  - clarify how lending conditions affect classification, and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

These changes are not expected to have a material impact on the 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 local authorities to produce Group Accounts to reflect significant activities by other organisations in which the Council has an interest. The Combined Authority 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 2024 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.



## South Tees Development Corporation Group - Annual Financial Statements 2023/24

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

2023/24	General Fund Balance £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	58,233	(83,011)	24,708	70
Adjustments involving the Pensions Reserve	24	-	-	(24)
Adjustments involving the Accumulated Absences Adjustment Account	(3)	-	-	3
<b>Total Adjustments</b>	<b>58,254</b>	<b>(83,011)</b>	<b>24,708</b>	<b>49</b>

2022/23	General Fund Balance £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	72,038	(170,502)	98,464	-
Adjustments involving the Pensions Reserve	346	-	-	(346)
<b>Total Adjustments</b>	<b>72,384</b>	<b>(170,502)</b>	<b>98,464</b>	<b>(346)</b>

### 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 2023/24

Earmarked Reserves	Balance at 1 April 2023 £000s	Transfers Out 2023/24 £000s	Transfers In 2023/24 £000s	Balance at 31 March 2024 £000s
<b>Revenue Reserves</b>				
Planned Activities - STDC	(29,993)	9,416	-	(20,577)
<b>Total Revenue Reserves</b>	<b>(29,993)</b>	<b>9,416</b>	<b>-</b>	<b>(20,577)</b>

Earmarked Reserves	Balance at 1 April 2022 £000s	Transfers Out 2022/23 £000s	Transfers In 2022/23 £000s	Balance at 31 March 2023 £000s
<b>Revenue Reserves</b>				
Planned Activities - STDC	(19,407)	486	(11,072)	(29,993)
<b>Total Revenue Reserves</b>	<b>(19,407)</b>	<b>486</b>	<b>(11,072)</b>	<b>(29,993)</b>

#### Details of reserves

The planned activities reserve for STDC relates to income received to support future site costs.

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Note 8: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Equipment	Assets Under Construction	Surplus Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>						
As at 1 April 2023	938	135	707	-	-	<b>1,780</b>
Additions	494	-	113	87,924	-	<b>88,531</b>
Revaluation	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at 31 March 2024	<b>1,432</b>	<b>135</b>	<b>820</b>	<b>87,924</b>	<b>-</b>	<b>90,311</b>
<b>Depreciation</b>						
As at 1 April 2023	-	82	96	-	-	<b>178</b>
Additions	-	-	-	-	-	-
Depreciation Charge	-	34	256	-	-	<b>290</b>
Impairments	494	-	-	59,459	-	<b>59,953</b>
Reclassification	-	-	-	-	-	-
Derecognition of Disposals	-	-	-	-	-	-
As at 31 March 2024	<b>494</b>	<b>116</b>	<b>352</b>	<b>59,459</b>	<b>-</b>	<b>60,421</b>
<b>Net Book Value</b>						
As at 31 March 2023	938	53	611	-	-	1,602
As at 31 March 2024	<b>938</b>	<b>19</b>	<b>468</b>	<b>28,465</b>	<b>-</b>	<b>29,890</b>

#### Basis of Classification

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

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 31/03/24 where no material amendments to this valuation were identified.

An independent valuers opinion of the current value of the STDC Buildings 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 31/03/24 by Knight Frank LLP.

Assets under construction relate to the construction of the South Bank quay and regeneration work being carried out on the land owned on the 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.

## **South Tees Development Corporation Group - Annual Financial Statements 2023/24**

### **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 £60 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 2024 the Group had entered into contracts which would continue into the 2024/25 financial year. These consisted of £16 million in relation to the ongoing remediation, demolition and regeneration works at the Teesworks site. (2022/23 £33 million)

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Note 8: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Equipment	Assets Under Construction	Surplus Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>						
As at 1 April 2022	205	135	-	26,024	15,000	<b>41,364</b>
Additions	-	-	707	182,366	-	<b>183,073</b>
Revaluation	-	-	-	-	-	-
Reclassification	2,457	-	-	(2,457)	-	-
Disposals	-	-	-	(88,463)	(15,000)	<b>(103,463)</b>
As at 31 March 2023	2,662	135	707	117,470	-	<b>120,974</b>
<b>Depreciation</b>						
As at 1 April 2022	-	44	-	-	-	<b>44</b>
Additions	-	-	-	-	-	-
Depreciation Charge	-	38	96	-	-	<b>134</b>
Impairments	1,724	-	-	117,470	-	<b>119,194</b>
Reclassification	-	-	-	-	-	-
Derecognition of Disposals	-	-	-	-	-	-
As at 31 March 2023	1,724	82	96	117,470	-	<b>119,372</b>
<b>Net Book Value</b>						
As at 31 March 2022	205	91	-	26,024	15,000	41,320
As at 31 March 2023	<b>938</b>	<b>53</b>	<b>611</b>	-	-	<b>1,602</b>

#### Basis of Classification

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

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 31/03/23 where no material amendments to this valuation were identified. 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 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.

## **South Tees Development Corporation Group - Annual Financial Statements 2023/24**

### **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 £119 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 2023 the Group had entered into contracts which would continue into the 2023/24 financial year. These consisted of £33 million in relation to the ongoing remediation, demolition and regeneration works at the Teesworks site. (2021/22 £102 million)

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Note 9: Capital Adjustment Account

	2023/24 £000s	2022/23 £000s
<b>Balance at 1 April</b>	244,633	74,131
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Revenue expenditure funded from capital under statute	24,708	-
Disposal of Non Current Assets	-	103,463
Impairments	59,953	119,194
Depreciation	290	37
	<u>84,951</u>	<u>222,694</u>
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	-	(46,479)
Application of grants to capital financing from the Capital Grants Receipts	-	(5,000)
Statutory provision for the financing of capital investment charged against the General Fund	(1,685)	(486)
Capital expenditure charged against the General Fund balance	(256)	(227)
	<u>(1,941)</u>	<u>(52,192)</u>
<b>Balance at 31 March</b>	<b><u>327,643</u></b>	<b><u>244,633</u></b>

### 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 2024 £000s	31 March 2023 £000s
<b>Opening Capital Financing Requirement</b>	<b>245,142</b>	<b>114,357</b>
<b>Capital investment</b>		
Revenue expenditure funded from capital under statute	24,708	-
PPE Additions	88,531	182,977
<b>Sources of Finance</b>		
Government grants and other contributions	-	(46,479)
Capital Receipts	-	(5,000)
Sums set aside from revenue:		
Direct revenue contributions	(113)	(227)
Minimum Revenue Provision (MRP)	(1,685)	(486)
	<u>356,583</u>	<u>245,142</u>
<b>Closing Capital Financing Requirement</b>	<b><u>356,583</u></b>	<b><u>245,142</u></b>

### 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 2023/24 for travel costs amounted to Nil (2022/23 £295).

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

# South Tees Development Corporation Group - Annual Financial Statements 2023/24

## Note 12: Employee remuneration

The Below table sets out the senior employees remuneration for 2023/24:-

Remuneration of Senior Employees 2023/24						
Post holder information	Salary (Including fees & Allowances) £	Expense Allowances £	Benefits In Kind £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Operating Officer	132,776	-	-	<b>132,776</b>	18,359	<b>151,135</b>
Engineering & Project Director	17,870	-	-	<b>17,870</b>	1,905	<b>19,775</b>
Commercial Director	25,810	48	-	<b>25,858</b>	3,211	<b>29,069</b>
Operations Director	133,926	-	-	<b>133,926</b>	20,950	<b>154,876</b>
EHSS Director	84,427	-	-	<b>84,427</b>	13,762	<b>98,189</b>
Capital Projects Director	128,526	-	-	<b>128,526</b>	20,950	<b>149,476</b>
<b>TOTAL</b>	<b>523,335</b>	<b>48</b>	<b>-</b>	<b>390,607</b>	<b>60,778</b>	<b>602,520</b>

The Chief Operating Officer was created from April 2023 and the Director of Estates role was removed from the structure.

