

# SOUTH TEES DEVELOPMENT CORPORATION

**Date:** Monday 18 November 2024 @ 14:00

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

**Membership:** Allan Armstrong Independent Member (Chair)  
Geoff Westmoreland Independent Member (Vice Chair)  
Mike Sharp Independent Member  
Cllr Peter Grogan TVCA Audit and Governance Committee  
Representative

## AGENDA

**1. Apologies for Absence**

To receive apologies for absence.

**2. Declarations of Interest**

To receive any declarations of interest.

**3. Minutes and Action Tracker**

To approve as a correct record the minutes of the meeting held on 5 September 2024.

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

**4. Executive Update**

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

**5. External Audit Update Mazars 2021/2022 and 2022/2023**

To receive a report from Victoria Smith, Group Financial Controller, presenting an update from Suresh Patel of Mazars in respect of the 2021/2022 and 2022/2023 audits.

**6. External Audit Update Ernst Young 2023/2024**

To receive an update report from Victoria Smith, Group Financial Controller, presenting an update from Claire Mellons of Ernst Young in respect of the 2023/2024 audit.

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**7. Group Draft Financial Statements 2023/2024**

To receive a report from Victoria Smith, Group Financial Controller in respect of the Group Draft Financial Statements for 2023/2024.

**8. Internal Audit Actions Update**

To receive a report from Victoria Smith, Group Financial Controller presenting an update on internal audit actions.

**9. Summary Internal Controls Assurance Update and Internal Audit Reports**

To receive an update from Andrew McCulloch, Director of Audit at TIAA, on the emerging Governance, Risk and Internal Control related issues and progress of work, including:

- TIAA Control of Major Accident Hazard STDC Report
- TIAA Key Financial Controls Report

**10. Draft STDC Annual Governance Statement 2023/204**

To receive a report from Emma Simson, Group Chief Legal Officer and Monitoring Officer seeking approval of the draft STDC Annual Governance Statement.

**11. Data Protection Update Report**

To receive an update report from Emma Simson, Group Chief Legal Officer and Monitoring Officer in respect of Data Protection.

**12. Risk Management Report**

To receive and consider a report from Angela Hart, Head of Performance, Risk and Assurance presenting the South Tees Development Corporation's Risk Portfolio as of September 2024.

*(This item is exempt under the terms of paragraph 3 of schedule 12a Local Government Act 1972, (information relating to the financial or business affairs of any particular person (including the authority holding that information))).*

**13. Environmental, Health & Safety Update Report**

To receive and note a report from Derek Weatherill the Environmental, Health, Safety and Security Director providing an activity update since the last meeting.

*(This item is exempt under the terms of paragraph 3 of schedule 12a Local Government Act 1972, (information relating to the financial or business affairs of any*

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*particular person (including the authority holding that information))).*

**14. Date and Time of Next Meeting**

Thursday 13 February 2025 at 14.00

**Members of the Public – Rights to Attend Meeting**

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

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

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & GOVERNANCE COMMITTEE

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

**Date:** Thursday 5 September 2024

**Time:** 10:00am

**Venue:** Teesside Airport Business Suite, Teesside International Airport

<b>Attendees:</b>		<b>Apologies:</b>
Mike Sharp (MS)	Independent Member (Chair)	Allan Armstrong
John Baker	Independent Member	Cath Andrews
Geoff Westmoreland (GW)	Independent Member	Claire Mellons
Gary Macdonald (GM)	TVCA	
Victoria Smith (VS)	TVCA	
Emma Simson (ES)	TVCA	
Derek Weatherill (DW)	South Tees Development Corporation	
Guy Close	TVCA	
Elaine Braham	TVCA	
Mark Rutter (MR)	Ernst Young	
Suresh Patel	Mazars (via Teams)	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC-A&G 01/2024	<b>Welcome &amp; introductions</b>	Mike Sharp, Independent Member, (MS), welcomed members to the meeting.		
STDC-A&G 02/2024	<b>Apologies for Absence</b>	Apologies for absence had been received from Allan Armstrong, Independent Member, Cath Andrews, Mazars and Claire Mellons, Ernst Young.		
STDC-A&G 03/2024	<b>Declarations of Interest</b>	<p>The following declarations of interest were recorded:</p> <ul style="list-style-type: none"> <li>• John Baker, Independent Member, (JB) – South Tees Development Corporation Board Member and South Tees Site Company Board Member.</li> <li>• Derek Weatherill, EHS Director, (DW) – South Tees Site Company Board Member.</li> <li>• Gary Macdonald, Group Director of Finance and Resources, (GM), South Tees Site Company Board Member.</li> </ul>		
STDC - A&G 04/2024	<b>Minutes of Previous Meetings &amp; Action Tracker</b>	The minutes of the meeting held on the 17 June 2024 were agreed as a true and accurate record.		
STDC-A&G 05/2024	<b>Tees Valley Independent Review</b>	<p>The Committee had received a report from the Acting Chief Legal Officer and Monitoring Officer presenting an update on work undertaken against the recommendations arising from the Tees Valley Independent Review.</p> <p>It recommended that the STDC Audit and Governance Committee:</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>i) <b>NOTES</b> the report and supporting information which will be considered at the Cabinet meeting on 27 September 2024; and</p> <p>ii) <b>AGREES</b> its final response to STDC Board on 26 September 2024 and subsequently to Cabinet for consideration at its meeting on 27 September 2024.</p> <p>Emma Simson, Acting Chief Legal Officer and Monitoring Officer, (ES), tabled a timeline detailing the governance process that had been followed to date, which had culminated in the development of the proposed response to the Secretary of State.</p> <p>ES thanked members for their commitment to the process so far and explained that their role now was to consider this proposal and provide a written response to the STDC Board on the 26 September and subsequently TVCA Cabinet on the 27 September.</p> <p>ES noted that whilst the papers cover the full response, the report splits the recommendations down into key areas.</p> <p>ES provided an update in respect of the recommendations pertinent to this Committee.</p> <p><b>Constitutional Changes</b></p> <ul style="list-style-type: none"> <li>• GM noted that Recommendation 11 asked that ‘<i>TVCA review the group statutory officer roles and consider, where allowable in law, whether having different officers, perhaps drawn from the Constituent Authorities, would provide a greater degree of checks and balance</i>’. He explained that constituent local authorities were asked to consider the extent of conflict of having one set of statutory officers. TVCA were not privy to their conversations and their proposed outcome is to have ‘Heads Of’ roles. Therefore, the proposed constitutional amendment is to replace the likes of the Monitoring Officers role with a ‘Head Of’, but noted that the statutory officers will retain their roles of delegation.</li> <li>• It is proposed that there will be a Chief Operating Officer which will cover both Middlesbrough and Hartlepool Development Corporation.</li> <li>• Protocols have been added to the Constitution in respect of Attendance at Public Meetings and Public Participation in those public meetings.</li> <li>• In response to recommendation 16, skills matrices are to be introduced for all boards and committees. This is to demonstrate an appropriately skilled and balanced Board. The Committee was reminded that appointment to a Mayoral Development Corporation Board</li> </ul>		

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		<p>is prescribed by Statute. The Mayor proposes the Board to the Combined Authority Cabinet, and it is the Combined Authority Cabinet that approves those appointments.</p> <ul style="list-style-type: none"> <li>• ES explained that there is a statutory requirement to review the existence of MDCs on an annual basis. This has been formalised within the Constitution and provides details pertaining to how each DC will report into Cabinet. This will result in TVCA Cabinet receiving two updates in a municipal year, on each Development Corporation.</li> <li>• ES highlighted that Appendix 8 is the Statutory Officer Conflict of Interest Protocol, in response to Recommendation 10.</li> <li>• A standing agenda item has been added to all Development Corporation Board Agendas and that of Cabinet pertaining to Delegated Decisions in order to ensure visibility of all decisions taken under delegation.</li> <li>• GM added that references to procurement activity had been futureproofed in line with the impending Procurement Act 2023 (which is not yet law) but was not a requirement of the Tees Valley Review.</li> </ul> <p><b>Assurance Frameworks</b></p> <ul style="list-style-type: none"> <li>• It was explained that the Assurance Framework governs the funding that flows through the different entities.</li> <li>• Historically it had been assumed that Chief Executives of constituent authorities would consult with their Finance Directors (FDs) and Monitoring Officers (MOs) as they saw fit. In response to the recommendations FDs and MOs are now invited to attend the Chief Executive meetings.</li> </ul> <p><b>Members Questions</b></p> <ul style="list-style-type: none"> <li>• JB noted that at the end of this process, a report will be submitted that everyone has endorsed, and asked what the timeline is following that. GM confirmed that the Mayor will respond to the Secretary of State, but what is not known is the timeline once this has happened. ES explained that this process feeds into that response. The Mayor has been asked by the Secretary of State to respond within six months. The Secretary of State is aware of our Governance processes and is aware that the response will be forthcoming at the end of September.</li> </ul>		

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		<ul style="list-style-type: none"> <li>• JB noted that TVCA is currently in negotiations with the JV Partners. ES explained that TVCA hopes to receive a response from the JV Partners in the near future, however this committee is required to provide a response to the board by 17 September. ES advised that if a response has not been received then their report could note that they withhold comment until a response has been received from the JV Partners</li> <li>• ES explained that in response to recommendation 21, Endeavour Law had been commissioned to compile a bible of documents detailing all legal agreements with the JV Partners. The full list of the documents and a description of these had now been received and TVCA will now form the bible, including all contractual documentation, which will be redacted to take account of commercial sensitivities prior to publication. Members will be advised once publication has taken place.</li> <li>• JB noted that two of the points are with Government and ES confirmed that a response is awaited.</li> <li>• ES explained that the reports from TVCA Overview and Scrutiny Committee and TVCA Audit and Governance Committee will be presented to TVCA Cabinet and the report from this committee will be presented to STDC Board. STDC Board will then feedback to Cabinet at its meeting on 27 September.</li> </ul> <p><b>Summary in respect of Financial Recommendations</b></p> <ul style="list-style-type: none"> <li>• GM advised the committee that the FDs had been briefed in full. <ul style="list-style-type: none"> <li>▪ Recommendation 1 – was to provide a high-level assessment of risk. ES confirmed that if a decision were taken to wind up an MDC, constituent authorities could not be mandated to take on board its assets and liabilities. TVCA would be on point for the liabilities, and the FDs have confirmed that they are happy with the processes that are in place. They have had sight of the model and are regularly updated on the Medium-Term Financial Plan (MTFP) and position statement.</li> <li>▪ Recommendation 27 - advised that consideration be given to securing CIPFA or other external support to provide independent assessment of proposed changes for strengthening internal audit. CIPFA’s final report is included at Appendix 12.</li> <li>▪ Recommendation 28 - advises that the Director of Finance and Resources works with the external auditors to complete their value for money arrangements for 2021/2022. Members were aware of the ongoing discussions with Mazars, and TVCA are working with them to close down accounts.</li> </ul> </li> </ul>	<p><b>Committee to be advised upon publication</b></p>	<p><b>Governance</b></p>



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		<p>recently taken over from his former colleague Cameron Waddell, who had recently retired, and apologised to GM as he had not been able to meet with him in advance of the meeting. SP advised that cash flow is the only outstanding issue. The more substantial piece of work relates to the 28 recommendations from the Tees Valley Review, and they are being supported by GM and the Finance Team to progress the outstanding work pertaining to Value for Money (VFM). This is in progress but has been complicated due to the significant level of information contained in the report. Mazars have sought independent legal advice in respect of the report and a response is expected this week, with the hope being that Mazars will be in a position to respond by the end of the month. VS updated that there had been an outstanding issue with regards to VAT, Mazars had employed a tax lawyer who had agreed with the position taken by PWC and TVCA.</p> <ul style="list-style-type: none"> <li>• JB asked when the committee could expect to see the accounts being completed. SP was reluctant to agree to a date as they were waiting for others to respond.</li> <li>• MS advised that he is firmly on record in respect of the delay pertaining to the accounts and believed that the 2021/2022 accounts held no weight now and highlighted the need to progress with the 2022/2023. He asked if these would be signed off by the end of the year. SP advised that a backstop date had now been put in place for mid-December, so this would need to happen before then.</li> <li>• GM asked SP to detail the processes they have to go through. SP advised that they undertake a technical review of the draft accounts, before producing a draft VFM judgement, this is then scrutinised by a panel who challenge the auditor on the decisions they are making. SP advised that he believes it is important that the committee are kept apprised of where he is up to with them, the process normally takes 3-4 weeks which is why he is saying October.</li> <li>• VS highlighted that the backstop date also includes the 2022/2023 accounts and asked if we would be in a position to conclude these before then. SP was unsure whether this would be possible.</li> <li>• MS asked SP if he will be attending committees in future. SP advised that initially there may be some conflicts with his diary commitments but would always aim to attend either via Teams (in the case of a conflict) or in person.</li> </ul> <p>Members were asked if they had any further comments that they wished noting:</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> <li>• GW felt that he had been well briefed over the course of the briefing sessions and his comments had been addressed.</li> <li>• MS noted that the Overview and Scrutiny Committee are insisting on being involved in pre decision making. Guy Close, Governance and Scrutiny Manager, (GC), provided the following example to members of what pre-decisions scrutiny might look like. The Overview and Scrutiny Working Group might meet to discuss the proposed budget and they would feed back to the Overview and Scrutiny Committee prior to a decision being made. MS felt that the way it had been written it implied that they wanted to be involved in all decisions. GC clarified that it is about providing scrutiny prior to a decision being taken rather than through call in powers afterwards. ES noted that this would not take away the option for urgent decision making.</li> <li>• JB asked if the Overview and Scrutiny Committee would convene as required rather than the current 4 times a year. GC explained that the Scrutiny Protocol will go to Cabinet for approval on 27 September, it recommends that the Overview and Scrutiny committee will meet 4 times per year. The committee will also facilitate two further meetings per year focused on Mayors Question Time. JB felt that their concerns around potential delay in decision making should be included in their report to STDC Board and Cabinet.</li> <li>• ES explained that Overview and Scrutiny is a legislative requirement, and there is a five-day call-in period in which they can call in any key decisions made by Cabinet in order to scrutinise them in advance of a decision being implemented.</li> <li>• ES explained that the topic of debate is the level of scrutiny the committee can have over the MDCs, and whilst it can ask for members to come before it, it cannot mandate them to do so, they can also ask to see the papers. ES believed that we will find that they will ask more questions, but this needs to be done alongside effective decision making of the MDC boards.</li> <li>• GW felt that this element needed to be kept under review to ensure that the complexities are managed.</li> <li>• GM explained that the scrutiny report considers the scrutiny of financial decisions. He noted the link between Overview and Scrutiny, and Audit and Governance and how this then links in with STDC Audit and Governance. He felt that this committee should give thought as to how this would work in practice, and this should form part of their response to the STDC Board and Cabinet.</li> <li>• MS noted that Appendix 21, Tees Valley Governance Review &amp; South Tees Development Corporation, Detail, point 1, recommends that STDC appoint a larger board, and advised</li> </ul>		

