South Tees Development Corporation Board Agenda

Date: Wednesday 25th November 2020, at 2.00pm

Venue: Microsoft Teams meeting

Membership:

Mayor Ben Houchen (Tees Valley Mayor)
Paul Booth OBE (Chair, Tees Valley Local Enterprise Partnership)
Cllr Mary Lanigan (Leader, Redcar & Cleveland Borough Council)
Mayor Andy Preston (Mayor of Middlesbrough)
Sir Alan Cockshaw (Independent Member)
Steve Gibson OBE (Independent Member)
Graham Robb (Independent Member)
David Smith (Independent Member)
Jacob Young MP (Independent Member)
Julie Gilhespie (Group Chief Executive TVCA, STDC)

Associate Membership:

Tom Smyth (BEIS)
John Sampson (MD, Redcar & Cleveland Council)

Agenda

1. **Welcome & Introductions**

2. **Apologies for Absence**

3. **Declarations of Interest**

4. **Minutes from previous meeting**

   Attached

5. **Chair's Update**

   Verbal Update

6. **Group Chief Executive's Update**

   Attached

7. **Governance & Appointments**

   Attached

8. **Governance Arrangements Update**

   Attached

9. **Annual Financial Statements**

   To follow

10. **Finance and Medium Term Plan update**

    Attached

11. **South Bank Wharf**

    This report and it's appendices are not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

12. Site Management Update

This item is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

13. Electricity Infrastructure JV Procurement Update

To follow - *This item is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972*

14. Date and Time of Next Meeting

Wednesday 27th January 2021

Members of the Public - Rights to Attend Meeting

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

Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Sharon Jones, Governance & Scrutiny Officer,Sharon.jones@teesvalley-ca.gov.uk. 01642524580.

South Tees Development Corporation Declaration of Interests Procedure

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

Personal Interests

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

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

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

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

Declarations of interest relating to the Councils' commercial role

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

Procedures for Declaring Interests

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

Register of Interests

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

Declaration of Interests at Meetings

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

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

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

leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

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

SOUTH TEES DEVELOPMENT CORPORATION (STDC) BOARD

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

Date: 30th September 2020 Time: 2 pm

TEAMS Meeting

Attendees:		**Apologies:**
Ben Houchen (Chair)	Tees Valley Mayor	Jacob Young, MP
Paul Booth	TV LEP	David Smith, Energy Networks UK
Graham Robb	Recognition PR	
Steve Gibson	Bulkhaul Ltd	
Sir Alan Cockshaw	Independent Member	
Andy Preston	Mayor Of Middlesbrough	
John Sampson	Redcar & Cleveland BC	
Tom Smyth	BEIS, Interim Government Representative	
Julie Gilhespie	TVCA, STDC Group	
Gary MacDonald	TVCA, STDC Group	
John McNicholas	STDC	
Mike Russell	STDC	
Chris Harrison	Joint Venture Partner	
Peter Judge	TVCA	
Sharon Jones (Secretariat)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	**Welcome and introductions**	The Chair welcomed everyone to the meeting.		
2.	**Apologies for Absence**	Apologies were given as noted above		
3.	**Declarations of Interest**	There are no Declarations of Interest		
4.	**Minutes of previous meetings**	The minutes of the meeting held on 29th July 2020 were agreed as a true record.		
5.	**Chair's Update**	There was no update from the Chair		
6.	**Group CEO Update**	A report was circulated from the Group CEO providing an update on key activity within STDC since the last meeting. **Resolved** that the report was noted. The CEO also provided a verbal update regarding the Decontamination project. We have been unable to proceed with the project due to the HSE situation. This has now been signed off and the contract can move to phase 2. We are awaiting the performance bond and once this has been received we will proceed as planned.		