The Engineering & Project Director left the Group at the end of April 2023 and is seconded back to the Group to deliver the Groups remaining obligations on the Teesworks site. The cost of the secondment in the year was £138,510.

The Commercial Director left the Group at the end of May 2023.

All other roles in the above table were filled for the full financial year.

Group Governance arrangements were amended in 21/22 and are provided by Tees Valley Combined Authority where the roles and responsibilities of the Group Chief Executive and Group Director of Finance & Resources covered the Corporation Group in 23/24.

Recharges for each post for the year were:-

Group Chief Executive £105,437 (2022/23 £99,046)

Group Director of Finance & Resources £64,482 (2022/23 £73,387)

Remuneration of Senior Employees 2022/23						
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	140,216	1,319	-	<b>141,535</b>	28,324	<b>169,859</b>
Commercial Director	127,075	3,025	236	<b>130,336</b>	23,913	<b>154,249</b>
Operations Director	129,125	-	-	<b>129,125</b>	24,992	<b>154,117</b>
EHSS Director	81,095	-	-	<b>81,095</b>	16,381	<b>97,476</b>
Capital Projects Director	123,725	-	-	<b>123,725</b>	24,992	<b>148,717</b>
Director of Estates	111,437	-	204	<b>111,641</b>	21,097	<b>132,738</b>
<b>TOTAL</b>	<b>712,673</b>	<b>4,344</b>	<b>440</b>	<b>717,457</b>	<b>139,699</b>	<b>857,156</b>

With the exception of the Director of Estates, who joined the Corporation in May 22, all other posts in the above table were employed by the Corporation for the full year.

The previous Strategic Utilities Project Director left the organisation at the end of 2021/22.

Group Governance arrangements were amended in 21/22 and are provided by Tees Valley Combined Authority where the roles and responsibilities of the Group Chief Executive and Group Director of Finance & Resources covered the Corporation in 22/23.

Recharges for each post for the year were:-

Group Chief Executive £99,046 (2021/22 £98,839)

Group Commercial Director Nil (2021/22 £60,330)

Group Director of Finance & Resources £73,387 (2021/22 £66,597)

# South Tees Development Corporation Group - Annual Financial Statements 2023/24

## 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
	2023/24	2022/23
£50,001 - £55,000	3	7
£55,001 - £60,000	3	3
£60,001 - £65,000	4	6
£65,001 - £70,000	2	-
£70,001 - £75,000	-	2
£75,001 - £80,000	-	-
£80,001 - £85,000	1	-
£85,001 - £90,000	2	2
£95,001 - £95,000	1	-

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

## Note 13: Long Term Assets

	31 March 2024 £000s	31 March 2023 £000s
Net Pension Asset	327	171
Other entities and individuals	118,712	101,486
	<b>119,039</b>	<b>101,657</b>

## Note 14: Debtors

	31 March 2024 £000s	31 March 2023 £000s
Central Government	18,549	13,765
Local Government	777	62,344
Other entities and individuals	14,397	11,180
	<b>33,723</b>	<b>87,289</b>

## Note 15: Cash and Cash Equivalents

	31 March 2024 £000s	31 March 2023 £000s
Bank and Imprests	4,088	19,740
Restricted Cash	2,634	1,620
	<b>6,722</b>	<b>21,360</b>

## Note 16: Short Term Creditors

	31 March 2024 £000s	31 March 2023 £000s
Central Government	(10,258)	(148)
Local Government	(2,347)	(69,088)
Other entities and individuals	(29,092)	(42,745)
	<b>(41,697)</b>	<b>(111,981)</b>

## Note 17: Other Long Term Liabilities

	31 March 2024 £000s	31 March 2023 £000s
Provisions	-	(23)
Long Term Borrowing	(327,257)	(217,161)
	<b>(327,257)</b>	<b>(217,184)</b>



## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Note 18: 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 21.

#### Senior Officers

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

#### Related Parties

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.

South Tees Development Corporation hold a minority share holding in Teesworks Limited and as such Teesworks Limited is accounted for as an associate.

Teesside International Airport is a member of the Tees Valley Combined Authority group structure and therefore is classed as a related party to South Tees Development Corporation Group.

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

<b>2023/24</b>	<b>Income Received £000s</b>	<b>Expenditure £000s</b>
Tees Valley Combined Authority	81	4,469
Teesworks Limited	11,038	139
Teesside International Airport	-	-
Middlesbrough Council	-	19
Redcar & Cleveland Borough Council	267	101
Stockton on Tees Borough Council	-	5
<b>Total</b>	<b>11,386</b>	<b>4,733</b>

<b>2022/23</b>	<b>Income Received £000s</b>	<b>Expenditure £000s</b>
Tees Valley Combined Authority	63,604	2,629
Teesworks Limited	30,868	3,972
Teesside International Airport	12	11
Middlesbrough Council	-	22
Redcar & Cleveland Borough Council	-	107
Stockton on Tees Borough Council	-	5
<b>Total</b>	<b>94,484</b>	<b>6,746</b>

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

	<b>Long Term Debtors £000s</b>	<b>Short Term Debtors £000s</b>	<b>Long Term Creditors £000s</b>	<b>Short Term Creditors £000s</b>
Redcar & Cleveland Borough Council	-	267	-	21
Tees Valley Combined Authority	-	510	327,257	5,859
Teesworks Limited	118,712	10,288	-	139
<b>Total</b>	<b>118,712</b>	<b>11,065</b>	<b>327,257</b>	<b>6,019</b>

As at 31 March 2023 the below balances were held in the Group's balance sheet in respect of the controlled organisations.

	<b>Long Term Debtors £000s</b>	<b>Short Term Debtors £000s</b>	<b>Long Term Creditors £000s</b>	<b>Short Term Creditors £000s</b>
Tees Valley Combined Authority	-	62,343	216,761	69,488
Teesside International Airport	-	26	-	-
Teesworks Limited	101,486	1,670	-	19
<b>Total</b>	<b>101,486</b>	<b>64,039</b>	<b>216,761</b>	<b>69,507</b>

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Note 19: External Audit Costs

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

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
Fees payable to Mazars LLP with regard to external audit services	-	35
Fees payable to Ernst Young with regard to external audit services	85	-
Fees payable to Azets with regard to external audit services	44	57
	<b>129</b>	<b>92</b>

### Note 20: Grant Income

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

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
<b>Credited to Taxation and Non Specific Grant Income</b>		
STDC Business Case Grant via TVCA	-	4,979
Freeport Grant via TVCA	-	21,500
Offshore Wind Grant via TVCA	-	20,000
Get Building Fund Grant via TVCA	-	-
<b>Total</b>	<b>-</b>	<b>46,479</b>
<b>Credited to Services</b>		
Redmond Review	12	-
STDC Business Case Grant via TVCA	-	16,840
Apprentice Grant	-	1
	<b>12</b>	<b>16,841</b>
<b>Total</b>	<b>12</b>	<b>63,320</b>

The Group may receive grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balance at the year-end is as follows:

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
Remediation contributions from BP	1,232	-

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### 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 Tees Valley Combined Authority and trade payables for goods and services received