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		<p>that in his experience if a board is too large it becomes ineffective. Point 5 recommends the appointment of Independent Statutory Officers, MS did not agree with this recommendation, he did not believe it would provide greater accountability and felt that it needed greater consideration.</p> <p>ES advised members that herself and GM are conflicted on this item and explained that if members wished to discuss the item further, they would need to leave the room. JB asked that the discussion continue.</p> <p><i>Emma Simson and Gary Macdonald left the room</i></p> <ul style="list-style-type: none"> <li>• JB noted that this would just be another post to lean on, increasing costs and could cause delay, and he felt it was more about how we audit ourselves. He raised concern that additional statutory officers, given the nature of the alignment between TVCA and STDC would be likely to create unnecessary conflict and slow progress and effective audit. MS agreed and felt that the proposed action was too much. MS also felt that additional statutory officers would come at a huge expense to the taxpayer. These additional posts would either all agree, at which a large amount was expended for no discernible benefit. Alternatively they may fundamentally disagree, which would mean a huge amount had been expended to simply create an impasse. JB noted that we do not want to get in to a position where we create delay</li> <li>• MS asked SP and Mark Rutter, Ernst Young, (MR), for their thoughts in terms of value for money. MR advised that he could not provide advice on this item, but did not feel that the costs involved were insignificant. SP felt that it falls back to Governance and how it is managed. JB felt that this item should be revisited at a later date.</li> <li>• GW highlighted the need to understand how the matrix and complexity will work, and felt that in one respect it was adding redundancy in to the system that was not needed, but acknowledged that there are external pressures dictating that this redundancy comes in to play, but until they see how it manifests itself, they will not know. He felt that there needed to be a way to test it without investing in significant salaries associated with recruitment, and asked if there was a way to prototype it to some extent to determine whether the investment was appropriate.</li> <li>• GW shared the concerns expressed pertaining to the risk associated with the committed resource, and asked how we utilise the exiting governance that we have.</li> </ul>		

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		<p><i>Emma Simson and Gary Macdonald returned to the room</i></p> <p>ES provided an update in respect of the remaining recommendations:</p> <ul style="list-style-type: none"> <li>• <b>HM Government</b> <ul style="list-style-type: none"> <li>▪ Recommendation 4 – Julie Gilhespie, Chief Executive Officer, (JG) had asked Government to clarify its proposals for landfill tax, a response is still awaited, and they are aware that our response to the Secretary of State will note that a response is still awaited.</li> <li>▪ Recommendation 5 – DLUHC had been asked to clarify the regulations in respect of oversight, reserve matters and consents as well as stranded liabilities. ES explained that there is no provision in law, and TVCA had sought independent legal advice. If the Mayor and Cabinet choose to wind up an MDC, they must first find a home for the assets and liabilities, however the constituent authorities do not have to agree to take these. If an MDC goes into liquidation, the law is silent, in discussions with them it was felt that the law is silent for a reason, but this is a view.</li> </ul> </li> <li>• <b>Governance</b> <ul style="list-style-type: none"> <li>▪ Recommendations 6 and 7 – ES reported that the Centre for Overview and Scrutiny had provided a report which had been discussed in detail at the Overview and Scrutiny meeting on the 4 September 2024.</li> <li>▪ Recommendations 8 and 9 – the updated constitutions had been included in the pack. In the Cabinet report TVCA have committed to take an update in respect of one of the MDCs to each Cabinet. Further an update on all three will be taken to Cabinet annually with a recommendation that Cabinet review and make a decision pertaining to the continuation of the respective MDC's.</li> <li>▪ Recommendation 11 – ES noted that updates had been provided at briefings, and having discussed this recommendation with constituent authorities they felt they would have differing conflicts and would therefore no undertake this role.</li> <li>▪ Recommendation 16 – Boards have been extended to have a greater level of experience and the Mayor provided to Cabinet skills matrices and pen sketches for all members appointed at the Cabinet on 27 June 2024.</li> </ul> </li> </ul>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> <li>▪ Recommendation 17 – ES noted that TVCA will continue to produce comprehensive reports, but if members feel they need more information or have questions they should ask these.</li> <li>▪ Recommendation 18 – where possible TVCA will publish presentations as part of the meeting papers. Conflict of interest training has been commissioned and it will be delivered directly to members.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Constituent Authorities</b> <ul style="list-style-type: none"> <li>▪ Recommendations 13, 14, 15 and 20 – ES reported that TVCA have factored in to the paper approval process meetings with the Chief Executive Officers (CEO), FDs and MOs of the respective constituent authorities.</li> </ul> </li> <li>• <b>STDC and Teesworks</b> <ul style="list-style-type: none"> <li>▪ Recommendation 21 – as noted earlier, Endeavour Law have now provided the list of documentation that will form the bible of documents. The work required to compile these is significant, but once complete they will be shared.</li> <li>▪ Recommendations 22 and 23 – ES reported that the advice from Endeavour Law is that the agreements are legally binding. Discussions are ongoing with the JV Partners and their response is awaited. ES advised members that they reserve comment until a response is received.</li> </ul> </li> <li>• <b>Freedom of Information</b> <ul style="list-style-type: none"> <li>▪ Recommendation 26 – reporting on STDC FOIs is to be factored into the Forward Plan for the Committee. FOI statistics are now published on our website and will be updated quarterly.</li> </ul> </li> <li>• GM noted that the Committee are asking for risk reporting in respect of resourcing, and this will be brought to committee as part of future risk management reports.</li> </ul> <p><b>RESOLVED THAT:</b> The Committee noted the report and supporting information which will be considered at the STDC Board on 26 September and Cabinet meeting on 27 September; and agreed their final response for consideration at the aforementioned STDC Board.</p>	<p style="text-align: center;"><b>Update Forward Plan</b></p> <p style="text-align: center;"><b>Resourcing to be added to the Risk Management Report</b></p>	<p style="text-align: center;"><b>Governance</b></p> <p style="text-align: center;"><b>Performance, Risk and Assurance</b></p>

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC- A&G 06/2024	<b>Date &amp; Time of Next Meeting</b>	Thursday 24 October 2024 at 10:00am		

DRAFT

ITEM 3

Meeting	Item	Action	Owner	Target Date	Update
17-Mar-23	External Audit Completion Report Update 2021/22	Sign off Accounts subject to no material changes.	GM/Directors		
		Updated Accounts to be shared with the Committee.	VS	TBC	
20-Apr-23	Members Briefing	Devise a standard list of questions members should have at the forefront of their mind to ensure aligning to standards expected in their remit - to be included in Agenda at Future Away Day.	NR	TBC	NR has compiled a list of questions
		A future meeting to be held at Teesworks as an away day.	Governance	TBC	
	Annual Review of Committee Terms of Reference	To be included in Agenda at future Away Day	Governance	TBC	
	Review & Analysis of Committee Effectiveness Survey & Skills Audit	To be included in Agenda at future Away Day	Governance	TBC	
23-Feb-24	Minutes of Previous Meeting & Action Tracker	A date in June to be confirmed for the Away Day	Governance	TBC	Moved to later in year due to availability
	Executive Update	Park and Ride site logistics management is currently being considered in relation to Lackenby site and through traffic. To be added to the agenda for the next meeting.	Governance/ GM		Exec Update 24/10/24
	External Audit Progress Update	VS to respond to Mazars re HMRC query and the possible need to restate in the 2021/2022 accounts.	VS		
		Accounts to be shared with members for approval	VS		24/10/2024
		VS to liaise with Mazars re the IR and how this might impact the accounts.	VS		
		Members to receive update prior to the next meeting detailing progress made on the accounts, as well as definitive dates for when sign off will happen	VS/Mazars		Backstop date 13/12/24 for 21/22 and 22/23

	<b>Health and Safety</b>	NR/RJ to provide an update to the next meeting in respect of the insurance premiums for the Teesworks site.	NR/RJ	Next Meeting	
		Update to be provided to committee in relation to enduring risks once STSC is wound up.	NR/RJ		
<b>17-Jun-24</b>	<b>Internal Audit Update</b>	AA asked TIAA if there was anything the committee needed to be assured about. TIAA to respond outside of the meeting	AM/JB		
		VS to speak to HR re a Risk Management Training Module.	VS		
	<b>Whistleblowing Policy</b>	In line with comments made ES to review how complaints are raised, and provide further assurances around the potential for recrimination.	ES		

Completed actions archived

**REPORT OF GROUP CHIEF EXECUTIVE OFFICER**

**EXECUTIVE UPDATE REPORT**

**SUMMARY**

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

**RECOMMENDATIONS**

It is recommended that the STDC Audit and Governance Committee:

- i. **NOTES** the contents of this report.

**DETAIL**

**FREEPORT**

1. Plans and procedures are being developed to turn the site operational for the end of the calendar year, the boundary of the Freeport has been outlined in the South Bank area to incorporate the SeAH operational site and wider storage area, and the plans have been sent to HMRC for comment and approval. Work is underway to design a security gatehouse alongside the necessary security procedures to ensure it is fully operational and capable of expanding the Custom Zone from 3 acres to circa. 150 acres.
2. On Tax Zone East, all demolition works are complete and remediation works are complete to 18 acres, adjacent to Steel House, on the site of the proposed Park and Ride facility.

# SOUTH TEES DEVELOPMENT CORPORATION

## TENANT UPDATE

Major tenant updates are provided below:-

3. South Bank:
  - SeAH (c. 120.0 acres) – Construction, due for completion in Q1-2025.
    - In discussion with SeAH's to confirm their additional land requirements for storage (c. 20.0 to 30.0 acres)
  - Freeport 'Entrance/ Zone' (c. 4.0 acres) – planning submitted and determined.
  - Quay Building – Private Sector Steel River Quay Office; construction due to complete September 2024.
  - South Bank Spec Scheme – Outline planning approved, for circa 100,000 sq.ft flexible space, ranging from 3,500sq.ft to 13,000 sq.ft.
4. Dorman Point:
  - ERF (c. 22.0 acres) – progressing final Legal points, awaiting Bidder selection, construction due to start in H2-2025.
5. Lackenby:
  - British Steel (c. 40.0 acres) – Electric Arc Furnace progressing with various plans, Planning approved.
  - Ashcourt (c 6.0 acres) – Completed
6. Long Acres:
  - NatPower (c 50.0 acres) – Planning application due to submission shortly and progressing with legal negotiations.
7. NZT:
  - NZT (c. 150.0 acres) – Remediation underway due to complete in Q3/Q4 2024. Government sign-off and FID anticipated September/October 2024.
8. The Foundry:
  - H2 Teesside/ HyGreen (c. 150.0 acres) – Progressing with legal negotiations.

## SITE MAINTENANCE

9. A bridge assessment of all on site structures is being undertaken to understand the works necessary some of which from initial review will require intervention. Officers are reviewing the updated bridge assessments to ensure we have a structured plan of work that may be required in the medium to long term. A clear project plan will be put

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in place to ensure risk levels are managed and this will be reported to Board in due course.

10. Following approval by TVCA cabinet, South Tees Development Corporation is in the process of creating Teesworks Estate Management Company Limited (TEMCo) to manage the Estate on the owners' behalf including the provision of:

- Communal Estate Management Services and Service Charge Administration
- Commercial Services Management and Charges Administration
- Management and maintenance of the owners retained non-communal estate (voids).

The work to establish the management company is ongoing and once completed it will be reported back to Board through the Delegated Decision Process.

### **JV POWER**

11. Since last reported Officers have been working closely with our JV Partners and we have now exchanged on the sale of Private Wire Network; with completion subject to several Conditions Precedent. Satisfaction of these CPs is anticipated by the end of September 2024, and once completed it will be confirmed back to the Board through the Delegated Decision Process.

12. We previously confirmed that the JV Power Agreement dealt with the divestment of the electricity network and that the electricity supply would continue to be the responsibility of STDC/STSC. Since last reported Officers have been working alongside our JV Partners to de-risk any financial and commercial exposure to STDC/STSC. This work is continuing in the form of drafting supply agreements, which ensure any credit risk associated with supply is properly managed alongside discussion with Drax and Ofgem to explore how we can accelerate the installation of market facing meters and fully eliminate the responsibility of STDC/STSC from supply arrangements with existing and new tenants. This element of work is ongoing, and a further update will be brought to the next STDC Board Meeting.

### **UTILITIES**

13. The work to connect and accommodate SeAH's power requirements is complete. This is a completion of a significant milestone in respect of STDC's obligations under the SeAH agreement.

14. It was last reported that we had procured the upgrade of the Redcar High Voltage system to support the Park & Ride Scheme. These works have now commenced.

## **TEESWORKS**

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15. Officers are reviewing the existing Private Water Network in line with incoming tenant requirements. The intention is to develop and design a strategy that will encompass the optimisation of the existing water assets and the ability to supply incoming tenants with temporary construction potable water and permanent potable water, alongside raw water requirements for major users, e.g. NZT.
16. Officers will be concentrating on the long-term development planning of the Private Water Network expansion to align with tenant requirements, in accordance with NWL and Ofwat guidance. It is anticipated that the capital investment that may be needed in support of the incoming tenant requirements will be fully funded by the private sector. Officers are also exploring what options may exist for the potential future divestment of the private water network and a further update will be brought back to the next STDC Board Meeting.

## **PROGRAMME DEVELOPMENT**

### 17. Dorman Point

- The status on remediation of land is unchanged, with 60% of the site complete.
- Planning permission has been secured for the construction of the highway and site security entrance completion works adjacent to the Skills Academy, which will see the installation of a vehicle turnaround loop, security barriers and fencing. This project will go out to tender August/September and will commence in October.

### 18. South Bank

- Construction of South Bank Quay Phase 1 is complete. Installation of onshore utilities continues. The construction of the port operations building is well-advanced and will conclude in November 2024. Groundworks to prepare the 20 acres of hinterland immediately behind the Quay for port use completed in July.
- Construction of the main phase of South Bank Link Road is complete and attention has now turned to the implementation of a 350m long extension to this road, to provide access to South Bank Quay. Design work is well advanced and initial earthworks to prepare the corridor are scheduled to commence imminently.
- South Bank Watercourse, Phases 1A, 1B and 2A, amounting to 1.3km in length, are fully complete. Construction of the final phase remains on schedule to complete in October 2024. The final phase (Phase 2B) of 350m length of buried culvert section is complete and works are now progressing on the construction of the inter-tidal section, that will see the scheme break through to the river.

- HV power: Construction works for the main South Bank substation and the substation for SeAH are complete, along with all cable laying and energising works. 'Power on' for SeAH has thereby been achieved and the power supply is ready for SeAH to take as and when required.
- Construction of South Bank Quay Phase 1, the primary phase of the South Bank Link Road, the hinterland works, and the HV Power Supplies, are all physical works that were an STDC contractual obligation to deliver for SeAH, and all have been achieved ahead of the SeAH facility becoming operational.

#### 19. Demolition Works Programme

- The demolition programme is 99% complete. The remaining demolition works comprise the ongoing ancillary demolition works to the Redcar Power Station and Blast Furnace sites, ongoing pipeline removal works at Lackenby (both of which are well advanced), and the demolition of the TMO offices and neighbouring plant and buildings, where works are scheduled to commence September 2024 and complete by the end of the year. The TMO and related demolition works are linked to the provision of the NZT site for BP, which will see the programme delivery team relocate to alternative accommodation, where proposals are currently being developed.

#### 20. Net Zero Teesside

- Ground remediation works are now largely complete, with the remainder scheduled for completion in early October 2024, once the HV cable diversions referred to in paragraph 15 have been concluded.