7.	**Governance Arrangements – STDC Group Governance including transition of South Tees Site Company Limited ("STSC")**	A report was circulated detailing the proposed Governance arrangements intended to take effect on the successful acquisition of STSC on 8th October 2020. The report serves to quantify items already discussed and agreed in a previous report received by Board at their last meeting. The report has also been to TVCA Cabinet and been signed off. **Resolved** that the recommendations within the report are approved.		
8.	**Medium Term Financial Plan Update**	A paper was circulated providing a finance update to the Board and to review the STDC Group budget for 2020/21 and medium-term plan for the three-year period to 31 March 2023. **Resolved** that the recommendations within the report are approved.		
9.	**South Bank Wharf**	**The Chair proposed and Board agreed to pass a resolution to exclude the press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972, in order to allow Board to consider matters of a commercially confidential nature.** A Paper was circulated providing the Board with an update on progress in respect of developments with South Bank Wharf quay. **Resolved** that the recommendations within the report are approved.		
10.	**AOB**	None		
12.	**Date & Time of Next Meeting**	**2pm on Wednesday 25th November 2020**		

AGENDA ITEM 6

REPORT TO THE STDC BOARD

25TH NOVEMBER 2020

REPORT OF THE GROUP CHIEF EXECUTIVE

GROUP CHIEF EXECUTIVE UPDATE

SUMMARY

The purpose of this paper is to provide an update to STDC Board on the key activity within STDC since the last meeting.

RECOMMENDATIONS

It is recommended that the Board notes the content of this update report

ORGANISATIONAL DEVELOPMENTS

1. During October, the STDC group passed several significant milestones including:
   - **STSC Transition** - On 8th October STDC successfully completed the transition of South Tees Site Company into local ownership;
   - **CPO/Vesting of land** - Simultaneously the Group completed the acquisition of the outstanding land on the former SSI steelworks site through CPO following execution of the first general vesting declaration. A second GVD was also made; and
   - **Business Case** - In line with transition the first tranche of funding was received by STDC from BEIS/ MHCLG under the Business Case to government for regeneration of the STDC site.
2. Following transition, management focus has shifted to integration of STSC and its activities as well as operationalising the delivery program underlying the Business Case as access has been secured to the former SSI land assets.
3. Further emphasis has also been given to the developing proposals for a new Quay on the South Bank area of the site and a Commercial Case for borrowing to support this development is included as a confidential item to this Board.
4. Key developments by business area are provided below

COMMERCIAL

5. Teesworks was represented at the Offshore Wind North East virtual conference with a number of meetings held with prospective customers. Feedback on the planned development of Teesworks was well received.

6. Several significant projects are continuing through commercial negotiation with Teesworks facilitating site inspections and ground investigation work.

    - Teesworks continues to support the Local Authorities' waste project team in its preparation for the latter stages of its procurement processes. Discussions are ongoing regarding utilities connections, design standards, ecology off-set and ground remediation;

    - Short term licenses have been provided to an incumbent business to facilitate their growth following a change of ownership earlier in 2020 and to a rolling stock provider; and

    - Discussions continue in respect of the South Bank and a cluster for offshore wind.

7. Preparation work has continued to make best use and maximise the value of existing infrastructure.

    - **Electrical Infrastructure JV Procurement Process -** STDC has continued to progress the appointment of a Joint Venture partner to develop, operate and maintain the electrical network for the Teesworks site. The procurement process has hit all procurement milestones and bids have been received on 6th November. A separate paper will be submitted to the STDC board detailing the bid evaluations and recommending a preferred bidder.

PROGRAMME DEVELOPMENT

8. Dorman Point (150-acre site)

8.1 Eston Road Highway Access Scheme (new roundabout)

(a) Preliminary construction activities have commenced.
(b) Construction completion is now scheduled for June 2021.

8.2 Site Preparation and Ground Remediation Works – Phase 1 (40 acres – western end of site)

(a) Advance works complete.
(b) Main works construction has commenced.
(c) Construction completion is scheduled for April 21.