#### Financial Instruments

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

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

	Long Term		Short Term	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£000s	£000s	£000s	£000s
At Amortised Cost	118,712	101,486	20,086	94,509
<b>Total financial assets</b>	<b>118,712</b>	<b>101,486</b>	<b>20,086</b>	<b>94,509</b>

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

	Long Term		Short Term	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£000s	£000s	£000s	£000s
At Amortised Cost	(327,257)	(217,161)	(34,958)	(111,755)
<b>Total financial liabilities</b>	<b>(327,257)</b>	<b>(217,161)</b>	<b>(34,958)</b>	<b>(111,755)</b>

#### 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	2023-234 Total £'000	2022-23 Total £'000
Interest expense on liabilities held at amortised cost	3,868	-	3,868	1,960
Losses from changes in fair value of assets held at fair value through profit and loss	-	-	-	-
<b>Interest Payable and Similar Charges</b>	<b>3,868</b>	<b>-</b>	<b>3,868</b>	<b>1,960</b>
Interest income on assets held at amortised cost	-	(2,558)	(2,558)	(3,022)
Dividend income on assets held at fair value through profit and loss	-	-	-	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>(2,558)</b>	<b>(2,558)</b>	<b>(3,022)</b>
<b>Net Impact on surplus/deficit on provision of services</b>	<b>3,868</b>	<b>(2,558)</b>	<b>1,310</b>	<b>(1,062)</b>

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### Note 21: Financial Instruments

#### Financial Instruments - Fair Values

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

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

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

Financial Assets	Level	Balance Sheet		Fair Value	
		Balance Sheet	Fair Value	Balance Sheet	Fair Value
		<b>31 March 2024</b>		31 March 2023	
		<b>£000s</b>	<b>£000s</b>	£000s	£000s
Money Market Funds	1	6,722	6,722	21,360	21,360
Other Long Term Assets*	N/A	118,712	118,712	101,486	91,486
Other Short Term Assets*	N/A	13,364	13,364	73,149	73,149
<b>Total Financial Assets</b>		<b>138,798</b>	<b>138,798</b>	<b>195,995</b>	<b>185,995</b>
<i>Recorded on Balance Sheet as:-</i>					
Long Term Debtors		118,712		101,486	
Short Term Debtors		13,364		73,149	
Cash and Cash Equivalents		6,722		21,360	
<b>Total Financial Assets</b>		<b>138,798</b>		<b>195,995</b>	

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

Financial Liabilities	Level	Balance Sheet		Fair Value	
		Balance Sheet	Fair Value	Balance Sheet	Fair Value
		<b>31 March 2024</b>		31 March 2023	
		<b>£000s</b>	<b>£000s</b>	£000s	£000s
Long Term Loans**	3	(330,806)	(271,958)	(137,711)	(137,711)
Other Short Term Liabilities*	N/A	(31,409)	(31,409)	(191,205)	(191,205)
<b>Total Financial Liabilities</b>		<b>(362,215)</b>	<b>(303,367)</b>	<b>(328,916)</b>	<b>(328,916)</b>
<i>Recorded on Balance Sheet as:-</i>					
Short Term Creditors		(31,409)		(191,205)	
Short Term Borrowing		(3,549)			
Long Term Borrowing		(327,257)		(137,711)	
<b>Total Financial Liabilities</b>		<b>(362,215)</b>		<b>(328,916)</b>	

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.

**Note 21: Financial Instruments**

**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.

Credit Risk	Trade Receivables	Trade Receivables
	31 March 2023	31 March 2023
	£000s	£000s
Current / Past Due > than 3 months	11,132	79,333
Past Due 3-6 months	13	-
Past Due 6-12 months	394	763
Past Due 12+ months	1,825	3,053
<b>Total Receivables</b>	<b>13,364</b>	<b>83,149</b>

**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 2023		31 March 2022	
	£000s		£000s	
Within 1 Year	(3,549)	-	-	-
1-2 Years	(18,909)	-	(128,428)	-
2-5 Years	(23,446)	-	(9,346)	-
Over 5 Years	(284,902)	-	(79,387)	-
<b>Total</b>	<b>(330,806)</b>	<b>-</b>	<b>(217,161)</b>	<b>-</b>

**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 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 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.

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### 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:

	<b>Local Government Pension Scheme</b>	
	<b>2023/24 £000s</b>	<b>2022/23 £000s</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
· Current service cost	198	636
· Past service cost	-	-
<b>Financing and Investment Income and Expenditure</b>		
Net interest cost	8	34
<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>206</b>	<b>670</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
· Return on plan assets (excluding the amount included in the net interest expense)	(110)	20
· Actuarial gains and losses arising on changes in financial assumptions	(133)	(1,150)
· Actuarial gains and losses due to liability experience	73	(346)
· Actuarial gains and losses due to changes in demographic assumptions	(10)	(122)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(180)</b>	<b>(1,598)</b>
<b>Movement in Reserves Statement</b>		
· Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(206)	(670)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
· Employers' contributions payable to scheme	<b>166</b>	<b>324</b>

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.18m) (2022/23 (£1.599m))

## South Tees Development Corporation Group - Annual Financial Statements 2023/24

### 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	
	2023/24 £000s	2022/23 £000s
Present value of defined benefit obligation	(1,955)	(1,659)
Fair value of assets	2,282	1,830
Net liability recognised in the Balance Sheet	<b>327</b>	<b>171</b>

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

	Local Government Pension Scheme	
	2023/24 £000s	2022/23 £000s
Opening fair value of scheme assets at 1 April	1,830	1,308
Interest income	93	42
Remeasurement gains and (losses)	110	36
Contributions from the employer	166	324
Contributions from employees into the scheme	92	140
Benefits paid	(9)	(20)
<b>Closing balance value of scheme assets at 31 March</b>	<b>2,282</b>	<b>1,830</b>

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

	Local Government Pension Scheme	
	2023/24 £000s	2022/23 £000s
Opening balance of defined benefit obligation at 1 April	(1,659)	(2,389)
Current service cost	(198)	(636)
Interest cost	(85)	(76)
Contributions by scheme participants	(92)	(140)
Actuarial gains and losses - financial assumptions	133	1,150
Actuarial gains and losses - demographic assumption	10	122
Actuarial gains and losses - liability experience	(73)	290
Benefits paid	9	20
Past service cost	-	0
<b>Closing balance of defined benefit obligation at 31 March</b>	<b>(1,955)</b>	<b>(1,659)</b>

#### Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2023/24		2022/23	
	£000s	%	£000s	%
Equity investments (Quoted)	1,740.4	76.3%	1,373	74.0%
Property (Quoted)	226.0	9.9%	161	9.0%
Cash	82.9	3.6%	122	7.0%
Other Investments	232.7	10.2%	175	10.0%
	<b>2,282.0</b>	<b>100%</b>	<b>1,830</b>	<b>100%</b>



**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 2022.

The principal assumptions used by the actuary have been:

	2023/24	2022/23
Mortality assumptions:		
<u>Longevity at 65 for current pensioners:</u>		
Men	20.5	20.6
Women	23.5	23.7
<u>Longevity at 45 for future pensioners:</u>		
Men	21.3	21.5
Women	25.0	25.2
<u>Other assumptions:</u>		
Rate of inflation (CPI)	2.75%	2.95%
Rate of increase in salaries	3.75%	3.95%
Rate for discounting scheme liabilities	4.85%	4.75%

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**

	<b>Increase</b>	<b>Base Figure</b>	<b>Decrease</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Longevity (decrease or increase in 1 year)	(151)	(73)	5
Rate of increase in salaries (decrease or increase by 0.1%)	(73)	(73)	(73)
Rate of increase in pensions payment (decrease or increase by 0.1%)	(116)	(73)	(30)
Rate for discounting scheme liabilities (decrease or increase by 0.1%)	(116)	(73)	(30)

**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 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 2025. 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 £0.166m contributions to the scheme in 2024/2025.