#### 21. Teesworks Park and Ride Facility

- Advance earthworks to prepare the site for construction of the Park and Ride project are now complete, and the site is ready for construction of the facility.
- The detailed design of all phases of the project is complete and the scheme has recently been subject to a design and value engineering review, to optimise the overall solution. Tenders have now been issued for Phases 1 and 2 (comprising a new signalised junction on the A1085 Trunk Road and 700m of internal access road) and also Phase 3 (a 1,500-space car park and supporting operational facilities). Both contracts are scheduled to commence in October 2024. The Phase 1 and 2 contract is anticipated for completion by May 2025, and the Phase 3 contract is anticipated for completion by August 2025, in readiness for BP's NZT project car parking requirements, which is anticipated to require circa 1,500 car park spaces.

#### 22. Offsite Highway Improvement Works

- Consultant SYSTRA has been appointed to undertake the design of various highway improvement works required at the Greystones, Wilton West

## **SOUTH TEES DEVELOPMENT CORPORATION**

Gate/Trunk Road and A66/Tees Dock Road roundabout junctions, in response to conditions attached to the outline planning permissions secured for development across the Teesworks site. Design work has been progressing for the past five months, and the plan is to go out tender for the construction of the necessary improvements to the A66/Tees Dock Road roundabout junction, including the new access to the Lackenby development zone, in October 2024.

### **23. BP Hydrogen**

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

## **RISK ASSESSMENT**

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

## **EQUALITY AND DIVERSITY**

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

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# **TEESWORKS**

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**REPORT TO THE STDC  
AUDIT AND GOVERNANCE COMMITTEE**

**18 NOVEMBER 2024**

**REPORT OF GROUP FINANCIAL CONTROLLER**

**EXTERNAL AUDIT UPDATE MAZARS 2021/2022 AND 2022/2023**

**SUMMARY**

This report outlines the areas of focus that will be provided by Mazars in relation to the External Audits for 2021/22 and 2022/23.

**RECOMMENDATIONS**

It is recommended that the STDC Board:

- i. Notes the update provided by Mazars on the South Tees Development Corporation Single Entity and Group Audit for the financial years 2021/22 and 2022/23.

**DETAIL**

1. The Accounts and Audit Regulations set out the requirements for the production, publication and audit of the annual statement of accounts.
2. Mazars will provide an update of the status of the External Audit and timeline for completion for 2021/22.
3. Mazars will provide an update on the impact on the 2021/22 and 2022/23 External Audits, due to the implementation of a back stop date.
4. As noted at previous Audit and Governance Committees there is a significant backlog of outstanding external audits. Last year, just one per cent of councils and other local bodies published audited accounts on time.

## **SOUTH TEES DEVELOPMENT CORPORATION**

5. The government is committed to overhauling the local audit system to enable taxpayers to get better value for money. A growing backlog will severely hamper necessary fundamental reforms to repair the system, and will continue to undermine local accountability and governance.
6. The Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO), and organisations in the wider system has taken a number of actions, which are designed to address the backlog and put local audit on a sustainable footing.
7. The term “audit backstop” refers to a deadline set by authorities to ensure that all outstanding audits are completed by a specific date. This is particularly relevant in the context of local government audits in England.
8. This means disclaimed opinions driven by backstop dates could be required. This should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026), with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter.
9. The proposed backstop dates are:
  - Financial years up-to-and-including 2022/23: 13 December 2024
  - Financial year 2023/24: 28 February 2025
  - Financial year 2024/25: 27 February 2026
  - Financial year 2025/26: 31 January 2027
  - Financial year 2026/27: 30 November 2027
  - Financial year 2027/28: 30 November 2028
10. While there will be modified and disclaimed opinions, auditors’ other statutory duties including to report on Value for Money (VfM) arrangements, to make statutory recommendations and issue Public Interest Reports remain a high priority.
11. This verbal update by Mazars will provide the Audit Committee of the impact of the above legislation on the outstanding External Audits for 2021/22 and 2022/23 that Mazars are appointed as External Auditors for.

## **FINANCIAL IMPLICATIONS**

12. The potential first year where backstop arrangements may apply for South Tees Development Corporation is for the 2022/23 financial year.

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## **SOUTH TEES DEVELOPMENT CORPORATION**

13. Further delays in publishing audited accounts hinder transparent and accountability, which can affect public trust.

### **LEGAL IMPLICATIONS**

14. The Statutory Instrument, laid alongside revised Code of Audit Practice from the National Audit Office (NAO), will introduce backstop dates for local bodies and their auditors to publish audited accounts, starting the process of repairing the foundations of local audit. This is led by the Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO).

### **RISK ASSESSMENT**

15. This document is categorised as medium risk.

### **CONSULTATION AND COMMUNICATION**

16. Draft Annual Accounts have been prepared by the Group Finance Team and reviewed by the Director of Finance and Resources.

### **EQUALITY AND DIVERSITY**

17. There are no equality and diversity implications arising from the subject matter in this document.

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**REPORT TO THE STDC  
AUDIT AND GOVERNANCE COMMITTEE**

**18 NOVEMBER 2024**

**REPORT OF GROUP FINANCIAL CONTROLLER**

**EXTERNAL AUDIT UPDATE – ERNST AND YOUNG 2023/2024**

**SUMMARY**

This report outlines the areas of focus that will be provided by Ernst and Young (“EY”) in relation to the External Audit for 2023/24.

**RECOMMENDATIONS**

It is recommended that the STDC Board:

- i. Notes the update provided by EY on the South Tees Development Corporation Single Entity and Group Audit for the financial year 2023/24.

**DETAIL**

1. The Accounts and Audit Regulations set out the requirements for the production, publication and audit of the annual statement of accounts.
2. EY will provide an update of the status of the External Audit and timeline for completion for 2023/24.
3. EY will provide an update on the impact on the 2023/24 External Audit, due to the implementation of a back stop date.
4. As noted at previous Audit and Governance Committees there is a significant backlog of outstanding external audits. Last year, just one per cent of councils and other local bodies published audited accounts on time.
5. The government is committed to overhauling the local audit system to enable taxpayers to get better value for money. A growing backlog will severely hamper

## **SOUTH TEES DEVELOPMENT CORPORATION**

necessary fundamental reforms to repair the system, and will continue to undermine local accountability and governance.

6. The Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO), and organisations in the wider system has taken a number of actions, which are designed to address the backlog and put local audit on a sustainable footing.
7. The term “audit backstop” refers to a deadline set by authorities to ensure that all outstanding audits are completed by a specific date. This is particularly relevant in the context of local government audits in England.
8. This means disclaimed opinions driven by backstop dates could be required. This should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026), with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter.
9. The proposed backstop dates are:
10. Financial years up-to-and-including 2022/23: 13 December 2024
  - Financial year 2023/24: 28 February 2025
  - Financial year 2024/25: 27 February 2026
  - Financial year 2025/26: 31 January 2027
  - Financial year 2026/27: 30 November 2027
  - Financial year 2027/28: 30 November 2028
11. While there will be modified and disclaimed opinions, auditors’ other statutory duties including to report on Value for Money (VfM) arrangements, to make statutory recommendations and issue Public Interest Reports remain a high priority.
12. This verbal update by EY will provide the Audit Committee of the impact of the above legislation on the outstanding External Audit for 2023/24 that EY are appointed as External Auditors for.

### **FINANCIAL IMPLICATIONS**

13. The potential first year where backstop arrangements may apply for South Tees Development Corporation is for the 2023/24 financial year.
14. Further delays in publishing audited accounts hinder transparent and accountability, which can affect public trust.

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## **LEGAL IMPLICATIONS**

15. The Statutory Instrument, laid alongside revised Code of Audit Practice from the National Audit Office (NAO), will introduce backstop dates for local bodies and their auditors to publish audited accounts, starting the process of repairing the foundations of local audit. This is led by the Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO).

## **RISK ASSESSMENT**

16. This document is categorised as medium risk.

## **CONSULTATION AND COMMUNICATION**

17. Draft Annual Accounts have been prepared by the Group Finance Team and reviewed by the Director of Finance and Resources.

## **EQUALITY AND DIVERSITY**

18. There are no equality and diversity implications arising from the subject matter in this document

**Name of Contact Officer:** Victoria Smith  
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**REPORT TO THE STDC  
AUDIT AND GOVERNANCE COMMITTEE**

**18 NOVEMBER 2024**

**REPORT OF GROUP FINANCIAL CONTROLLER**

**STDC SINGLE ENTITY AND GROUP DRAFT FINANCIAL STATEMENTS  
2023/2024**

**SUMMARY**

This report provides a copy of the South Tees Development Corporation unaudited Single Entity and Group Statement of Accounts for 2023/2024.

**RECOMMENDATIONS**

It is recommended that the STDC Board:

- i. Considers and comment on the unaudited South Tees Development Corporation unaudited Single Entity and Group Statement of Accounts for 2023/2024.

**DETAIL**

**2023/24 ACCOUNTS TIMESCALES**

1. This report provides a copy of the STDC Single Entity and Group unaudited Statements of Accounts for 2023/24.
2. The Accounts and Audit Regulations set out the requirements for the production and publication of the annual statement of accounts. The regulations set out that the unaudited accounts are to be certified as providing a true and fair view of the financial position of the Corporation and group as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

## **SOUTH TEES DEVELOPMENT CORPORATION**

3. It is good practice for the Audit Committee to have the opportunity to consider the draft unaudited accounts and the constitution requires the Audit Committee to approve the audited accounts.
4. The Corporation is required by the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 to present its Statement of Accounts (and associated documents) for public inspection for a period of 30 days, which must include the first 10 working days of June. This means that the deadline for publication of unaudited 2023/24 financial statements was 31 May 2024.
5. The Chartered Institute of Public Finance and Accountancy (CIPFA) has stated that, whilst it recognises the statutory nature of the publication deadline, in the context of recent challenges there is a balance to be struck for Chief Finance Officers between the timeliness and the quality of unaudited financial statements produced. STDC has notified of a delay in the publication of the accounts on the STDC website, with an expected date for publication for public inspection of 30 September 2024.

### **PRESENTATION OF THE ANNUAL ACCOUNTS**

6. The STDC Statements of Accounts contain the following sections:
7. The Narrative Report, which sets out the background to the financial year including a summary of the Corporation's outturn position.
8. The Statement of Responsibilities for the Statement of Accounts, which details the responsibilities of the Corporation.
9. The financial statements for the single and group entity accounts, comprising:
  - The Comprehensive Income and Expenditure Statement (CIES), which shows the accounting cost of the Corporation's activities.
  - The Movement in Reserves Statement (MIRS), which explains the movement in the Corporation's usable and unusable reserves during the financial year.
  - The Balance Sheet, which shows the total assets, liabilities and reserves of the Corporation as at the end of the financial year.

## **SOUTH TEES DEVELOPMENT CORPORATION**

- The Cash Flow Statement, which shows the reasons for the change in cash and cash equivalents during the financial year.

10. Each statement is preceded by a note explaining its purpose and followed by comprehensive notes explaining the statements.

### **FINANCIAL IMPLICATIONS**

11. The financial implications are covered within the body of this report and the attached annual accounts reflect the results for the year ended 31 March 2024.

### **LEGAL IMPLICATIONS**

12. Production of these accounts is a statutory requirement.

### **RISK ASSESSMENT**

13. This document is categorised as low risk.

### **CONSULTATION AND COMMUNICATION**

14. Draft Annual Accounts have been prepared by the Group Finance Team and reviewed by the Director of Finance and Resources.

### **EQUALITY AND DIVERSITY**

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

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**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	2022/23
		£000s	£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 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</b>	2022/23
	<b>£000s</b>	£000s
<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 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>322</b>		
-			-		
<b>322</b>			<b>322</b>		
		<b>Opening General Fund Balance at 1 April</b>			<b>Opening General Fund Balance at 1 April</b>
		Less/Plus Surplus or (Deficit)			Less/Plus Surplus or (Deficit)
		<b>Closing General Fund Balance at 31 March</b>			<b>Closing General Fund Balance at 31 March</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

	2023/24 £000s	2022/23 £000s
<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.

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

## 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</b>	<b>2022/23</b>
	<b>£000s</b>	<b>£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.

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### Note 22: 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	-	-	-	-	-	-	-	-
£20,001 to £40,000	-	-	-	-	-	-	-	-
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	-	-	-	-	-
£80,001 to £100,000	-	-	-	-	-	-	-	-
£100,001 to £150,000	-	-	-	-	-	-	-	-
£150,001 to £200,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-

### Note 23 -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)	(113,645)	-	(330,806)
	1 April 2022	Financing Cashflows	Non Financing Cashflows	31 March 2023
	£000s	£000s	£000s	£000s
Long term Borrowing	(74,238)	(142,923)	-	(217,161)

### Note 24: Provisions

There are no provisions for the Corporation (2022/23 Nil)

### Note 25: 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.

### Note 26: 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 2024, 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 Corporation

## **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".

**REPORT OF HEAD OF PERFORMANCE RISK AND ASSURANCE**

**INTERNAL AUDIT REPORT**

**SUMMARY**

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

**RECOMMENDATIONS**

It is recommended that the STDC Audit and Governance Committee

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

**DETAIL**

1. This report presents STDC audit actions and their progress as of October 2024.

**Process**

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

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

**SOUTH TEES  
DEVELOPMENT  
CORPORATION**

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

**Internal Audit Overview**

**Recent changes:**

- Angela Hart has recently taken over from Rachael Jupp as Head of Performance Risk and Assurance.

**Annual Audit Plan**

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

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

**2023-24 Plan - progress update**

<b>Audit Area</b>	<b>Status</b>
<b>Governance – Strategic Control</b>	<b>Deferred to 2024/5</b>
<b>Data Protection (GDPR)</b>	<b>Final Report issued – Reasonable assurance</b>
<b>Risk Management – Mitigating Controls</b>	<b>Final report issued – Reasonable assurance</b>
<b>Key Financial Controls (Rolling Programme)</b>	<b>Final issued – substantial assurance</b>
<b>Control Of Major Accident Hazard (COMAH)</b>	<b>Final report issued – Substantial assurance</b>
<b>ICT Disaster Recovery</b>	<b>Field work to start week commencing 30.09.2024</b>
<b>Follow-up</b>	<b>In progress.</b>

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CORPORATION**

A close out meeting has been held and final report has been received for Control of Major Accident Hazard. Substantial assurance has been received with no actions to follow.