8.3 Site Preparation and Ground Remediation Works – Phase 2 (50 acres – eastern end of site)

(a) Preliminary construction works ongoing.
(b) Construction completion is scheduled for May 21.

8.4 Site Preparation and Ground Remediation Works – Phase 3 (30 acres – central zone of site)

(a) Works are scheduled to commence in January and complete by June 21.

9. Metals Recovery Area (50-acre site) – Site Preparation and Ground Remediation Works

(a) Advance earthworks and site clearance continuing.
(b) Planning permission due by this month.

(c) Construction completion is scheduled for March 21.

10. South Bank

10.1 South Bank Quay

(a) The overwater ground investigations are continuing.
(b) The Environmental Impact Assessment is complete
(c) The application to the Marine Management Organisation for the necessary Marine Works Licence for the project was submitted this month.
(d) The planning application for the scheme was submitted this month.
(e) Phase 1 of the project (a 450m long quay and related river dredging works) is scheduled to commence in August 21 and complete by December 22.
(f) The procurement process for the provision of a Design & Build contractor for Phase 1 will commence shortly.

10.2 Landside Works

(a) The first phase of the landside site preparation and ground remediations works (Phase 1), to around 100 acres of land, is scheduled to commence 18 January 21. Advance construction works to this area, including building demolitions, are continuing.

11. Demolition Works

- **Package 1 – Various Buildings, Prairie Site**

(a) Demolition works on the Prairie Site will commence in late November, once the STSC Coke Ovens Gas Main decontamination works in the locale are complete.

- **Package 2 – Heavy Fuel Oil (HFO) Tank Farm and Buildings at South Bank**

(a) This decontamination and demolition project is continuing and will be complete by before Christmas, two months ahead of schedule.

- **Package 3 – Various SSI Assets, Advance Demolitions**

(a) Key demolitions within this package include certain facilities on the proposed NZT site, the coal handling facilities at Redcar, and the gas holder structure at South Bank Coke Ovens.
(b) The procurement process is ongoing, and we expect to have a contractor appointed in January.
(c) Demolition works will now commence in January and complete in August 2021.

- **Package 4 – Demolition Contractors Framework**

(a) Procurement of the Framework is ongoing and will conclude in Feb-21.
(b) The Framework will address the majority of the demolition projects across the site, including all of the large-scale, complex facilities, such as: Redcar Blast Furnace; Redcar Coke Ovens; the Sinter Plant; Lackenby Steelmaking Complex; and South Bank Coke Ovens.
(c) The overall programme duration is estimated at 4 to 5 years.
(d) The first projects will commence in April 21.

12. SLEMS Area (60-acre site)
    (a) Laboratory trials on the potential for implementing soil treatment methodologies for 1.0M tonnes of BOS oxide stored on the SLEMS have now concluded, and it is pleasing to note that we have viable solutions to addressing the problem in situ, avoiding the need for costly off-site disposal.

13. Net Zero Teesside Site
    (a) Our dialogue with the NZT team on project development activities, related technical requirements and their Development Consent Order continues.
    (b) Site preparation and ground remediation works are currently scheduled to start in November 21, in line with progress on related demolition works.

14. Hydrogen Rail Project
    (a) We are continuing our consultations with Northern Trains Ltd (NTL) on the potential for realising this project on Teesworks.

15. Materials Handling – Sirius Material Supply Agreement
    (a) Agreement has now been reached with Sirius/Anglo American on the revised terms of the Material Supply Agreement.

16. Ground Investigations
    (a) In the period since the last Board meeting the following ground investigations have been completed:
        - Long Acres site area
        - Metals Recovery Area Phase 2 (deep soils investigation)
        - SLEMS Phase 2 (deep soils investigation)
        - Redcar Gate Entrance Improvements Project.
    (b) The following ground investigations are planned over the coming two months:
        - South Bank Quay
        - South Bank Hinterland Phase 2.

17. Redcar Gate Entrance Improvements
    (a) Construction works are well underway, and the project is scheduled to be substantially complete before Christmas.