The weighted average duration of the defined benefit obligation for scheme members is 22 years.

## South Tees Development Corporation Group - Annual Financial Statements 2023/234

### 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	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24 £000s	2022/23 £000s
£1 to £20,000	2	18	4	26	6	44	45	386
£20,001 to £40,000	-	-	-	3	-	3	-	79
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>18</b>	<b>4</b>	<b>29</b>	<b>6</b>	<b>47</b>	<b>45</b>	<b>465</b>

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 2023	Financing Cashflows	Non Financing Cashflows	31 March 2024
	£000s	£000s	£000s	£000s
Long term Borrowing	(217,161)	(110,096)	-	(327,257)
	1 April 2023	Financing Cashflows	Non Financing Cashflows	31 March 2023
	£000s	£000s	£000s	£000s
Long term Borrowing	(74,238)	(142,923)	-	(217,161)

### Note 25: Provisions

Within South Tees Site Company a provision of £17k exists in relation to statutory redundancy payments for employees transferred from SSI UK (in liquidation) who remained in employment. (2022/23 £23k)

### 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 is £1,095,000. 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. This was settled in full in 2023/24 and therefore is now removed (22/23 £257,466).

**Note 27: Post Balance Sheet Events**

The Draft Statement of Accounts was authorised for issue by the Group Director of Finance & Resources on 15 September 2024. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

# South Tees Development Corporation Statement of Accounts 2023/24

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Movement in Reserves Statement for the year ended 31 March 2024

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

	General Fund Balance	Capital Grants Unapplied	Total Usable Reserves	Capital Adjustment Account	Other Unusable Reserves	Unusable Reserves	Total Corporation Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Movement in reserves during 2022/23</u></b>							
<b>Balance at 1 April 2022 brought forward</b>	19,729	-	<b>19,729</b>	(64,650)	(1,098)	<b>(65,748)</b>	<b>(46,019)</b>
Total Comprehensive Income and Expenditure	(71,279)	-	<b>(71,279)</b>	-	1,598	<b>1,598</b>	<b>(69,681)</b>
Adjustments between accounting basis & funding basis under regulations (Note 5)	81,865	-	<b>81,865</b>	(179,983)	98,118	<b>(81,865)</b>	-
<b>Increase/Decrease in Year</b>	<b>10,586</b>	-	<b>10,586</b>	<b>(179,983)</b>	<b>99,716</b>	<b>(80,267)</b>	<b>(69,681)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>30,315</b>	-	<b>30,315</b>	<b>(244,633)</b>	<b>98,618</b>	<b>(146,015)</b>	<b>(115,700)</b>
Amounts earmarked (Note 6)	29,993						
Amounts uncommitted	322						
<b>Total General Fund Balance at 31 March 2023</b>	<b>30,315</b>						
<b><u>Movement in reserves during 2023/24</u></b>							
<b>Balance at 1 April 2023 brought forward</b>	30,315	-	<b>30,315</b>	(244,633)	98,618	<b>(146,015)</b>	<b>(115,700)</b>
Total Comprehensive Income and Expenditure	(67,958)	-	<b>(67,958)</b>	-	180	<b>180</b>	<b>(67,778)</b>
Adjustments between accounting basis & funding basis under regulations (Note 5)	58,323	-	<b>58,323</b>	(83,010)	24,687	<b>(58,323)</b>	-
<b>Increase/Decrease in Year</b>	<b>(9,635)</b>	-	<b>(9,635)</b>	<b>(83,010)</b>	<b>24,867</b>	<b>(58,143)</b>	<b>(67,778)</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>20,680</b>	-	<b>20,680</b>	<b>(327,643)</b>	<b>123,485</b>	<b>(204,158)</b>	<b>(183,478)</b>
<b>General Fund analysed over:</b>							
Amounts earmarked (Note 6)	20,358						
Amounts uncommitted	322						
<b>Total General Fund Balance at 31 March 2024</b>	<b>20,680</b>						

South Tees Development Corporation - Annual Financial Statements 2023/24

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

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

<b>2022/23</b>				<b>2023/24</b>		
<b>£000s</b>	<b>£000s</b>	<b>£000s</b>		<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Expenditure</b>	<b>Income</b>	<b>Net</b>		<b>Expenditure</b>	<b>Income</b>	<b>Net</b>
5,263	(391)	<b>4,872</b>	Core Running Costs	5,293	(447)	<b>4,846</b>
23,946	(16,840)	<b>7,106</b>	Enabling Infrastructure	10,089	-	<b>10,089</b>
129,105	(41,568)	<b>87,537</b>	Development Costs	60,077	(8,356)	<b>51,721</b>
<b>158,314</b>	<b>(58,799)</b>	<b>99,515</b>	<b>Cost Of Services</b>	<b>75,459</b>	<b>(8,803)</b>	<b>66,656</b>
			<i>Financing and Investment Income and Expenditure:</i>			
1,960	-	<b>1,960</b>	Interest payable and similar charges	3,868	-	<b>3,868</b>
76	(42)	<b>34</b>	Net interest on the net defined benefit liability/asset	85	(93)	<b>(8)</b>
-	(3,022)	<b>(3,022)</b>	Interest and investment income	-	(2,558)	<b>(2,558)</b>
			<i>Taxation and Non-Specific Grant Income:</i>			
-	(27,209)	<b>(27,209)</b>	Capital grants and contributions	-	-	-
<b>160,350</b>	<b>(89,072)</b>	<b>71,278</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>79,412</b>	<b>(11,454)</b>	<b>67,958</b>
		(1,598)	Re-measurements of the defined benefit liability			(180)
		<b>(1,598)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(180)</b>
		<b>69,680</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>67,778</b>

## South Tees Development Corporation - Annual Financial Statements 2023/24

### STDC Balance Sheet as at 31 March 2024

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by 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 2024 £000s	31 March 2023 £000s
<b>Non-current assets</b>			
Property, plant and equipment	7	29,422	991
Long Term Debtors	12	118,712	101,486
Net Pension Asset	16 & 22	327	171
<b>Total non-current assets</b>		<u>148,461</u>	<u>102,648</u>
<b>Current assets</b>			
Debtors	13	35,221	79,344
Cash and Cash Equivalents	14	1,605	10,634
<b>Total current assets</b>		<u>36,826</u>	<u>89,978</u>
<b>Current liabilities</b>			
Short Term Borrowing		(3,549)	-
Capital Contributions In Advance	19	(1,232)	-
Short Term Creditors	15	(36,727)	(91,165)
<b>Total current liabilities</b>		<u>(41,508)</u>	<u>(91,165)</u>
<b>Long term liabilities</b>			
Long Term Borrowing	16	(327,257)	(217,161)
<b>Total long term liabilities</b>		<u>(327,257)</u>	<u>(217,161)</u>
<b>Net Assets:</b>		<u>(183,478)</u>	<u>(115,700)</u>
<b>Reserves</b>			
<b>Usable reserves:</b>			
General Fund Balance		322	322
Earmarked General Fund Reserves	6	20,358	29,993
		20,680	30,315
<b>Unusable Reserves:</b>			
Pensions Reserve	16 & 22	327	171
Capital Adjustment Account	8	(327,643)	(244,633)
Deferred Capital Receipts Reserve		123,172	98,464
Accumulated Absences Account		(14)	(17)
		(204,158)	(146,015)
<b>Total Reserves:</b>		<u>(183,478)</u>	<u>(115,700)</u>

Gary Macdonald .....