**Past audits with existing actions**

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

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

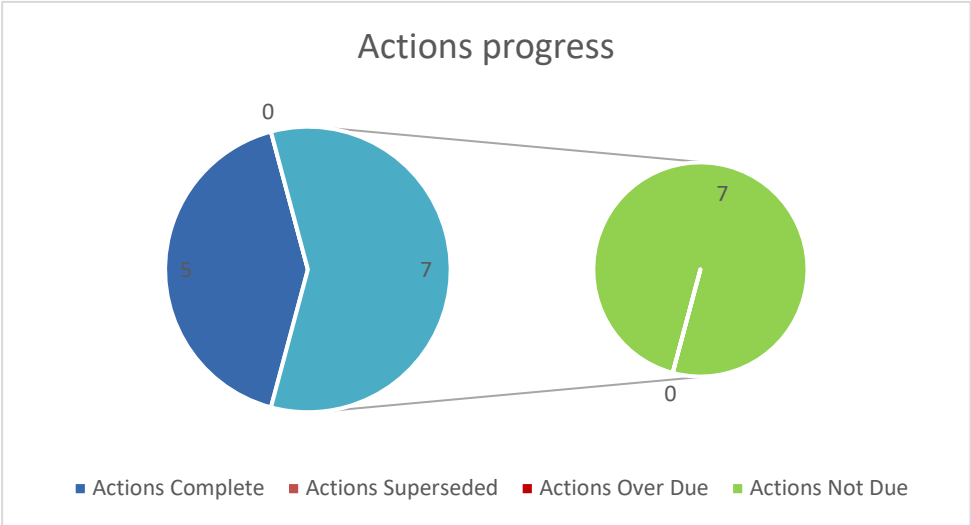
Audit Title	Action Plan Status
Effectiveness of AGC 22/23	In Progress
Logic models 22/23	In Progress
Follow up 22/23	In Progress

**Action progress**

Of the 4 action plans tracked in period:

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

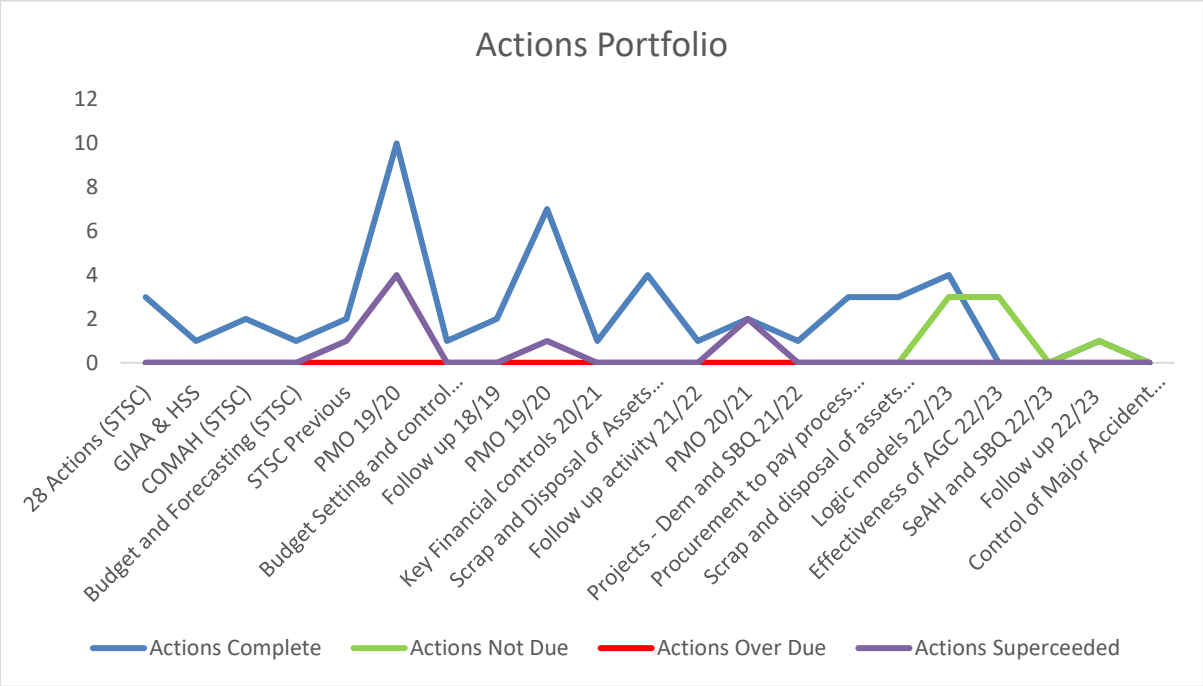
- 2 medium priority.
- 5 low priority.



**Overall portfolio progress**

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

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**Remaining Actions**

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

<b>Audit</b>	<b>Original Delivery Date</b>	<b>Revised Delivery Date</b>	<b>Status</b>	<b>Action</b>
Logic Models	31/10/2023	31/12/2024	In Progress	TVCA will ensure that the delayed electricity supply upgrade works are dealt with in a timely manner and will ensure appropriate mitigating actions are taken to reduce the risk of subsequent delays – Works are ongoing to move all electrical supply obligations to the new HV JV on site, this is expected to complete by the end of the year. Delivery date has been amended to reflect this.
Effectiveness of AGC	30/09/2023	31/10/2024	In Progress	A succession plan will be produced detailing potential successors and how they are to be developed and mentored. Due date has been revised and changed to October.
Effectiveness of AGC	30/09/2023	31/10/2024	Not Due	A training plan will be developed for the members which details the training to be undertaken during the year, this will also include any gaps identified through the skills and experience assessment. Skills Assessment Complete Induction Activity Complete. Further training ongoing activity.
Effectiveness of AGC	30/09/2023	31/10/2024	Not Due	A reporting line from the AGC to the Board will be established to help promote transparency and oversight over the duties discharged to the AGC by the Board.

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<b>Audit</b>	<b>Original Delivery Date</b>	<b>Revised Delivery Date</b>	<b>Status</b>	<b>Action</b>
Follow up 22/23	31/07/2023	31/10/2024	In Progress	Management will conduct an exercise to identify the assurances the Corporation has in place over identified risk-mitigating controls, which can be used to drive future assurance activities.
Logic Models 22/23	31/03/2023	31/10/2024	In Progress	The STDC Assurance Framework has been updated and a final draft has been produced, this is to be reviewed over the coming weeks.
Logic Models 22/23	31/03/2023	31/10/2024	In Progress	The Group will ensure that all quarterly (and annual when required) reports are appropriately validated and authorised, with documented evidence to support the validation and authorisation processes.

**SOUTH TEES  
DEVELOPMENT  
CORPORATION**

**FINANCIAL IMPLICATIONS**

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

**LEGAL IMPLICATIONS**

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

**RISK ASSESSMENT**

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

**CONSULTATION & COMMUNICATION**

5. None required.

**EQUALITY & DIVERSITY**

6. No impacts

**Name of Contact Officer:** Angela Hart  
**Post Title:** Head of Performance, Risk and Assurance  
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**REPORT TO THE STDC  
AUDIT AND GOVERNANCE COMMITTEE**

**18 NOVEMBER 2024**

**REPORT OF GROUP FINANCIAL CONTROLLER**

**SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) UPDATE  
AND INTERNAL AUDIT REPORTS**

**SUMMARY**

The TIAA summary controls assurance report provides the Audit and Governance Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of TIAA's work at South Tees Development Corporation Group as at 1st October 2024.

**RECOMMENDATIONS**

It is recommended that the STDC Board:

- i. Considers and comments on the findings within the SICA report.

**DETAIL**

1. The SICA report sets out details of audits finalised since the previous meeting of the Audit and Governance Committee.
2. The report covers progress against the Annual Plan for 2023/24, progress against the Annual Plan for 2024/25 and changes to the Annual Audit Plan for 2024/25.

**FINANCIAL IMPLICATIONS**

3. Financial implications are included in the body of the report. The Key Financial Controls audit received substantial assurance with no control recommendations.

**LEGAL IMPLICATIONS**

4. There are no legal implications in this report.

**RISK ASSESSMENT**

5. This document is categorised as low risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

**CONSULTATION AND COMMUNICATION**

6. No further consultation required. Consultation is with the Audit Committee.

**EQUALITY AND DIVERSITY**

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

**Name of Contact Officer:** Victoria Smith  
**Post Title:** Group Financial Controller  
**Telephone Number:** 01325 792600  
**Email Address:** [victoria.smith@teesvalley-ca.gov.uk](mailto:victoria.smith@teesvalley-ca.gov.uk)



Tees Valley Combined Authority Group

Summary Internal Controls Assurance (SICA) Report

October 2024

Final



# Summary Internal Controls Assurance

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## Introduction

1. This summary controls assurance report provides the Audit and Governance Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Tees Valley Combined Authority Group as at 1<sup>st</sup> October 2024.

## New Internal Audit Code of Practice (Global Internal Audit Standards)

2. The new Internal Audit Code of Practice, which sets out fundamental principles for running a strong and effective internal audit function. For the first time, it presents a unified Code that encompasses the financial services, private, and third sectors.

The Code reflects the final recommendations of the Independent Internal Audit Code of Practice Review Committee and has received full endorsement by the Chartered IIA's Council. The Global Standards urge boards and Audit Committees across the financial, private and third sectors to adopt and implement the Code's principles, embarking on their path to full compliance. Embracing these principles will maximise the value of internal audit and unlock the full potential of the profession.

### The purpose of the Code

The principles which follow are aimed at enhancing the overall impact and effectiveness of internal audit within organisations operating in the UK and Ireland. They are regarded as a benchmark of good practice against which organisations should assess their internal audit function.

### Who is it for?

The intended audience for the Code of Practice (the 'Code') includes members of board audit and risk committees, chief audit executives, non-executive directors, senior management, and, where appropriate, regulatory bodies. The Code is intended to be applied by all organisations in the financial services, private and third sectors with an internal audit function and a board audit committee of independent non-executive directors or their equivalent. This Code may prove useful for internal audit in the public sector, but it is not drafted with the public sector specifically in mind. Public sector internal audit functions should continue to follow the Public Sector Internal Audit Standards.

### How should it be applied?

The Code should be applied in conjunction with the International Professional Practices Framework and the Global Internal Audit Standards. The Code builds on these Standards and seeks to increase the impact and effectiveness of internal audit. The Code is principles-based. It is expected that the principles are applied proportionately, in line with the nature, scope and complexity of the organisation. Internal audit functions should apply the Code in the context of internal audit regulatory standards applicable to the organisation.

**See Appendix C for further information and available resources.**

**Audits completed since the last SICA report to the Audit and Governance Committee**

3. The table below sets out details of audits finalised since the previous meeting of the Audit and Governance Committee.

*Audits completed since previous SICA report*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Control of Major Accident Hazard	Substantial	12/09/2024	13/09/2024	17/09/2024	0	0	0	0
Creditor Payments	Substantial	13/09/2024	30/09/2024	01/10/2024	0	0	0	0

**Progress against the 2024/2025 Annual Plan**

4. Our progress against the Annual Plan for 2023/24 is set out in Appendix A.

**Changes to the Annual Plan 2024/25**

5. The review of Governance has been deferred and will be included within the revised annual plan for 2024/25. This was requested by the Group to ensure that the findings and actions relating to the independent review would be appropriately considered in the scope of the audit.

**Progress in actioning priority 1 & 2 recommendations**

6. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA.

**Frauds/Irregularities**

7. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

**Other Matters**

8. We have issued a number of briefing notes and fraud digests, shown in Appendix B, since the previous SICA report.

**Responsibility/Disclaimer**

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

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# Appendix A: Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Governance – Strategic Control	3	Deferred	Included in 2024/25 plan
Key Financial Controls	3	Completed	Final report issued
ICT Disaster Recovery	4	Fieldwork commenced	
Data Protection - GDPR	4	Completed	Final report issued
Risk Mitigating Controls	4	Completed	Final report issued
Control Of Major Accident Hazard (COMAH)	4	Completed	Final report issued
Follow-up	4	To be completed by 31/10/2024	

**KEY:**

	To be commenced		Site work commenced		Draft report issued		Final report issued
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## Appendix B: Briefings on Developments in Governance, Risk and Control

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control, Counter Fraud and Security Management which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those briefings issued in the last two months which may be of relevance to the Group is given below:

### Summary of recent Client Briefings and Alerts

Date Issued	Sector	Briefing Type	Subject	Website Link	TIAA Comments
26 SEPTEMBER 2024	ALL	Anti-Crime Alert	Mandate Fraud Alert	<a href="#">Mandate Fraud Alert - TIAA</a>	A TIAA client has been targeted by fraudsters in an attempted mandate fraud. Read the full details in our alert.
11 SEPTEMBER 2024	ALL	Briefing Note	Authorised Push Payment Scams	<a href="#">Authorised Push Payment Scams - TIAA</a>	An implementation date of 7 October 2024 for Authorised Push Payment scam protection, is confirmed by the Payment Systems Regulator. Authorised Push Payment (APP) fraud is a significant issue and can have a devastating impact on victims. The PSR is taking a leading role in improving outcomes for consumers by introducing new protections for victims of APP scams, while incentivising industry to implement enhanced fraud prevention tools.
09 SEPTEMBER 2024	Education	Data Protection Alert	Schools' usage of children's data	<a href="#">Schools' usage of children's data - TIAA</a>	UK schools are increasingly using social media to engage with communities. However, it is far from clear that using images of children in this way is lawful under the UK GDPR, and there is currently no data protection guidance available from the ICO for schools on social media use.  The government has recently published an update regarding this issue, highlighting their planned Digital Information and Smart Data Bill.
03 SEPTEMBER 2024	ALL	Video	TIAA's B Corp Story	<a href="#">TIAA's B Corp Story - TIAA</a>	TIAA is proud to be a certified B Corporation (or B Corp), joining a growing movement of companies that are reinventing business for the benefit of all people and our shared planet. Watch our B Corp Story.

Date Issued	Sector	Briefing Type	Subject	Website Link	TIAA Comments
30 AUGUST 2024	ALL	Security Alert	Social media trolling of NHS staff	<a href="#">Social media trolling of NHS staff - TIAA</a>	<p>In an era where online interactions can significantly impact mental health and workplace morale, it's essential to stand up against harassment targeting our dedicated NHS workforce.</p> <p>Our alert details a recent incident and what you can do to protect your organisation.</p>
14 AUGUST 2024	ALL	Anti-Crime Alert	Fake QR Codes in Parking Scam	<a href="#">Fake QR Codes in Parking Scam - TIAA</a>	<p>There have been reports of scammers placing fake QR codes on parking ticket machines. These deceptive codes lead unsuspecting victims to malicious websites that mimic sites such as RingGo or PayByPhone. Our alert details how to stay safe from these scams.</p>
07 AUGUST 2024	ALL	Security Alert	National Protests	<a href="#">National Protests - TIAA</a>	<p>National protests took place across the country, and it's crucial to stay informed and stay safe. Our alert shares important information and tips on how to protect your organisation and staff during these uncertain times.</p>
02 AUGUST 2024	ALL	Client Briefing Note	Global IT Outage highlights need for robust IT Disaster Recovery and Business Continuity	<a href="#">Global IT Outage highlights need for robust IT Disaster Recovery and Business Continuity - TIAA</a>	<p>In light of the recent global IT outage, it has become even more evident how crucial it is for businesses to have robust IT disaster recovery and business continuity plans in place. Our briefing details the importance of being prepared for unexpected IT disruptions.</p>

Date Issued	Sector	Briefing Type	Subject	Website Link	TIAA Comments
26 JULY 2024	ALL	Data Protection Alert	New Digital Information and Smart Data Bill	<a href="#">New Digital Information and Smart Data Bill - TIAA</a>	The UK government is introducing a Digital Information and Smart Data Bill (DISD), distinct from the previous government's failed Data Protection and Digital Information Bill in several ways. Learn more about this new bill and the actions to take to keep your data protected.
26 JULY 2024	ALL	Client Briefing	The Economic Crime and Corporate Transparency Act 2023	<a href="#">The Economic Crime and Corporate Transparency Act 2023 - TIAA</a>	Learn about the Economic Crime and Corporate Transparency Act 2023, aimed at boosting the UK's efforts to combat economic crime and improve corporate transparency. Discover the Act's key points and requirements.
15 JULY 2024	ALL	Client Briefing	Cyber Security Threats	<a href="#">Cyber Security Threats - TIAA</a>	The National Cyber Security Centre (NCSC) has published an alert of a significant risk to IT systems and infrastructure. Attackers are exploiting vulnerable Small Office and Home Office (SoHo) devices at organisations to leverage attacks. Typically, SoHo devices (broadband routers etc) do not feature the advance security protection of enterprise level IT systems, thus making them an easy target.
25 JUNE 2024	ALL	Podcast	Ageing Workforce Podcast	<a href="#">Ageing Workforce Podcast - TIAA</a>	People are living longer and working longer. Naturally, that brings its own set of challenges for managers and business owners. In this Podcast, Ruth Wragg-Jones from Fitzgerald HR and David Foley, Advisory Director at TIAA, talk about the complexities of the Ageing workforce, considerations to identify and explore and how to put a plan in place to help ensure your workforce remains effective and successful.