Group Director of Finance & Resources

Date

## South Tees Development Corporation - Annual Financial Statements 2023/24

### STDC Cash Flow Statement For The Year Ended 31 March 2024

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	2023/24 £000s	2022/23 £000s
<b>Net (surplus) or deficit on the provision of services</b>		<b>67,958</b>	71,278
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>			
Depreciation, impairment and amortisation of non current assets		(47,056)	(99,961)
Pension Fund adjustments		(24)	(345)
Increase/(Decrease) in Revenue Debtors	13	(44,123)	(36,350)
(Increase)/Decrease in Revenue Creditors	15	48,041	72,149
(Increase)/Decrease in Grants/Contributions Received in Advance	19	(1,232)	-
Increase/(Decrease) in Long Term Debtors	12	17,226	76,728
		<b>(27,168)</b>	12,221
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>			
Capital Grants credited to surplus or deficit on the provision of services		(12,828)	17,956
		<b>(12,828)</b>	17,956
<b>Net cashflow from operating activities</b>		<b>27,962</b>	101,455
<b>Investing activities</b>			
Purchase of property, plant and equipment, investment property and intangibles		81,884	158,503
Proceeds from sale of property, plant and equipment, investment property and intangibles		-	(88,464)
Proceeds from short term and long term investments		-	-
Other investing activity expenditure		12,828	28,523
Other receipts from investing activities		-	(46,479)
<b>Net cashflow from investing activities</b>		<b>94,712</b>	52,083
<b>Financing activities</b>			
Movement in short and long term borrowings		(113,645)	(142,923)
<b>Net cashflow from financing activities</b>		<b>(113,645)</b>	(142,923)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>9,029</b>	10,615
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>10,634</b>	21,249
<b>Cash and cash equivalents at the end of the reporting period</b>	14	<b>1,605</b>	10,634
<b>The cashflow for operating activities includes the following items:</b>			
Interest received		-	-
Interest paid		1,627	-



## South Tees Development Corporation - Annual Financial Statements 2023/24

### 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.

2022/23			2023/24		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	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
4,522	350	<b>4,872</b>	(3,155)	8,001	<b>4,846</b>
23,946	(16,840)	<b>7,106</b>	10,089	-	<b>10,089</b>
(10,566)	98,103	<b>87,537</b>	(8,232)	59,953	<b>51,721</b>
<b>17,902</b>	<b>81,613</b>	<b>99,515</b>	<b>(1,298)</b>	<b>67,954</b>	<b>66,656</b>
(17,902)	(10,335)	(28,237)	1,298	4	1,302
-	<b>71,278</b>	<b>71,278</b>	-	<b>67,958</b>	<b>67,958</b>
322		<b>Opening General Fund Balance at 1 April</b>	<b>322</b>		
-		Less/Plus Surplus or (Deficit)	-		
<b>322</b>		<b>Closing General Fund Balance at 31 March</b>	<b>322</b>		

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 1: Expenditure & Funding Analysis STDC

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

<b>Adjustments between Funding and Accounting Basis 2023/24</b>				
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	34	32	7,935	<b>8,001</b>
Enabling Infrastructure	-	-	-	-
Development Costs	59,954		(1)	<b>59,953</b>
<b>Net Cost Of Services</b>	59,988	32	7,934	<b>67,954</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	-	(8)	12	<b>4</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	59,988	24	7,946	<b>67,958</b>

<b>Adjustments between Funding and Accounting Basis 2022/23</b>				
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	37	313	-	350
Enabling Infrastructure	-	-	(16,840)	(16,840)
Development Costs	108,691		(10,588)	98,103
<b>Net Cost Of Services</b>	108,728	313	(27,428)	<b>81,613</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,209)	34	16,840	(10,335)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	81,519	347	(10,588)	<b>71,278</b>

## South Tees Development Corporation - Annual Financial Statements 2023/24

**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:

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
<b>Expenditure</b>		
Employee benefits expenses	1,731	2,718
Other services expenses	26,569	55,635
Revaluation, Depreciation, amortisation and impairment	47,159	99,961
Interest payments	3,953	2,036
<b>Total Expenditure</b>	<b>79,412</b>	<b>160,350</b>
<b>Income</b>		
Fees, charges and other service income	(8,777)	(22,688)
Interest and investment income	(2,651)	(3,064)
Government grants and contributions	(26)	(63,320)
<b>Total Income</b>	<b>(11,454)</b>	<b>(89,072)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>67,958</b>	<b>71,278</b>

### Segmental Income

Income received on a segmental basis is analysed below:

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
<b>Services</b>		
	<b>Income from Services</b>	Income from Services
Core Running Costs	(421)	(390)
Development Costs	(8,356)	(22,298)
<b>Total income analysed on a segmental basis</b>	<b>(8,777)</b>	<b>(22,688)</b>

## South Tees Development Corporation - Annual Financial Statements 2023/24

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

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

- IFRS 16 Leases issued in January 2016
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
  - clarify how lending conditions affect classification, and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

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

### Note 3: Critical Judgements in Applying Accounting Policies

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by 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 2024 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 21
- **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.

## South Tees Development Corporation - Annual Financial Statements 2023/24

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

2023/24	General Fund Balance £000s	Deferred Capital Receipts £000s	Capital Adjustment Account £000s	Other Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	58,302	24,708	(83,010)	-
Adjustments involving the Pensions Reserve	24	-	-	(24)
Adjustments involving the Accumulated Absences Adjustment Account	(3)	-	-	3
<b>Total Adjustments</b>	<b>58,323</b>	<b>24,708</b>	<b>(83,010)</b>	<b>(21)</b>

2022/23	General Fund Balance £000s	Deferred Capital Receipts £000s	Capital Adjustment Account £000s	Other Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	81,519	98,464	(179,983)	-
Adjustments involving the Pensions Reserve	346	-	-	(346)
<b>Total Adjustments</b>	<b>81,865</b>	<b>98,464</b>	<b>(179,983)</b>	<b>(346)</b>

### 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 2023/24

Earmarked Reserves	Balance at 1 April 2023 £000s	Transfers Out 2023/24 £000s	Transfers In 2023/24 £000s	Balance at 31 March 2024 £000s
<b>Revenue Reserves</b>				
Planned Activities	(29,993)	9,635	-	(20,358)
<b>Total Revenue Reserves</b>	<b>(29,993)</b>	<b>9,635</b>	<b>-</b>	<b>(20,358)</b>

Earmarked Reserves	Balance at 1 April 2022 £000s	Transfers Out 2022/23 £000s	Transfers In 2022/23 £000s	Balance at 31 March 2023 £000s
<b>Revenue Reserves</b>				
Planned Activities	(19,407)	486	(11,072)	(29,993)
<b>Total Revenue Reserves</b>	<b>(19,407)</b>	<b>486</b>	<b>(11,072)</b>	<b>(29,993)</b>

#### Details of reserves

The planned activities reserve relates to funding held in reserve to facilitate future operational costs of the Corporation.

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 7: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
As at 1 April 2023	938	135	-	-	<b>1,073</b>
Additions	-	-	-	75,590	<b>75,590</b>
Reclassification	-	-	-	-	-
Disposals	-	-	-	-	-
As at 31 March 2024	938	135	-	75,590	<b>76,663</b>
<b>Depreciation</b>					
As at 1 April 2023	-	82	-	-	<b>82</b>
Additions	-	-	-	-	-
Depreciation Charge	-	34	-	-	<b>34</b>
Impairments	-	-	-	47,125	<b>47,125</b>
Derecognition of Disposals	-	-	-	-	-
As at 31 March 2024	-	116	-	47,125	<b>47,241</b>
<b>Net Book Value</b>					
As at 31 March 2023	938	53	-	-	991
As at 31 March 2024	<b>938</b>	<b>19</b>	-	<b>28,465</b>	<b>29,422</b>

#### Basis of Classification

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

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 31/03/24 where no material amendments to this valuation were identified.

An independent valuers opinion of the current value of the STDC Buildings 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 31/03/24 by Knight Frank LLP.

Assets under construction relate to the construction of the South Bank quay and regeneration work being carried out on the land owned on the 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.

#### 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 £47 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 2024 the Corporation had entered into contracts which would continue into the 2024/25 financial year. These consisted of £13.1 million in relation to the ongoing remediation, demolition and regeneration works at the Teesworks site. (2022/23 £21 million)

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 7: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
As at 1 April 2022	205	135	-	26,024	<b>26,364</b>
Additions	15,000	-	-	163,096	<b>178,096</b>
Reclassification	2,457	-	-	(2,457)	-
Disposals	(15,000)	-	-	(88,463)	<b>(103,463)</b>
As at 31 March 2023	2,662	135	-	98,200	<b>100,997</b>
<b>Depreciation</b>					
As at 1 April 2022	-	44	-	-	<b>44</b>
Additions	-	-	-	-	-
Depreciation Charge	-	38	-	-	<b>38</b>
Impairments	1,724	-	-	98,200	<b>99,924</b>
Derecognition of Disposals	-	-	-	-	-
As at 31 March 2023	1,724	82	-	98,200	<b>100,006</b>
<b>Net Book Value</b>					
As at 31 March 2022	205	91	-	26,024	26,320
As at 31 March 2023	<b>938</b>	<b>53</b>	-	-	<b>991</b>

#### Basis of Classification

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

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 31/03/23 where no material amendments to this valuation were identified.

An independent valuers opinion of the current value of the STDC Buildings 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 31/03/23 by Knight Frank LLP.

Assets under construction relate to the construction of the South Bank quay and regeneration work being carried out on the land owned on the 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.

#### 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 £97 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 2023 the Corporation had entered into contracts which would continue into the 2023/24 financial year. These consisted of £21 million in relation to the ongoing remediation, demolition and regeneration works at the Teesworks site. (2021/22 £102 million)

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 8: Capital Adjustment Account

	<b>2023/24</b> <b>£000s</b>	<b>2022/23</b> <b>£000s</b>
<b>Balance at 1 April</b>	244,633	64,649
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Revenue expenditure funded from capital under statute	37,536	28,524
Impairments	47,125	99,924
Depreciation	34	38
Disposal of Non Current Assets	-	103,463
	<u>84,695</u>	<u>231,949</u>
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	-	(46,479)
Application of grants to capital financing from the Capital Receipts	-	(5,000)
Statutory provision for the financing of capital investment charged against the General Fund	(1,685)	(486)
	<u>(1,685)</u>	<u>(51,965)</u>
<b>Balance at 31 March</b>	<b><u>327,643</u></b>	<b><u>244,633</u></b>

### 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.

	<b>31 March 2024</b> <b>£000s</b>	31 March 2023 £000s
<b>Opening Capital Financing Requirement</b>	<b>243,685</b>	<b>113,283</b>
<b>Capital investment</b>		
Revenue expenditure funded from capital under statute	37,536	28,524
PPE Additions	75,590	163,096
<b>Sources of Finance</b>		
Government grants and other contributions	-	(46,479)
Capital Receipts	-	(5,000)
Conversion of Loan to Grant	-	(9,253)
Sums set aside from revenue:		
Minimum Revenue Provision (MRP)	(1,685)	(486)
<b>Closing Capital Financing Requirement</b>	<b><u>355,126</u></b>	<b><u>243,685</u></b>

### 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 2023/24 for travel costs amounted to Nil (2022/23 £295).

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



## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 11: Employee remuneration

The Below table sets out the senior employees remuneration for 2023/24:-

Remuneration of Senior Employees 2023/24						
Post holder information	Salary (Including fees & Allowances) £	Expense Allowances £	Benefits In Kind £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Operating Officer	132,776	-	-	<b>132,776</b>	18,359	<b>151,135</b>
Engineering & Project Director	17,870	-	-	<b>17,870</b>	1,905	<b>19,775</b>
Commercial Director	25,810	48	-	<b>25,858</b>	3,211	<b>29,069</b>
Operations Director	133,926	-	-	<b>133,926</b>	20,950	<b>154,876</b>
EHSS Director	84,427	-	-	<b>84,427</b>	13,762	<b>98,189</b>
Capital Projects Director	128,526	-	-	<b>128,526</b>	20,950	<b>149,476</b>
<b>TOTAL</b>	<b>523,335</b>	<b>48</b>	<b>-</b>	<b>390,607</b>	<b>60,778</b>	<b>602,520</b>

The Chief Operating Officer was created from April 2023 and the Director of Estates role was removed from the structure.

The Engineering & Project Director left the Corporation at the end of April 2023 and is seconded back to the Corporation to deliver the Corporations remaining obligations on the Teesworks site. The cost of the secondment in the year was £138,510.

The Commercial Director left the Corporation at the end of May 2023.

All other roles in the above table were filled for the full financial year.

Group Governance arrangements were amended in 21/22 and are provided by Tees Valley Combined Authority where the roles and responsibilities of the Group Chief Executive and Group Director of Finance & Resources covered the Corporation in 23/24.

Recharges for each post for the year were:-

Group Chief Executive £35,146 (2022/23 £33,015)

Group Director of Finance & Resources £21,494 (2022/23 £20,186)

Remuneration of Senior Employees 2022/23						
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	140,216	-	-	<b>140,216</b>	28,324	<b>168,540</b>
Commercial Director	127,075	115	236	<b>127,426</b>	23,913	<b>151,339</b>
Operations Director	129,125	-	-	<b>129,125</b>	24,992	<b>154,117</b>
EHSS Director	81,095	-	-	<b>81,095</b>	16,381	<b>97,476</b>
Capital Projects Director	123,725	-	-	<b>123,725</b>	24,992	<b>148,717</b>
Director of Estates	111,437	-	204	<b>111,641</b>	21,097	<b>132,738</b>
<b>TOTAL</b>	<b>712,673</b>	<b>115</b>	<b>440</b>	<b>713,228</b>	<b>139,699</b>	<b>852,927</b>

With the exception of the Director of Estates, who joined the Corporation in May 22, all other posts in the above table were employed by the Corporation for the full year.

The previous Strategic Utilities Project Director left the organisation at the end of 2021/22.

Group Governance arrangements were amended in 21/22 and are provided by Tees Valley Combined Authority where the roles and responsibilities of the Group Chief Executive and Group Director of Finance & Resources covered the Corporation in 22/23.