Date Issued	Sector	Briefing Type	Subject	Website Link	TIAA Comments
04 JUNE 2024	ALL	Data Protection Alert	The Data Protection And Digital Information Bill Failed	<a href="#">The Data Protection and Digital Information Bill Failed - TIAA</a>	The Data Protection and Digital Information Bill has failed to complete its legislative passage in the necessary time frame before the General Election. It is understood that late amendments added by the Department of Work and Pensions are what caused the Bill to fail.

## Appendix C: Updates to Global Internal Audit Standards

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In January 2024, the Institute of Internal Auditors released the long-awaited changes to the industry's Standards that will have far-reaching impact on the year(s) ahead.

The standards will be adopted by 9<sup>th</sup> January 2025.

There are some significant changes that will provide internal audit functions with a refreshed framework and clearer requirements.

### Key Innovations and Enhancements

Among the significant new requirements include:

- Establishment of an internal audit strategy.
- Heightened governance and oversight by the board and senior management.
- Enhanced reporting including ratings/rankings considerations.
- External quality assessments to be conducted by a team that includes at least one CIA.
- Technology considerations for the internal audit function's evolving needs.

### Elevating the mandate and stature of Internal Audit

- Defining IA's purpose – business stakeholders should understand and be able to articulate the value of internal auditing and the mandate must be included in the internal audit charter.
- Separating independence and objectivity – Clear definitions
- Enhancing stakeholder coordination
- Building trust – Developing an approach to building relationships with key stakeholders and promote effective communication across all stakeholder groups

### Maximising use of Technology

- Enabling technology as a key resource
- Using technology in audit operations – including audit planning, human and technology resource allocation
- Technology use in audit delivery – using technology to test more effectively and efficiently, for example using applications to test full populations instead of a sample (Increased costs)

**Delivering more valuable results**

- Promoting continuous improvement – responsible for measuring the performance of the IA function and ensuring it continuously improves
- Enhancing and elevating engagement level – A formal requirement of engagement reporting, including rating or ranking of audit findings, formulating recommendations, obtaining management’s action plans and developing an engagement conclusion
- Performing external quality assessments (EQAs) – The board of directors must review EQA results, and the assessment team must include at least one individual with an active certified internal auditor (CIA) designation

Structure of standards into 5 domains containing principles and standards. The key domain for Audit Committee members is Domain 3.

**Domain 1** – Purposes of internal auditing and adding value

**Domain 2** - Ethics and professionalism -behavioural expectations.




**Domain 3** – Governing the IA Function (Relationship between IA and Board (Committee) and responsibilities)

**Domain 4** – Managing the IA function

**Domain 5** – Performing IA services – expectation on engagement

Topical Requirements - such as Cyber / Fraud and ESG will have updated standards against which TIAA must audit those topics when they come into the audit plans.

Useful Resource:

Title	
Audit Committee Presentation (IIA-UK)	 CIIA%20-%20Audit%20Committee-present
Audit Committee Check List (IIA-UK)	 CIIA-Audit%20Committee%20Annual%20A
IIA-UK Fact Sheet	 code-of-practice-document_september202



Internal Audit

**FINAL**

## Tees Valley Combined Authority

Assurance Review of Control of Major Accident Hazard-COMAH  
South Tees Development Corporation

**2023/24**

September 2024

## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Undertaking unsafe works or not maintaining legal expectations, could lead to a major disaster for a large COMAH Tier 1 site. This could lead to significant harm, damage and adversely impact the environment.

### SCOPE

The review considered the arrangements put in place to satisfy the Control of Major Accident Hazard (COMAH) requirements in relation to the Tier 1 steelworks site.

### KEY STRATEGIC FINDINGS

- Robust strategies were designed and put in place to safely declassify the Tier 1 steelworks site.
- Legislative frameworks were designed and put in place to identify and engage with competent contractors and specialist authorities.
- A systematic risk-based approach was evidenced for a large and complex site project, involving good communication, cooperation and coordination.
- Core documentation was available to retrospectively support the classification of the steelworks project.

### GOOD PRACTICE IDENTIFIED

- EHSS Director effectively engaged all stakeholders for the large project in order to roll out project phases in a safe and phased manner.
- A risk assessment register is considered good practice for a duty holder to maintain oversight and retain control of the project.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
There were no recommendations raised.							

PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There were no operational effectiveness matters identified.				

ADVISORY NOTE

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

# Findings



**Directed Risk:**

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

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

## Other Findings



This is a high-level Control of Major Accident Hazard (COMAH) review to provide assurances that overarching arrangements and processes were in place at the time leading up COMAH status being removed. The Control of Major Accident Hazard (COMAH) Regulations came into effect in June 2015, superseding the 1999 regulations. The purpose of the COMAH Regulations 2015 is to prevent major accidents involving dangerous substances and limit the risks of harm to people and the environment.

The COMAH duty holder during the decontamination and demolitions phases was South Tees Development Corporation (STDC). Up until 2015, the site operated as a large steel works facility. The site measures approximately 13.6 square miles. At the time it was owned and managed by SSI (Savannah Steel Industry). In 2015 however, the receivership took over. A “make safe and keep safe” programme was then funded by the government, whilst remaining a COMAH Tier 1 site. The steel works and its infrastructure were essentially shut down after being placed in the Receiver’s control. The shut down resulted in several thousand tons of molten metal being left in the furnaces without being cast and a substantial amount of hazardous waste left in place across the site’s pipe network, storage and fixed installations. A selected number of employees made up of specialists were retained by the Receiver, to maintain it safely in a “mothball” type state.

In 2019/2020 the site was transferred to South Tees Development Corporation (STDC), who were subsequently tasked to clean, decontaminate and demolish the site and remove the COMAH status. South Tees Site Company (STSC) was a company that came out of liquidation and later became a subsidiary of South Tees Development Corporation (STDC). STDC formed part of a joint venture which included two private sector companies who operate under the banner of Tees Works and own 25 percent stake each. STDC retained 50 percent.

The decommissioning project involved decontamination, removal of hazardous material and demolition works. This approach required careful considerations by systematically rolling out the Construction Design Management (CDM) objectives, while maintaining COMAH requirements, with STDC remaining as the COMAH “duty holder” throughout. Updated notification documentation was submitted to the Competent Authority and a sample notification was evidenced dated March 2021. Although both regulations need to be met and maintained, COMAH was considered the primary legislation.

## Other Findings



The steel works site is registered as a “Tier 1” COMAH site. A safety report (updated in 2020) was provided as evidence to show the information provided to the Regulator. The safety case is considered a live document and was routinely updated as necessary. The Safety Management System (SMS) was developed in support of the safety case consisting of 15 elements and remained in place until the COMAH status was lifted in 2023.

This was evidenced and is currently being refined to make it fit for purpose moving forward by excluding the steelworks COMAH requirements. This is a big task and during the review it was discussed and confirmed that progress was underway. The safety case overarching document was reviewed and considered in line with regulatory expectations. This document is archived by STDC on the shared drive under STSC/EH&S/Group EHS/COMAH.



Arrangements for identifying and dealing with Major Accident Prevention was observed within the Safety Report of 2018 under Establishment (Section 2.4) on page 74. The document features a series of site-oriented maps and diagrams which show the main storage facilities and the location of remaining dangerous substances. Other relevant information reflected within the document, includes, for example, information on vessels and pipes. The means of access and egress to and from the site is also provided. A summary table (Table 2.19) is provided on page 74.

The document is very thorough and sets out the descriptions for identifying key information such as valve connections and their locations. The document identifies possible locations where a major accident could occur and focuses on explaining the hazard (including how the hazard properties could change), the environment, risks and measures. The information was suitably supported with aerial photos and diagrams where required. Prevention measures were observed and were suitably detailed, focusing on hazards which include electricity, gases, water, pipework and storage. The document is in line with COMAH regulations expectation of major accidents and emergency arrangements.



A competent person was registered under COMAH during the period of the decontamination and demolition site works and is part of the safety case information. The current STDC COMAH lead is the Environmental Health, Safety and Security (EHSS) Director and came into post in 2021 while works were already underway.

The EHSS Director reports directly to the Chief Executive Officer (CEO) and a corporate leadership structure was provided. Various strategies used by the EHSS Director were discussed and demonstrated, that site safety significantly improved following the appointment of the EHSS Director. Prior to appointment several unsafe conditions were in place leading to site operational accidents. The Director demonstrated through discussions, that they exercised strong strategic influence to realign safety reporting and processes, established clear resilient protocols and engaged with all contractors ensuring they formed a key part of the safety system.



Specialist contractors were appointed in 2021 and this accelerated a works programme leading to contractors each being awarded equal sections. Lot One was considered high risk. Brown and Mason were tasked with the project to make safe the power station, Erith was tasked to deal with the phase one Redcar biproducts, Kaltbray were given responsibility for the Southbank coke ovens, KDC was responsible for the Redcar coke ovens battery, and Thompsons of Prudhoe were given the Basic Oxygen Steelmaking (BOS) plants.

In total, five main contractors were appointed. Given the specific areas assigned to the contractors, it limited risk of operational errors, mistakes or lapses during the construction phases. Each of the five contractors were allocated sections across the site to demolish. The overarching consultant for the whole demolition programme and associated frameworks were Atkins. Examples of contractor appointment letters were evidenced and reviewed, two were for battery demolition works, two appointment letters were for the demolishing of the power station and three were for the demolition of coke ovens by products plant.



This project required the involvement and close communication and cooperation with the authorities. Contact was established by the COMAH lead with the Environmental Protection Agency specialist lead and the Health and Safety Executives specialist lead to consolidate arrangements. The authorities contributed in their capacity to the overall approach to planning, which was considered unusual and highly complex. Contractors were therefore equipped with the necessary regulatory approval and scrutiny during the demolition works and active decontamination of pipelines, blast furnaces, gas and heavy fuels etc.

## Other Findings



A stakeholder and joint approach was considered essential to safely and effectively coordinate the systematic process of cleaning, decontaminating and demolishing the sections across the large site. The project was managed under Atkins' framework and in addition to COMAH compliance, work took place under The Construction (Design and Management) Regulations 2015 (CDM).

The multi stakeholder approach involved Atkins (project management consultant), EHSS Director for STDC, specialist plant operators, contractors and the competent authorities. Specialist contractors were required, particularly as the combination of managing a CDM project while under COMAH regulations was not generally common practice. This required careful considerations particularly where CDM and COMAH may overlap. For CDM projects to progress with, for example, Redcar byproducts decontamination, a demolition F10 form was filed. Example F10 forms were provided as evidence.

The EHSS Director as competent COMAH lead was also responsible for approving the necessary risk assessments and safe system being put in place during the construction phase plans. The overlap arrangements included, for example, where hydrogen jackets were first removed in order for the daily works to take place. The project was written as a phased handover. At the end of the day, if works were completed and all contamination was removed, the section was handed over and no hydrogen jackets were then required as the site was considered safe. Where works did not complete at the end of the day, the site was handed back to the "duty holder" and the hydrogen jackets were put back in place. These works occurred under Risk Assessments and Method Statements (RAMS) approved by the EHSS Director.

COMAH during this time was considered the main primary legislation to maintain. The EHSS Director demonstrated that they employed systematic approaches and exercised careful control in order to observe COMAH legislation. The two main regulatory bodies were substantially involved in providing advice and were kept abreast of the developing demolition framework. A phased approach was applied. A demolition programme tracker was evidenced. The safety report also includes considerations for the surrounding population, infrastructure and activities. Although no serious population risks was identified, the project works such as demolitions were carefully organised during times of low activities. For example, low levels of traffic and railway activities.



The demolition framework for Lots 1 and 2 was therefore developed in 2019/2020 and provided as evidence during this review. At the time, each project was completed under CDM notifiable project (F10) and evidence provided confirmed this. A principal contractor and designer was appointed for each site, while the COMAH duty holder remained the EHSS Director for STDC.

It is important to note, that while under CDM project management, the COMAH aspect and risk remained with STDC and not the CDM contractor. A letter setting out the proposed methodology and timelines for the removal of COMAH and hazardous substances risk assessments were evidenced and reviewed. The letter was dated April 2022, and the proposed letter would lead to eventual COMAH declassification as a top tier site. The letter was signed by the EHSS Director. Further evidence was provided in the form of a progress report, used in the coke ovens gas main works. The report identified the total amount of meters for various sections. The report identified progress systematically, logging the number of meters completed. This was aided with a marked aerial photograph.



Challenges were encountered during the decontamination and demolition CDM projects development phases. One of the major issues were in providing the designers with the necessary Pre-Construction Information (PCI). In 2015 upon shutting down of the facility, most of the electronic information and records were lost. STDC therefore heavily relied on the knowledge of the specialist engineers who were kept on, to maintain the safety of the site. Additionally, some documents were retrieved from offices.



The Construction Phase Plans (CPP) for the 20 different sites were developed and formed the basis for the decontamination and demolition programmes. An example CPP was provided as evidence for the Sinter Plant dated 18<sup>th</sup> June 2021. Additionally, two samples of CPP RAMS reviews were also provided. Although this review does not focus primarily on the CDM aspect of the project, the overall project binds both COMAH and CDM. For example, the PCI and CPP must integrate and consider COMAH requirements during the works. A balanced and pragmatic approach was observed through discussion and the project's success, presents an opportunity for a detailed case study.



Risk Assessment Method Statements (RAMS) are considered an essential control in the decontamination and demolition works. RAMS were approved by the EHSS Director before work commenced. An example RAMS request form dated 15<sup>th</sup> September 2022 was provided and reviewed. Additionally, five other RAMS were provided as evidenced and reviewed. These included Control of Substances Hazardous to Health (COSHH) assessments for ammonia odour, H<sub>2</sub>S Scavenger, Local Explosive Limits (LEL); Pyrophoric and Solvent H.

The COSHH assessments all feature information that considered the hazard, the risk, first aid and necessary controls. The EHSS Director additionally provided a RAMS register example relating to Redcar Coke Ovens (RCO) byproducts. The registers identified the relevant locations and set out the risk assessments systematically. This is considered best practice as the duty holder is able to maintain oversight and control of safety management arrangements, particularly when involved with a large complex undertaking.