Recharges for each post for the year were:-

Group Chief Executive £33,015 (2021/22 £32,946)

Group Commercial Director Nil (2021/22 £22,199)

Group Director of Finance & Resources £20,186 (2021/22 £20,110)

## South Tees Development Corporation - Annual Financial Statements 2023/24

### 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
	2023/24	2022/23
£50,001 - £55,000	-	3
£55,001 - £60,000	-	1
£60,001 - £65,000	1	2
£65,001 - £70,000	1	-
£70,001 - £75,000	-	1
£75,001 - £80,000	-	-
£80,001 - £85,000	1	-

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 2024 £000s	31 March 2023 £000s
Net Pension Asset	327	171
Other entities and individuals	118,712	101,486
	<b>119,039</b>	<b>101,657</b>

### Note 13: Debtors

	31 March 2024 £000s	31 March 2023 £000s
Central Government	18,101	13,023
Local Government	777	62,342
Other entities and individuals	16,343	3,979
	<b>35,221</b>	<b>79,344</b>

### Note 14: Cash and Cash Equivalents

	31 March 2024 £000s	31 March 2023 £000s
Bank and Imprests	592	10,634
Cash Equivalents	1,013	-
	<b>1,605</b>	<b>10,634</b>

### Note 15: Short Term Creditors

	31 March 2024 £000s	31 March 2023 £000s
Central Government	(22)	(50)
Local Government	(2,167)	(9,306)
Other entities and individuals	(34,538)	(81,809)
	<b>(36,727)</b>	<b>(91,165)</b>

### Note 16: Other Long Term Liabilities

	31 March 2024 £000s	31 March 2023 £000s
Long Term Borrowing	(327,257)	(217,161)
	<b>(327,257)</b>	<b>(217,161)</b>

## South Tees Development Corporation - Annual Financial Statements 2023/24

### 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 2023/24 (none in 2022/23).

#### 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.

South Tees Development Corporation hold a minority share holding in Teesworks Limited and as such Teesworks Limited is accounted for as an associate. 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 responsibility for the future development of the site together with the net future liabilities in preparing the site for tenants is transferred to Teesworks 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.

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

Teesside International Airport is a member of the Tees Valley Combined Authority group structure and therefore is classed as a related party to South Tees Development Corporation Group.

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

2023/24	Income Received £000s	Expenditure £000s
Tees Valley Combined Authority	81	4,469
South Tees Site Company	87	3,640
South Tees Developments Limited	-	19,116
Teesworks	10,874	139
Middlesbrough Borough Council	-	19
Redcar & Cleveland Borough Council	267	82
Stockton on Tees Borough Council	-	5
<b>Total</b>	<b>11,309</b>	<b>27,470</b>

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 17: Related Party Transactions

2022/23	Income Received £000s	Expenditure £000s
Tees Valley Combined Authority	44,333	2,332
South Tees Site Company	95	20,335
South Tees Developments Limited	-	31,889
Teesside International Airport	12	10
Teesworks	30,321	1,578
Middlesbrough Borough Council	-	22
Redcar & Cleveland Borough Council	-	78
Stockton on Tees Borough Council	-	5
<b>Total</b>	<b>74,761</b>	<b>56,249</b>

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

	Long Term Debtors £000s	Short Term Debtors £000s	Long Term Creditors £000s	Short Term Creditors £000s
Tees Valley Combined Authority	-	510	327,257	5,679
South Tees Site Company	-	4,937	-	10,593
South Tees Developments Limited	-	406	-	169
Redcar & Cleveland Borough Council	-	267	-	21
Teesworks	118,712	10,239	-	139
<b>Total</b>	<b>118,712</b>	<b>16,359</b>	<b>327,257</b>	<b>16,601</b>

As at 31 March 2023 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	-	62,343	217,161	9,306
South Tees Site Company	-	1,944	-	50,401
South Tees Developments Limited	-	-	-	1,709
Teesside International Airport	-	26	-	-
Teesworks	101,486	1,670	-	20
<b>Total</b>	<b>101,486</b>	<b>65,983</b>	<b>217,161</b>	<b>61,436</b>

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 18: External Audit Costs

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

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
Fees payable to Mazars LLP with regard to external audit services	-	35
Fees payable to Ernst Young with regard to external audit services	85	-

### Note 19: Grant Income

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

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
<b>Credited to Taxation and Non Specific Grant Income</b>		
STDC Business Case Grant via TVCA	-	4,979
Freeport Capital Grant via TVCA	-	21,500
Offshore Wind Grant via TVCA	-	20,000
<b>Total</b>	<b>-</b>	<b>46,479</b>
<b>Credited to Services</b>		
STDC Business Case Grant via TVCA	-	16,840
Redmond Review	12	-
Apprenticeship grant	-	1
	<b>12</b>	<b>16,841</b>
<b>Total</b>	<b>12</b>	<b>63,320</b>

The Corporation may receive grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balance at the year-end is as follows:

	<b>2023/24</b>	2022/23
	<b>£000s</b>	£000s
Remediation contributions from BP	1,232	-

# South Tees Development Corporation - Annual Financial Statements 2023/24

## Note 20: 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 Tees Valley Combined Authority and trade payables for goods and services received

### Financial Instruments

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

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

	Long Term		Short Term	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£000s	£000s	£000s	£000s
At Amortised Cost	118,712	101,486	18,516	76,648
<b>Total financial assets</b>	<b>118,712</b>	<b>101,486</b>	<b>18,516</b>	<b>76,648</b>

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

	Long Term		Short Term	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£000s	£000s	£000s	£000s
At Amortised Cost	(327,257)	(217,161)	(40,222)	(91,059)
<b>Total financial liabilities</b>	<b>(327,257)</b>	<b>(217,161)</b>	<b>(40,222)</b>	<b>(91,059)</b>

# South Tees Development Corporation - Annual Financial Statements 2023/24

## Note 20: Financial Instruments

<b>Financial Instruments - Gains and Losses</b>	<b>Financial Liabilities £'000</b>	<b>Financial Assets £'000</b>	<b>2023-24 Total £'000</b>	<b>2022-23 Total £'000</b>
Interest expense on liabilities held at amortised cost	3,868	-	3,868	1,960
Losses from changes in fair value of assets held at fair value through profit and loss	-	-	-	-
<b>Interest Payable and Similar Charges</b>	<b>3,868</b>	<b>-</b>	<b>3,868</b>	<b>1,960</b>
Interest income on assets held at amortised cost	-	(2,558)	(2,558)	(3,022)
<b>Interest and Investment Income</b>	<b>-</b>	<b>(2,558)</b>	<b>(2,558)</b>	<b>(3,022)</b>
<b>Net Impact on surplus/deficit on provision of services</b>	<b>3,868</b>	<b>(2,558)</b>	<b>1,310</b>	<b>(1,062)</b>

### Financial Instruments - Fair Values

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

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

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

<b>Financial Assets</b>	<b>Level</b>	<b>Balance Sheet</b>		<b>Balance Sheet</b>	
		<b>Fair Value</b>	<b>Fair Value</b>	<b>31 March 2023</b>	<b>Fair Value</b>
		<b>31 March 2024</b>		<b>31 March 2023</b>	
		<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Other Long Term Assets	N/A	118,712	118,712	101,486	101,486
Other Short Term Assets*	N/A	18,516	18,516	76,648	76,648
<b>Total Financial Assets</b>		<b>137,228</b>	<b>137,228</b>	<b>178,134</b>	<b>178,134</b>
<i>Recorded on Balance Sheet as:-</i>					
Long Term Debtors		118,712		101,486	
Short Term Debtors		16,911		66,014	
Cash and Cash Equivalents		1,605		10,634	
<b>Total Financial Assets</b>		<b>137,228</b>		<b>178,134</b>	

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

# South Tees Development Corporation - Annual Financial Statements 2023/24

## Note 20: Financial Instruments

Financial Liabilities	Level	Balance Sheet		Fair Value		Balance Sheet		Fair Value	
		31 March 2024		31 March 2023		31 March 2023		31 March 2023	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Long Term Loans**	3	(330,806)	(271,958)	(217,161)	(217,161)	(217,161)	(217,161)	(217,161)	(217,161)
Other Short Term Liabilities*	N/A	(36,673)	(36,673)	(91,059)	(91,059)	(91,059)	(91,059)	(91,059)	(91,059)
<b>Total Financial Liabilities</b>		<b>(367,479)</b>	<b>(308,631)</b>	<b>(308,220)</b>	<b>(308,220)</b>	<b>(308,220)</b>	<b>(308,220)</b>	<b>(308,220)</b>	<b>(308,220)</b>
<i>Recorded on Balance Sheet as:-</i>									
Short Term Creditors		(36,673)		(158,608)		(158,608)		(158,608)	
Short Term Borrowing		(3,549)		-		-		-	
Long Term Borrowing		(327,257)		(74,238)		(74,238)		(74,238)	
<b>Total Financial Liabilities</b>		<b>(367,479)</b>		<b>(232,846)</b>		<b>(232,846)</b>		<b>(232,846)</b>	

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 loans are owed to Tees Valley Combined Authority.

### 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**

### Credit Risk:

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

Credit Risk	Trade Receivables		Trade Receivables	
	31 March 2024		31 March 2023	
	£000s	£000s	£000s	£000s
Current / Past Due > than 3 months	16,014		76,015	
Past Due 3-6 months	-		-	
Past Due 6-12 months	390		-	
Past Due 12+ months	507		-	
<b>Total Receivables</b>	<b>16,911</b>		<b>76,015</b>	

### Liquidity Risk

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

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

Liquidity Risk	Borrowing		Investments		Borrowing		Investments	
	31 March 2024		31 March 2023		31 March 2023		31 March 2023	
	£000s		£000s		£000s		£000s	
Within 1 Year	(3,549)	-	-	-	-	-	-	-
1-2 Years	(18,909)	-	(128,428)	-	(128,428)	-	-	-
2-5 Years	(23,446)	-	(9,346)	-	(9,346)	-	-	-
Over 5 Years	(284,902)	-	(79,387)	-	(79,387)	-	-	-
<b>Total</b>	<b>(330,806)</b>	<b>-</b>	<b>(217,161)</b>	<b>-</b>	<b>(217,161)</b>	<b>-</b>	<b>-</b>	<b>-</b>



## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 20: 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.

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 21: 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:

	<b>Local Government Pension Scheme</b>	
	<b>2023/24 £000s</b>	<b>2022/23 £000s</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
· Current service cost	198	636
· Past service cost	-	-
<b>Financing and Investment Income and Expenditure</b>		
Net interest cost	8	34
<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>206</b>	<b>670</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
· Return on plan assets (excluding the amount included in the net interest expense)	(110)	20
· Actuarial gains and losses arising on changes in financial assumptions	(133)	(1,150)
· Actuarial gains and losses due to liability experience	73	(346)
· Actuarial gains and losses due to changes in demographic assumptions	(10)	(122)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(180)</b>	<b>(1,598)</b>
<b>Movement in Reserves Statement</b>		
· Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(206)	(670)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
· Employers' contributions payable to scheme	<b>166</b>	<b>324</b>

The amount included in the Comprehensive Income and Expenditure Account as "Re-measurements of the defined benefit liability" is (£0.18m) (2022/23 (£1.599m))

## South Tees Development Corporation - Annual Financial Statements 2023/24

### Note 21: 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	
	2023/24 £000s	2022/23 £000s
Present value of defined benefit obligation	(1,955)	(1,659)
Fair value of assets	2,282	1,830
Net liability recognised in the Balance Sheet	<b>327</b>	<b>171</b>

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

	Local Government Pension Scheme	
	2023/24 £000s	2022/23 £000s
Opening fair value of scheme assets at 1 April	1,830	1,308
Interest income	93	42
Remeasurement gains and (losses)	110	36
Contributions from the employer	166	324
Contributions from employees into the scheme	92	140
Benefits paid	(9)	(20)
<b>Closing balance value of scheme assets at 31 March</b>	<b>2,282</b>	<b>1,830</b>

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

	Local Government Pension Scheme	
	2023/24 £000s	2022/23 £000s
Opening balance of defined benefit obligation at 1 April	(1,659)	(2,389)
Current service cost	(198)	(636)
Interest cost	(85)	(76)
Contributions by scheme participants	(92)	(140)
Actuarial gains and losses - financial assumptions	133	1,150
Actuarial gains and losses - demographic assumption	10	122
Actuarial gains and losses - liability experience	(73)	290
Benefits paid	9	20
Past service cost	-	0
<b>Closing balance of defined benefit obligation at 31 March</b>	<b>(1,955)</b>	<b>(1,659)</b>

#### Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2023/24		2022/23	
	£000s	%	£000s	%
Investment Funds (Quoted)	1,740.4	76.3%	1,372.9	74.0%
Property (Quoted)	226.0	9.9%	160.8	9.0%
Cash	82.9	3.6%	121.8	7.0%
Other Investments	232.7	10.2%	174.5	10.0%
	<b>2,282.0</b>	<b>100%</b>	<b>1,830.0</b>	<b>100%</b>

**Note 21: 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 2022.

The principal assumptions used by the actuary have been:

	2023/24	2022/23
Mortality assumptions:		
<u>Longevity at 65 for current pensioners:</u>		
Men	20.5	20.6
Women	23.5	23.7
<u>Longevity at 45 for future pensioners:</u>		
Men	21.3	21.5
Women	25.0	25.2
<u>Other assumptions:</u>		
Rate of inflation (CPI)	2.75%	2.95%
Rate of increase in salaries	3.75%	3.95%
Rate for discounting scheme liabilities	4.85%	4.75%

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**

	<b>Increase</b>	<b>Base Figure</b>	<b>Decrease</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Longevity (decrease or increase in 1 year)	(2,033)	(1,955)	(1,877)
Rate of increase in salaries (decrease or increase by 0.1%)	(1,955)	(1,955)	(1,955)
Rate of increase in pensions payment (decrease or increase by 0.1%)	(1,998)	(1,955)	(1,912)
Rate for discounting scheme liabilities (decrease or increase by 0.1%)	(1,998)	(1,955)	(1,912)

**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 2025. 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 £0.166m contributions to the scheme in 2024/2025.

The weighted average duration of the defined benefit obligation for scheme members is 22 years.



## **Statement of Accounting Policies - STDC and Group**

### **General Principles**

The Statement of Accounts summarises STDC's and Group transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

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 Corporation and cash generated from operations. The functions of the authority 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.

An asset ceiling test limits the amount of the net pension asset that can be recognized to the lower of (1) the amount of the net pension asset or (2) the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plan.

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

Service cost comprising:

- *current service cost*: the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- *past service cost*: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- net interest on the net defined benefit liability: i.e. net interest expense for the Corporation - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

Contributions paid to the Teesside Pension Fund:

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Corporation to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The 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.



## **Statement of Accounting Policies - STDC and Group**

### **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.

#### **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

## **Statement of Accounting Policies - STDC and Group**

- the grants or contributions will be received.

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

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

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.

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

### Statement of Accounting Policies - STDC and Group

- 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 in the Consolidated Income Statement from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their 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 authority'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.

## **Depreciation**

**Statement of Accounting Policies - STDC and Group**

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.

# South Tees Development Corporation and Group - Annual Financial Statements 2023/24

## 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 2024.



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

**Date:** 19/09/2024

These financial statements replace the unaudited financial statements certified by the Director of Finance on 19th September 2024

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

**Date:**



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

## Glossary of Terms

### Accruals

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

### Amortised cost

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

### Capital Charge

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

### Capital Expenditure

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

### Consistency

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

### Contingency

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

### Depreciation

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

### Effective interest method

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

### Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the 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.

## 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.

## 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".