## Other Findings



The 20 sites were systematically approached to make safe and remove any hazardous materials. In the process hazardous materials being removed were stored within designated compounds on site, namely, compounds A, B and C. Sixty to eighty thousand tons of materials were stored in compounds on hard standings in containers such as Intermediate Bulk Containers (IBCs) and metal drums. The compounds were controlled in terms of logging information of what was being stored, where and how much. Safety and security controls were in place under COSHH RAMS.

Although works were completed by early 2023, the site remained under COMAH as a result of the temporary storage arrangements. The project specialist contractors systematically removed hazardous waste, which required incineration or disposal. The safety case information for storage is clearly documented and laid out within the COMAH Safety Report of 2018 (Update 2020) from page 74 under section 2.4.

Four example disposal notifications were provided, namely consignment MGLDEM/28764; MGLDEM/28764; MGLDEM/19982; MGLDEM/19981. The certificates of disposal features details of the haulier (Example Acumen or Total Recycling Services), the product (Example coal tar sludge), the quantities, the source (Example RCO) and destination (Example Southampton). The documents were suitably detailed and were deemed suitable for the purposes of this review.



**Delivery Risk:**

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

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

**Other Findings**



The site is no longer considered to be a Tier 1 site under the COMAH regulations of 2015. The EHSS Director notified the HSE in May 2023 via email of the intention to declassify. The online application was filed in early November 2023. This was officially acknowledged by the Health and Safety Executive (HSE) in a letter to the duty holder dated 15<sup>th</sup> November 2023. This meant that there were no longer hazardous materials present.

The letter confirmed that the steelworks site had been officially removed from the COMAH register and was provided by the EHS Director as evidence. The site is planned to be used for industrial development.



Simultaneous Operations (SIMOPS) meetings were held throughout the projects. The regulatory body (HSE) was already aware of lot framework which was led by the consultant firm Atkins. Examples of SIMOPS meetings were provided as evidence and were reviewed. Monthly and quarterly Board reports were provided by the COMAH lead to STDC and extracts were evidenced via Teams discussion.



Regular EPA and HSE inspections took place throughout the phased project and were led by competent persons. The regulators were kept abreast of both progress and challenges, which demonstrated openness and transparency with the Regulators. Two sample Asset Integrity Baseline reports undertaken by the Regulators dated 13<sup>th</sup> and 15<sup>th</sup> July 2021 were provided as evidence and were reviewed.

The inspections consisted primarily of desktop reviews of records, Teams meetings and site visits. The report findings revealed three “action legals.” Through discussions with the EHSS Director and supporting information, the recommendations were implemented according to the expectations of the competent authority.

## Other Findings



During the construction phases, routine audits were undertaken. A RCO waste storage area audit was evidenced dated 6<sup>th</sup> September 2023. Recommendations were made in respect to damaged drums observed at the time and several drums noted which were found on their side. The audit outcome was categorised as good. Three other site audits were provided and reviewed. This included audits for MGL Acumen A F&E; B F&E and C F&E and several findings were noted including fire point and emergency showers recommended at certain locations.

A senior management audit document was evidenced and was dated the 26<sup>th</sup> July 2023. The audit covered Keltbray Barrels, RCO footprint and MGL waste areas A, B&C. The inspection revealed four important findings including poor housekeeping, oil spillages, open top IBC's and unsecured access to compounds. An internal audit report was also provided as evidence and was dated 6<sup>th</sup> February 2023 and titled 'COMAH declassification' set the scene of the project and scale with the envisaged outcome of declassification.

The overall findings indicated at the time that the works were undertaken as intended, a programme of works was set out which although complex, was achievable and realistic involving competent professionals, specialist advisors and specialist contractors.

Progress to declassify was systematic, risk aware and progressive, with suitable monitoring capabilities in place. Evidence of emails confirming actions have been taken were provided.

## Scope and Limitations of the Review

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

## Disclaimer

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

## Effectiveness of arrangements

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

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

## Assurance Assessment

- The definitions of the assurance assessments are:

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

## Acknowledgement

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

## Release of Report

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

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	1 <sup>st</sup> July 2024	15 <sup>th</sup> July 2024
<b>Draft Report:</b>	12 <sup>th</sup> September 2024	13 <sup>th</sup> September 2024
<b>Final Report:</b>	17 <sup>th</sup> September 2024	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Tees Valley Combined Authority		
<b>Review:</b>	Control Of Major Accident Hazard-COMAH		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	Christian Classen

<b>Outline scope (per Annual Plan):</b>	Discussions are planned to fully scope this audit with relevant officers .		
<b>Detailed scope will consider:</b>	<p><b>Directed:</b></p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p><b>Delivery:</b></p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Sustainability: The impact on the organisation's sustainability agenda has been considered.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>	The review does not consider all criteria under the COMAH regulations of 2015.		

<b>Planned Start Date:</b>	6 <sup>th</sup> September 2024	<b>Exit Meeting Date:</b>	3 <sup>rd</sup> September 2024	<b>Exit Meeting to be held with:</b>	EHSS Director
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### SELF ASSESSMENT RESPONSE

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



Internal Audit

FINAL

## Tees Valley Combined Authority

Assurance Review of Key Financial Controls

2023/24

October 2024

## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

1298 - Appropriate governance of expenditure

### SCOPE

The review considered the arrangements for authorising and paying costs incurred by the organisation and the arrangement for control of the organisation's cheques and automated payments. The review considered the opportunities for both internal and external fraud and the measures in place to mitigate these.

### KEY STRATEGIC FINDINGS



Policies and procedures that direct the creditor payments process are documented and available to relevant staff.



Appropriate segregation of duties was confirmed for all tested payments with each supported by a valid invoice or relevant agreement.



Updates to the Budget Report and Medium Term Financial Plan are presented quarterly to the Cabinet, including any significant matters relevant to this review.

### GOOD PRACTICE IDENTIFIED



The Constitution is up-to-date, regularly reviewed and approved by the Cabinet. It includes both the Financial Regulations and the Scheme of Delegation.



The Procurement Risk Register identifies a risk related to expenditure governance, including the potential for fraud, with a designated risk owner and Director responsible for oversight.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
There were no recommendations made.							

PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

## Operational - Effectiveness Matter (OEM) Action Plan

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

ADVISORY NOTE

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

## Findings



### Directed Risk:

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

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

### Other Findings





Tees Valley Combined Authority's (TVCA) Constitution (Version 10), dated September 2023, is available on its website. It was approved by the Cabinet, the principal decision-making body of the Combined Authority, at its meeting on 22nd September 2023. The Constitution includes the Financial Regulations and a scheme of delegation. Paragraph 3.3 of the Financial Regulations specifically requires the Group Director of Finance and Resources to issue and keep under continuous review instructions, advice, or procedures necessary to secure the proper administration of the Combined Authority's financial affairs. A Purchasing and payment of Goods and Services document is in place that sets out the process for raising and authorising orders, invoice processing and customer account detail changes.





The South Tees Development Corporation (STDC) Constitution (Version 9), dated September 2023, is also available on the TVCA website. It was approved by the STDC Board at its meeting on 21st September 2023 and includes its Financial Regulations and a scheme of delegation. A review determined that the relevant clauses within the STDC Constitution are consistent with those in the TVCA Constitution.


## Other Findings

- 

The TVCA Procurement Risk Register includes risk 1298, which relates to the appropriate governance of expenditure. The risk is described as the failure to follow delegated authority protocols for expenditure approvals in line with the published scheme of delegation. This could result in untracked and uncontrolled expenditure, leading to budget overspending, difficulties in planning future budgets, and the potential for fraudulent activity. The risk director is the Group Director of Finance and Resources, and the risk owner is the Group Procurement and Purchasing Manager. The inherent risk score is 12, the residual risk score is four, and the target score is four.
- 

TVCA processes supplier payments via a BACS run, which includes multiple invoices that are shown as a single total on the bank statement. Detailed breakdowns of individual invoices are maintained for auditing purposes. Each invoice is approved in the **Agresso system** according to cost centre authority and predefined limits, which are available for reference. The overall BACS run is managed by Xentrall through a daily payment run. While the total BACS run is not signed off separately by TVCA staff, each invoice is approved before inclusion, ensuring appropriate authorisation. The Agresso system logs all approvals, providing a clear audit trail for each transaction.
- 

Three spreadsheets—one for each of TVCA, STDC, and South Tees Developments Limited (STDL)—were provided for both payments and direct debits. A sample of 20 payment entries was selected, covering items from each spreadsheet. In all applicable cases, the requisitioner of the goods or services was different from the person authorising the order. The requisitioner then confirmed the receipt of the goods or services and a third person approved the invoice for payment. This process ensured an appropriate segregation of duties. Payments relating to funding were verified against the underlying funding agreement and for each sampled entry, appropriate approval was confirmed before releasing the BACS payment run. The average time between the invoice date and the payment date for the sample selected was 20 days.
- 

A review of the direct debit spreadsheets showed payments to 12 suppliers, including for business rates, VAT, the visitor management system, and other typical service providers such as utilities. No matters were identified.
- 

A spreadsheet detailing 233 supplier changes or amendments since April 2023 was provided. A random sample of 10 entries was selected and traced back to supporting information for supplier additions or changes. In all cases, sufficient evidence was provided to confirm that the request originated from the supplier, including appropriate supporting documentation such as non-typed signatures or email trails from the supplier's domain. Additionally, internal checks had been completed and evidenced before updating supplier details.



**Delivery Risk:**

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

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

**Other Findings**



Cabinet minutes were reviewed from three successive meetings on 22<sup>nd</sup> September 2023, 15<sup>th</sup> December 2023 and 16<sup>th</sup> March 2024. A quarterly 2023/24 Budget Report and Medium-Term Financial Plan Update was presented at each meeting, for Quarters 1 to 3 respectively. No matters were reported that fell within the scope of this review.

## Scope and Limitations of the Review

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

## Disclaimer

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

## Effectiveness of arrangements

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

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

## Assurance Assessment

- The definitions of the assurance assessments are:

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

## Acknowledgement

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

## Release of Report

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

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	22 <sup>nd</sup> February 2024	22 <sup>nd</sup> February 2024
<b>Draft Report:</b>	12 <sup>th</sup> September 2024	30 <sup>th</sup> September 2024
<b>Final Report:</b>	1 <sup>st</sup> October 2024	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Tees Valley Combined Authority		
<b>Review:</b>	Key Financial Controls		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	Ian Goodwin/Tausif Taj

<b>Outline scope (per Annual Plan):</b>	This is a key risk area. The full audits for the financial systems are undertaken on a systematic basis. For 23/24 the audit will consider Creditor Payments, 24/25 will cover Payroll and 25/26 will consider the budgetary control arrangements. Scope. The review considers the arrangements for authorising and paying costs incurred by the organisation and the arrangement for control of the organisation's cheques and automated payments. The review considers the opportunities for both internal and external fraud and the measures in place to mitigate these. The scope does not include providing an assurance that the expenditure was necessary or that value for money was achieved from the expenditure committed.
<b>Detailed scope will consider:</b>	<p>The review will examine process for committing and authorising expenditure, confirming receipt of goods/services, matching purchase orders to invoices, approving invoices for payment and changes to supplier details.</p> <ul style="list-style-type: none"> <li>• Robust policies and procedures are in place regarding payments.</li> <li>• Risks associated with payments have been considered and appropriate mitigating controls are identified and operated.</li> <li>• Performance is monitored to ensure any departmental targets are met (e.g. undisputed invoices paid within 30 days)</li> <li>• Payments are made by the preferred method adopted the Organisation.</li> <li>• The BACS authorisation process.</li> <li>• The controls around setting up new suppliers and making amendments to existing supplier details.</li> </ul>
<b>Requested additions to scope:</b>	None
<b>Exclusions from scope:</b>	None

<b>Planned Start Date:</b>	29/02/2024	<b>Exit Meeting Date:</b>	12/04/2024	<b>Exit Meeting to be held with:</b>	Neil Cuthbertson, Victoria Smith
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### SELF ASSESSMENT RESPONSE

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

**REPORT TO THE STDC  
AUDIT AND GOVERNANCE COMMITTEE**

**18 NOVEMBER 2024**

**REPORT OF GROUP CHIEF LEGAL OFFICER AND  
MONITORING OFFICER**

**DRAFT SOUTH TEES DEVELOPMENT CORPORATION ANNUAL  
GOVERNANCE STATEMENT 2023/2024**

**SUMMARY**

This report presents to Committee Members South Tees Development Corporation's draft Annual Governance Statement for 2023/2024.

**RECOMMENDATIONS**

It is recommended that Members note the content of the draft Annual Governance Statement for 2022/23 included at **Appendix 1** and either:

- (1) provide comments for consideration when submitted to the next meeting of the South Tees Development Corporation Board; or
- (2) recommend to the South Tees Development Corporation Board that the Statement be approved as drafted.

**DETAIL**

1. The Accounts and Audit Regulations 2015 require all public authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement which will be published online to accompany its Statement of Accounts.
2. The Annual Governance Statement will be presented for approval to the South Tees Development Corporation Board at its next meeting.

## SOUTH TEES DEVELOPMENT CORPORATION

3. Following approval by this Committee and by the South Tees Development Corporation, the Annual Governance Statement will be signed by the Chair of the South Tees Development Corporation and the Group Chief Executive. A key objective of this signing off process is to secure corporate ownership of the Statement's contents.
4. The Annual Governance Statement acknowledges the South Tees Development Corporation's responsibility for ensuring that proper arrangements are in place around the governance of its affairs. Guidance on producing an effective Governance Statement confirms that approvers of the Statement should be aware of the process followed in order to draft it. South Tees Development Corporation's Annual Governance Statement, includes a description of the key elements of its governance framework, how good governance is ensured in each of those elements, a description of the process applied in reviewing the effectiveness of this framework and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.
5. For the year 2023/24 the Annual Governance Statement acknowledges the Tees Valley Review and the 28 Recommendations contained therein. A number of those recommendations related to governance and are therefore noted in the Annual Governance Statement.
6. The Annual Governance Statement for 2023/24 is attached at **Appendix 1**. At this time the Corporation has not identified any significant issues that are not being addressed within the Statement.

### FINANCIAL IMPLICATIONS

7. There are no direct financial implications as a result of the content of this Report.

### LEGAL IMPLICATIONS

8. Publishing an Annual Governance Statement, approved by the South Tees Development Corporation Board meets the Corporation's obligations under the Accounts and Audit Regulations 2015.

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**RISK ASSESSMENT**

9. This Report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

**CONSULTATION AND COMMUNICATION**

10. No consultation or communication was required in order to compile the content of this Report or its Appendix.

**EQUALITY AND DIVERSITY**

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

**Name of Contact Officer:** Emma Simson  
**Post Title:** Group Chief Legal Officer and Monitoring Officer  
**Telephone Number:** 01325 792600  
**Email Address:** [emma.simson@teesvalley-ca.gov.uk](mailto:emma.simson@teesvalley-ca.gov.uk)

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**South Tees Development Corporation**

**Annual Governance Statement 2023/24**

**1. Introduction**

Good governance continues to be central to the delivery and assurance of our organisational objectives.

South Tees Development Corporation's (STDC) governance operations have integrated with the wider Tees Valley Combined Authority Group (the Group) governance framework since 2020.

Success of STDC's responsibilities are reliant upon maintaining robust governance arrangements which ensure the effective delivery of STDC's activities while ensuring an effective system of internal control, assurance and the management of risk.

Our ambition remains to oversee the creation of a world-class centre for the clean energy, offshore and innovation sectors, creating 20,000 good-quality, well-paid jobs as a result of investment at the Teesworks site (the Site). The pace and ambition for the site remains high and the role of STDC's Board and Committees remain unchanged. The STDC Board and its Committees must maintain robust governance and programme assurance, risk management and oversight of the discharge of health and safety responsibility whilst the wider Group coordinates the competing priorities of a complex programme of works.

It is also our ambition that our governance framework continues to add genuine value to the decisions and policymaking of the organisation.

**2. The Scope of Responsibility**

The South Tees Development Corporation and its subsidiaries are responsible for ensuring that our operations are conducted in accordance with the law and appropriate standards. We are also responsible for making sure public money is used effectively and appropriately and is properly accounted for. We have a responsibility to ensure we have proper arrangements in place for the governance of our affairs and effective exercise of our functions, including the

management of risk. We also have a duty under the Local Government Act 1999 to make continuous improvements to the way we operate.

Our Constitution sets out how we operate, how decisions are made, what our governance arrangements are and what processes must be followed to ensure these arrangements and processes are effective, transparent, and accountable.

These arrangements are designed to be consistent with the principles and best practice outlined in the Chartered Institute of Public Finance and Accountancy (CIPFA) - A guidance on good governance standards in the Public Sector.

This Annual Governance Statement details how we have complied with this framework and how we meet our responsibilities under the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.

### **3. The Purpose of our Governance Framework**

Meaningful and dynamic corporate governance establishes the conditions and culture for us to work effectively, economically, and ethically.

Our governance framework comprises the systems and procedures we believe will achieve our strategic objectives and deliver our activities in an appropriate and cost-effective way.

These objectives, as laid out in our Masterplan are:

- to further the economic development and regeneration of the South Tees area, so that it becomes a major contributor to the Tees Valley economy and the delivery of the Tees Valley Strategic Economic Plan;
- to attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;
- to transform and improve the working environment of the Corporation area, providing good quality, safe conditions for the workforce and wider community;
- to contribute to the delivery of the UK Industrial Strategy, by supporting the growth of internationally competitive industries with access to global markets, taking a comprehensive approach to redevelopment at a scale that enables the realisation of an international-level investment opportunity.

Our governance framework enables us to monitor the achievement of these strategic objectives, and the system of internal control which derives from it allows us to manage risk

# **SOUTH TEES DEVELOPMENT CORPORATION**

at a realistic level. Although it is impossible to eliminate all risk, this structure is designed to identify and prioritise risks to the achievement of our objectives, evaluate the likelihood of those risks being realised and manage their impact should they be realised.

## **4. Tees Valley Review**

Following an allegation made in Parliament of 'industrial scale corruption' in May 2023, the Secretary of State for the Department of Levelling up Housing and Communities announced an independent review into the relationship between the South Tees Development Corporation and Teesworks Limited.

The Independent Review "found no evidence to support allegations of corruption or illegality"<sup>1</sup>. The review made 28 Recommendations, the majority of which related to the Governance of the Tees Valley Combined Authority Group, which includes the South Tees Development Corporation. This Statement considers the arrangements which are in place to ensure the effectiveness of our Governance Framework and acknowledges the recommendations made by the Tees Valley Review

## **5. The Key Elements of our Governance Framework**

The following arrangements are in place to quantify the quality of our services, ensure that they are delivering our objectives and make certain that we are providing value for money.

### **(a) The Constitution**

The responsibilities of the Development Corporation's employees and members are clearly laid out in our Constitution. This document – subject to annual review – explicitly documents how the Corporation operates, responsibilities for specific functions, delegations and how decisions are made.

The Constitution – which can only be amended with agreement of the Tees Valley Combined Authority Cabinet – also sets out expected standards of behaviour for both officers and members. The Constitution clearly sets how both the activities of the Chair, Group Chief Executive and other Senior Officers will be subject to a robust set of checks and balances, and details how this scrutiny process will be delivered.

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<sup>1</sup> Independent review report: South Tees Development Corporation and Teesworks Joint Venture

Draft amendments to the STDC Constitution with the aim of addressing a number of the recommendations of the Tees Valley Review were considered and approved by the South Tees Development Corporation Board, and the Tees Valley Combined Authority Cabinet and its Statutory Committees during September 2024 following extensive engagement with stakeholders.

**(b) Statutory and non-Statutory Committees**

The South Tees Development Corporation currently operates the following statutory committees:

- A **Board**, the ultimate decision-making body of the Development Corporation with a constitutional responsibility to guide and oversee delivery of the key objectives of STDC.

The Tees Valley Review made a number of recommendations in respect of the make-up of Boards and Committees. It was recommended that:

*‘TVCA should review the makeup of the Board, including the Chair and role of associate members, to ensure relevant expertise and knowledge is in place to support the Mayor in setting and delivering his strategic ambitions, under the current phase of delivery.’*

Appointments to the South Tees Development Corporation Board are made by TVCA Cabinet following a recommendation from the Tees Valley Mayor.

In response to this recommendation, the Tees Valley Mayor proposed an increase in the number of Members on the South Tees Development Corporation to allow for a wider and more diverse skills mix. TVCA Cabinet also received a skills matrix detailing the skills mix of the proposed board, together with pen pictures of each of the proposed board members, in order to inform its decision.

A process is in place to ensure that when Members leave the Board, and new Members join the skills mix is reviewed and presented to the Cabinet when approval for the appointment of new Members is sought.

In addition, the Tees Valley Review recommended that the role of Associate Members be clarified. The role of an Associate Member is now clearly defined in the STDC Constitution, approved by STDC Board and TVCA Cabinet.

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- An **Audit & Governance Committee** with oversight responsibilities in matters concerning risk, financial affairs and probity, overseeing STDC's internal audit and external audit arrangements.
- The Tees Valley Review proposed a review of the STDC internal audit function. In May 2024 the Chartered Institute of Public Finance & Accountancy (CIPFA) was commissioned to carry out a review of the internal audit function. This made 22 recommendations. These recommendations have all been accepted by STDC management and progress towards their implementation will be reported to and monitored by the Audit & Governance Committee.

### (c) Referral Decisions

The STDC Constitution sets out a provision that requires STDC Board to identify any decision or issue which may result in a significant risk of:

- a. A financial liability; or
- b. A statutory liability; or
- c. An environmental or criminal liability

to the Combined Authority Group or to any or all of its Constituent Authorities, and to refer such decisions or issues to the Combined Authority for agreement before such liabilities arise, and prior to the implementation of any such decision. There has not been a need for such a referral in the last financial year.

The Tees Valley Review noted that where an STDC decision has in the past been a referral decision, this has been correctly noted and referred to Cabinet as required. The Review recommended that each and every time a decision is being proposed to the STDC Board, the Monitoring Officer makes it clear whether or not a decision is a 'Referral Decision' and the reason for this decision. The Monitoring Officer has ensured that all template STDC Reports include revised detail in respect of Referral Decisions and no reports will be signed off and published for the STDC Board until this information is completed.

### (d) Internal Audit

The Corporation's Internal Audit function, undertaken by TIAA Limited, ensures compliance with the relevant standards and statutory requirements. The service liaises with relevant statutory and senior officers throughout the year to develop and maximise the effectiveness of the Corporation's internal control systems and delivers an annual report on the quality of our processes.

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The internal audit service we receive is independent, comprehensive, and rigorous, and our provider has liaised regularly with officers to implement a number of service improvement recommendations, a process which will continue and accelerate in the coming year.

During 2023/2024 TIAA has completed 4 of its 5 proposed audits from its audit plan, approved by the STDC Audit & Governance Committee. One of the audits related to governance and internal control – as a result of the Tees Valley Review this was deferred and will now take place during 2024/25 which will capture the positive improvements to governance following the recommendations of the Tees Valley Review.

Of those audits completed, one outcome is awaited, two gave substantial assurance and two gave reasonable assurance. STDC Audit Committee will be engaged in ensuring that actions from all audits are addressed.

**(e) External Audit**

The purpose of the External Auditors is to provide an opinion on the accounts and Value for Money conclusion.

**(f) Chief Financial Officer and Financial Arrangements**

Under the requirements of Section 73 of the 1985 Local Government Act the Corporation has appointed a suitably qualified Chief Finance Officer, the Group Director of Finance and Resources, shared with the Combined Authority.

This officer, who is part of the Senior Management Team of both the Combined Authority and the Development Corporation, is responsible for:

- The operation of a robust system of budgetary control, including quarterly and annual financial reports indicating financial performance against forecasts.
- Ensuring that the Authority's finance function is appropriately resourced.
- Assessing the short, medium, and long-term implications of all material business decisions, and identifying and mitigating financial and organisational risks arising from them.
- Aligning the Corporation's business and financial planning processes.
- Promoting good financial management throughout the organisation.

There are comprehensive budgeting systems in place and a robust system of budgetary control, including quarterly and annual financial reports, which indicate financial performance

## **SOUTH TEES DEVELOPMENT CORPORATION**

against forecasts. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

### **(g) Monitoring Officer**

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Group Chief Legal Officer is the Authority's designated Monitoring Officer, who has functional responsibility for Legal, Procurement, Governance and Information Governance functions. There are monthly meetings between Statutory Officers to ensure joined up working and the management of complex issues. All Board reports are considered for legal issues before submission to members.

The role of shared Statutory Officers (including the Monitoring Officer and s73 Officer) between TVCA and STDC was considered by the Tees Valley Review, in a number of recommendations. The position in respect of shared Statutory Officers was considered by Cabinet in September 2024. The proposals from Cabinet to maintain the present shared Statutory Officer roles but with a Head of Legal and a Head of Finance & Resources leading on legal and financial matters for STDC – these roles have been codified in the STDC Constitution which has been approved by STDC Board and Cabinet.

### **South Tees Site Company**

South Tees Site Company was set up in 2016 with a focus on keeping the former SSI Steelworks site safe, ongoing maintenance and removing safety hazards. In October 2020, the company became a wholly owned subsidiary of South Tees Development Corporation whose role it is to oversee site activity with a particular focus on safety. Operations of the Site Company are now being wound down as roles and responsibilities of the organisation change from a keep safe and demolition phase to a construction phase by external investors.

In July 2024 the STDC Board approved a proposal to transfer the Health and Safety responsibility for the Teesworks Site from STSC to STDL.

### **South Tees Developments Limited**

South Tees Developments Limited was set up to hold the land acquired by STDC from Tata Steel and SSI - to realise the regeneration and redevelopment ambitions of the site. The company employs a small number of staff. STDL has now adopted the trading name, Teesworks. This company has its own Board.

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As noted above, at its meeting on 18 July 2024 STDC approved the transfer of the responsibility for Health and Safety matters at the Teesworks Site, from STSC. The work to effect this transfer of responsibility is underway.

### **Other interests: Teesworks Limited**

STDC holds a minority interest (10%) in Teesworks Limited. Teesworks Limited uses the name 'Teesworks' under licence arrangements. Care has been taken to ensure legal and financial separation of duties.

Following the completion of the energy joint venture in relation to the High Voltage Network at the Teesworks Site, between Teesworks Limited (50%) and Energy North West (50%), STDC now has a 5% interest (to reflect its 10% share in Teesworks Limited) in Steel River Energy Limited (SREL). This arrangement concluded mid- October 2024 and therefore a level of oversight of SREL will be incorporated into the overall governance processes of STDC.

### **Risk Management Framework**

The Corporation operates a comprehensive and proactive Risk Management Framework outlining its approach to Risk Management. Central to this strategy is a Corporate Risk Register which details what risks have been identified, the probability and impact of these risks being realised, and which controls are in place to mitigate against these risks. This report is periodically reviewed by Senior Officers and scrutinised by the Audit & Governance Committee.

This Risk Framework is supported and informed by a board-level Risk Appetite Statement.

### **Declarations of Interest and Code of Conduct**

All Development Corporation employees and members are subject to a formal Code of Conduct – forming part of the Constitution - and must complete, at least annually, a formal Declaration of Interest.

### **Gifts & Hospitality**

The Combined Authority maintains a register of offers of Gifts and Hospitality made to members and officers of the Corporation, even if these offers are declined.

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### **Anti-fraud and Corruption Strategy**

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

An Anti-Fraud and Corruption Strategy exists to:

- Improve the knowledge and understanding of all staff, irrespective of their position, about the risk of fraud, bribery and corruption.
- Promote an anti-crime culture and an environment where staff feel able to raise concerns.
- Set out the Corporation's responsibilities in terms of deterrence, prevention, detection and investigation of fraud, bribery and corruption.
- Ensure appropriate sanctions are considered following an investigation, which may include internal disciplinary action, civil recovery and/or criminal prosecution.

### **Governance Arrangements**

Following the integration of Development Corporation governance functions within the wider Combined Authority group in 2020, the Corporation has access to a dedicated Governance Team to ensure that the Development Corporation is compliant with its regulatory responsibilities and to advise both members, employees and partner organisations. The team oversees a number of areas including transparent decision making, Declarations of Interest, Whistle-blowing, Data Protection and Freedom of Information request handling.

A group support services arrangement has been put in place to ensure suitable support is in place for STDC at this important time as well as to avoid duplication of duties across the group structure.

STDC group has adopted the trading style 'Teesworks' however for legal purposes we are keen to ensure that the individual legal personalities remain separate.

### **Freedom of Information and Environmental Information Regulation Requests**

STDC is subject to the Freedom of information Act 2000 and the Environmental Information Regulations 2004. The group Governance Team processes such requests for STDC. Over the last financial year STDC has received and responded to 46] such requests for information.

## **SOUTH TEES DEVELOPMENT CORPORATION**

The Tees Valley Review made the following recommendation in respect of Freedom of Information Requests:

*'Monitoring Officer to review the approach to confidentiality and the handling of FoI to ensure that the public interest test is properly understood and applied. Devise a local protocol to clarify what information will be deemed confidential and on what basis and provide training for staff. This should include guidance on the disclosure of confidential information to TVCA Cabinet, Overview & Scrutiny and TVCA/STDC Audit Members who should have enhanced rights of access.'*

STDC's performance in respect of Freedom of Information Requests is now published quarterly on its website. In addition all Freedom of Information data will be reported to STDC Audit & Governance Committee for oversight.

### **6. Tees Valley Review – general**

In addition to regular reporting to the STDC Board on the implementation of the recommendations from the Tees Valley Review and the effectiveness of that implementation, the Local Government Association has also agreed to carry out a review of the implementation of the Review recommendations. The review report will be provided to STDC Board in due course.

### **7. Review of effectiveness**

The Development Corporation is responsible for conducting, at least annually, a review of the effectiveness of its governance arrangements. Any areas for review are overseen and co-ordinated by the Group Chief Executive and Group Director of Finance & Resources and any findings reported to the Audit and Governance Committee, where appropriate.

### **External Audit**

Our most recent auditor's report, issued on 25 August 2022, concluded that:

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the Group as at 31 March 2021 and of the Corporation's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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VFM conclusions are no longer issued, instead VFM commentary is issued as part of the Auditor's Annual Report. Mazars issued their Auditor's Annual Report in September 2022 and concluded the following in relation to value for money:

***'Our work did not identify any evidence to indicate a significant weakness in the Corporation's arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.'***

We expect to receive our 2021/22 auditor's report in December 2024.

The Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO), and organisations in the wider system has taken a number of actions, which are designed to address the backlog and put local government audit on a sustainable footing.

The term "audit backstop" refers to a deadline set by authorities to ensure that all outstanding audits are completed by a specific date and may result in disclaimed opinions driven by backstop dates.

Auditors' other statutory duties including to report on Value for Money (VfM) arrangements, to make statutory recommendations and issue Public Interest Reports remain.

Mazars have concluded that South Tees Development Corporation will be subject to a disclaimed opinion as a result of the "audit backstop" for the financial year 2022/23.

STDC Single Entity and Group unaudited Statements of Accounts for 2023/24 are published on the STDC website. Ernst & Young have been appointed via the Public Sector Audit Appointments ("PSAA") for the financial year 2023/24. Ernst & Young are reviewing at a national level the impact the introduction of the "audit backstop" date will have on individual audits.

### **Internal Audit**

An Annual Internal Audit Report was presented to the Audit and Governance Committee 1<sup>st</sup> August 2023 which concluded that:

"The organisation has an adequate and effective framework for risk management, governance, and internal control.

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## **SOUTH TEES DEVELOPMENT CORPORATION**

“However, our work has identified further enhancements to the framework of our risk management, governance, and internal control to ensure that it remains adequate and effective”

The following opinions were provided in the Audit Report:

### **Governance**

*We did not perform a specific governance review at the organisation 2022/23, however we have elements of the governance frameworks in place for the following reviews and have used this work to support the governance opinion: Logic Models, Procurement to Pay Process, SeAH Plant and South Bank Quay, and Audit Committee Effectiveness. Each of the above reviews received a positive assurance opinion.*

During 2023/2024 TIAA were scheduled to complete an internal audit relating to governance and internal control – as a result of the Tees Valley Review this was deferred and will now take place during 2024/25 which will capture the positive improvements to governance following the recommendations of the Tees Valley Review.

### **Risk**

*We did not perform a specific risk management review at the organisations in 2022/23 ; however, our risk management opinion is informed by the assessment of the risk mitigation controls and compliance with those controls in our risk-based reviews in the following area:*

- *Scrap and Disposal of Assets (Risk: GSR-R036: Fraud - Management of scrap metals) – Substantial assurance*
- *SeAH Plant and South Bank Quay (Risk: GSR-R023: Failure to meet objectives) – Substantial assurance*
- *COMAH Declassification (GSR-R001: Inability to remove COMAH status) – Substantial assurance*

*We have also attended all Audit and Risk Committee meetings throughout the year and confirmed the organisation’s risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members; with regular updates provided and the risk register shared and reviewed, with appropriate oversight.*

A specific risk management review has taken place in 2023/24 and concluded with reasonable assurance.

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**Control**

We undertook six audits (including the three risk driven review mentioned above) of the control environment that resulted in formal assurance opinions. All six of these reviews concluded that positive assurance opinions could be taken by the Board (four substantial, two reasonable).

We identified that the organisation required further implementation and embedding of a control framework, or to improve the application of the established control framework, for those areas reviewed.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control.

We have performed a Follow Up review during the year which concluded that good progress had been made towards the implementation of those actions agreed.

The key financial controls audit that has taken place in 2023/24, subsequent to the last annual audit opinion issued and has received substantial assurance with no recommendations.

Summary of Internal Audit work completed for 2023/24:

Assignment	Assurance Level	Actions agreed		
		L	M	H
Data Protection – GDPR	Reasonable	4	9	0
Risk Mitigating Controls	Reasonable	3	1	0
Key Financial Controls Process to Pay	Substantial	0	0	0
Control of Major Accident Hazard (COMAH)	Substantial	0	0	0
ICT Disaster Recovery	Underway	-	-	-
Follow up on previous Internal Audit Management Actions	Underway	-	-	-

The internal audit opinion for 2023/24 is expected to be issued by November 2024.



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**8. Conclusion**

It is our conclusion – validated by external opinion – that the Development Corporation operates a satisfactory governance framework which supports the achievement of its policies, aims and objectives and meets all statutory requirements and ensures public money is used effectively and appropriately and is properly accounted for.

**Signed**

Ben Houchen      Tees Valley Mayor and  
Chair of South Tees  
Development  
Corporation      *signature*      *date*

Julie Gilhespie      Group Chief Executive,  
South Tees  
Development  
Corporation      *signature*      *date*

**REPORT TO THE STDC  
AUDIT AND GOVERNANCE COMMITTEE**

**18 NOVEMBER 2024**

**REPORT OF GROUP CHIEF LEGAL OFFICER AND  
MONITORING OFFICER**

**DATA PROTECTION REVIEW – UPDATE**

**SUMMARY**

The Authority is required to comply with the Data Protection Act 2018 (the 2018 Act) in relation to the collection and processing of personal data.

In 2022, the then Monitoring Officer commenced a review of the TVCA Group's Data Protection Policies and Processes.

The Tees Valley Combined Authority, on behalf of the TVCA Group, engaged a specialist firm of lawyers to assist it in ensuring that its policies and procedures were compliant with the 2018 Act.

This Report also provides the Committee with an update on the Development Corporation's progress in addressing the recommendations of the Data Protection Internal Audit Report.

The purpose of this Report is to provide the Committee with oversight of the review process, commencing with a position status and proposed next steps to enable that oversight.

**RECOMMENDATIONS**

It is recommended that the STDC Board:

- i. **NOTES** the current status of the TVCA Group's Data Protection Review against the Data Protection Audit, and that a further update will be brought to the January meeting of this Committee.

# SOUTH TEES DEVELOPMENT CORPORATION

## DETAIL

1. The Development Corporation is required to comply with the Data Protection Act 2018 (the 2018 Act) in relation to the collection and processing of personal data.
2. Implemented under the EU-wide General Data Protection Regulation (GDPR), the Data Protection Act 2018 exists to control how personal data is used by organisations, businesses and government. According to both the regulation and the act, personal data is defined as any information which directly identifies – or could be used to identify – a living individual.
3. The Data Protection Act 2018 requires that personal data, being names, identification numbers such as national insurance or passport numbers, location data such as postal addresses or mobile GPS data, online identifiers such as IP or email addresses, information about the health or genetic conditions of an individual, biometric data such as fingerprints, ethnicity, political or religious views and sexual orientation is:
  - (a) handled in a fair, lawful and transparent way;
  - (b) used for specific purposes which are made explicit;
  - (c) limited in its use, according to what is relevant or necessary;
  - (d) kept accurate and up to date;
  - (e) not kept for longer than is necessary; and
  - (f) handled in a way that ensures adequate security
4. In 2022, the then Monitoring Officer commenced a review of the TVCA Group's Data Protection Policies and Processes.
5. The Tees Valley Combined Authority, on behalf of the TVCA Group engaged a specialist firm of lawyers to assist it in ensuring that its policies and procedures were compliant with the 2018 Act.
6. In December 2023 the Development Corporation's Internal Auditors, TIAA commenced an audit on the Authority's Data Protection compliance. A copy of the Audit Report is attached at **Appendix 1**.
7. Included at **Appendix 2**, is an action tracker detailing the actions from the Audit Report and progress against the same. This action tracker will be brought to each Committee meeting until all actions have been addressed. Following that, it is

## **SOUTH TEES DEVELOPMENT CORPORATION**

proposed that the Committee will receive, as part of a wider regulatory report, an update on the Authority's Data Protection compliance, twice a year.

8. The Committee is asked to note that the Group Wide Data Protection Audit is in the process of addressing all of the actions identified in the Internal Audit Report, and whilst the completion dates have been reprofiled to the end of this calendar year, all actions are in the process of being addressed and the Committee will receive a further update at its January meeting.

### **FINANCIAL IMPLICATIONS**

9. The introduction of the Data Protection Act 2018 saw a huge increase in the fines which were available, in the event of a breach of data protection laws.
10. The increase in financial penalties highlights the importance of compliance with the terms of the Data Protection Act 2018, and also increases the consequences of non-compliance. The penalties available pursuant to the Data Protection Act are:
  - (a) unlimited fines for individuals;
  - (b) depending upon the nature of the breach, there are two tiers of fines imposed upon organisations-
    - up to €10 million or 2% of annual global turnover, whichever is greater; or
    - up to €20 million or 4% of annual global turnover, whichever is greater.

### **LEGAL IMPLICATIONS**

11. The South Tees Development Corporation has a legal obligation to comply with the Data Protection Act 2018. Failure to comply with the provisions of the Data Protection Act 2018 risks a fine to an individual or to the organisation, including reputational damage.
12. The Internal Audit Report from TIAA highlighted a number of recommendations to ensure the Corporation's compliance with the Data Protection Act 2018. This report will enable the Committee to monitor progress against those recommendations and so ensuring the Authority's compliance with the Data Protection Act 2018.

**TEESWORKS**

The UK's largest  
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**RISK ASSESSMENT**

13. A risk assessment has been complete against Data Protection risk, this included analysis of current controls, and the recommendations established as part of the internal audit. It is forecast the risk will reduce to target level by the end of 2024, upon completion of the treatment action plan.

Legal Risk ID	Legal Risk Summary	Residual Risk Score	Treatment Action Plan/ Updates	Treatment Action Plan Delivery Date
RISK-1575	As a result of technical organisation compliance, Data Protection policies and practices not being kept update to date with changing projects and structure there is a threat of non compliance and significant reputational damage.	15	To ensure robust adherence to recommendations made as part of the Data Protection internal audit an action tracker has been developed which will be governed by the legal team. This will be reviewed on a weekly basis to ensure all progress is captured.  Recruitment process is currently underway to allow further capacity within the team which will reduce the risk of limited resource impacting ability to deliver actions within deadlines set.	December 2024
RISK-2734	As a result of failing to keep our information secure, there is a threat that personal or commercially sensitive data is leaked which may result in personal harm/distress or missed commercial opportunities.	8	Information Asset Register to be developed as part of internal audit actions. Reporting process is in place for any breaches. Data Protection training is in place for the Group on an annual basis/ in line with updates. CyQu testing is currently underway to test the effectiveness of the TVCA cyber security controls.	December 2024
RISK-1177	As a result of inadequate storage, maintenance methods and software, there is a threat of a personal files being	4	Retention/Recruitment policies in place. Recruitment process is anonymised. Secure processing of Data.	Monthly Reviews

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Legal Risk ID	Legal Risk Summary	Residual Risk Score	Treatment Action Plan/ Updates	Treatment Action Plan Delivery Date
	accessed by unauthorised personnel or being stored out of compliance with the principles of the GDPR.		<p>Authorisation process in place for sharing of information.            HR team trained on Data Protection Act.            Reporting process is in place for any breaches.            Data Protection training is in place for the Group on an annual basis/ in line with updates.            Citrus platform is operated through a permission control. Users are granted access relevant to their role where information is restricted inline with responsibility.</p>	

**CONSULTATION AND COMMUNICATION**

14. No consultation is required.

**EQUALITY AND DIVERSITY**

15. It is not expected that the content of this report will affect any person with protected characteristics.

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ACTION PLAN - ICT REVIEW OF DATA PORTECTION (GDPR) JUNE 2024						
	Recommendation	Action	Update	Responsible Officer	Expected Date of Completion / Completed	Revised Expected Date of Completion
1	Data Protection to be overseen by a group/committee to ensure effective compliance with General Data Protection Regulations (GDPR).	Data Protections matters should be reported to the Audit & Governance Committee for TVCA and STDC.	Complete. Proposed that the A&G Committee receives a Regulatory update twice a year, which will include Data Protection and Information Governance matters (FOI).	Monitoring Officer	Sep-24	
		Audit Committee Terms of Reference will be reviewed and a proposal made for Audit & Governance Committee to be the responsible committee for GDPR matters.		Monitoring Officer	Sep-24	Dec-24
2	The Data Protection Policy be finalised and approved. The Group Data Protection and Security use Policy be reviewed and approved.	The draft Data Protection Policy is to be finalised and will be ready to be rolled out the w/c 10 June 2024.	Policy finalised but to be rolled out by the end of the year.	Monitoring Officer	Jun-24	Dec-24
		The Group data Protection and Security Use Policy is in the process of being reviewed. The revised Policy will be rolled out by August 2024.		Monitoring Officer	Aug-24	Dec-24
8	An information Asset Register to be put in place.	An information Asset Register will be populated.		Monitoring Officer	Dec-24	Dec-24

ACTION PLAN - ICT REVIEW OF DATA PORTECTION (GDPR) JUNE 2024						
	Recommendation	Action	Update	Responsible Officer	Expected Date of Completion / Completed	Revised Expected Date of Completion
12	Data Protection Impact Assessments (DPIAs) to be conducted when using a new system/starting a new project which involves processing of personal data to identify and minimise the data protection risk.	This is part of the current review of Data Protection and will be in place as part of the outcomes from the review.		Monitoring Officer	Sep-24	Dec-24
3	Each policy to have a responsible officer and the policy be approved by senior management.	A formal procedure through Senior Management will be drafted and approved, and then shared with Auditor.		Monitoring Officer	Jul-24	Dec-24
4	The Social Media Policy be approved once reviewed with review and approval dates being added to the policy.	This is in the process of being reviewed and will be approved by August 2024.		Monitoring Officer	Aug-24	Dec-24
5	The CCTV Policy be finalised and approved.	This has been reviewed and will be rolled out w/c 10 June 2024.		Monitoring Officer	Jun-24	Dec-24
6	The Data Retention Policy be approved when reviewed.	This has been reviewed and will be rolled out w/c 10 June 2024.		Monitoring Officer	Jun-24	Dec-24
7	A Data Breach Log to be maintained.	This is part of the current review of Data Protection and will be in place as part of the outcomes from the review.	Complete. Data Breach Log maintained and will be used to provide the update to the committee at 1 above.	Monitoring Officer	Jul-24	
9	TVCA to satisfy itself that DSAs are reviewed on a regular or ad-hoc basis.	This is part of the current review of Data Protection and will be in place as part of the outcomes from the review.		Monitoring Officer	Jul-24	Dec-24

ACTION PLAN - ICT REVIEW OF DATA PORTECTION (GDPR) JUNE 2024						
	Recommendation	Action	Update	Responsible Officer	Expected Date of Completion / Completed	Revised Expected Date of Completion
10	A Staff Privacy Notice and Group Privacy notice to be finalised and approved.	This is part of the current review of Data Protection and will be in place as part of the outcomes from the review.		Monitoring Officer	Jul-24	Dec-24
12	TVCA to satisfy itself that appropriate agreements are in place if there is any data shared outside the United Kingdom.	This is part of the current review of Data Protection and will be in place as part of the outcomes from the review.		Monitoring Officer	Jul-24	Dec-24
13	A review of supplier contracts be undertaken to confirm that data confidentiality clauses are contained within them.	This is part of the current review of Data Protection and will be in place as part of the outcomes from the review.		Monitoring Officer	Jul-24	Dec-24

Key
Urgent
Important
Routine
Completed