FINANCE AND RESOURCE

18. The financial accounts for the year ended 31 March 2020 and a financial performance update for the six months to 30 September 2020 are presented as separate papers

FINANCIAL IMPLICATIONS

19. The financial implications of programme activity are captured in the STDC Delivery Group meetings throughout the year. The Group received regular financial updates linked to programme milestones and a procurement pipeline has been produced to integrate with the programme plan. This will ensure spending profiles are monitored and key critical expenditure path items are identified.

LEGAL IMPLICATIONS

20. Whilst matters with legal implications are discussed in this report, this update report has no specific legal implications

RISK ASSESSMENT

21. Specific identified areas of risk are highlighted following each section of the detailed report. These risks will be discussed at the next STDC SMT meeting to ensure additions/ updates are made to the appropriate risk registers.

CONSULTATION & COMMUNICATION

22. This paper has been prepared directly from separate reports prepared by the Senior Management team of STDC. As the purpose of this report is to provide updates/ information no further consultation has been undertaken/ is necessary.

EQUALITY & DIVERSITY

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

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AGENDA ITEM 7

REPORT TO THE STDC BOARD

25TH NOVEMBER 2020

REPORT OF THE GROUP CHIEF EXECUTIVE

GOVERNANCE AND APPOINTMENTS

SUMMARY

This report summarises changes to membership of STDC committees which have taken place since the previous Board meeting.

This report also requests Board ratification for the appointment of Vice Chair of Group Audit & Risk Committee.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet agrees the appointments as set out in this report.

DETAIL

Group Audit & Risk Committee

1. The Board, at their meeting on 27th July 2020, agreed to the Chair's proposal that John Baker and Professor Jane Turner be appointed to the Audit & Risk Committee.

2. Chris White, Independent Member will continue in his role of Chair of the Committee.

3. John Baker is to be appointed as Vice Chair of the Committee.

4. As per the Constitution the Combined Authority's Audit and Governance Committee shall appoint one of its members to be a member of the Group Audit and Risk Committee. This appointment is to be agreed at the meeting of the Audit & Governance Committee to be held on 19th November.

Statutory Officers

5. Peter Judge takes up the statutory roles of Monitoring Officer and Data Protection Officer for STDC following his appointment as Group Chief Legal Officer.

6. Julie Gilhespie is to be formally appointed as Head of Paid Service and Chief Executive Officer for STDC to allow for this role to be directly accountable to the Board of STDC. The contractual basis of this will be dealt with through a secondment arrangement and it is recommended that detailed execution of this is delegated to the Mayor.

FINANCIAL IMPLICATIONS

7. Support for the governance of STDC is provided by Tees Valley Combined Authority is provided from within the Authority's core budget, as agreed by Cabinet through the annual budget process, and funded through resources devolved from central government.

LEGAL IMPLICATIONS

8. The report relates to the Constitution of STDC which sets out the appropriate statutory framework.

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 & COMMUNICATION

10. Appropriate Consultation has taken place for these appointments. The Mayor has also been consulted on these proposals.

EQUALITY & DIVERSITY

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

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AGENDA ITEM 8

REPORT TO THE STDC BOARD

25th November 2020

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

UPDATE ON STDC GROUP GOVERNANCE ARRANGEMENTS

SUMMARY

The purpose of the paper is to update STDC Board and seek approval to the proposed Governance arrangements following (i) the inclusion of the South Tees Site Company ("STSC") into Group; (ii) a review of the STDC Scheme of Delegation; and (iii) proposed working arrangements with Teesworks partners.

RECOMMENDATIONS AND DECISION

The STDC Board approve:

i. Proposed STDC Governance structure at (**Appendix 1**);
ii. Proposed STDC Operational Group Terms of Reference at (**Appendix 2**);
iii. Proposed STDC Delegation schedule (**Appendix 3**);
iv. Proposed Operational Finance Process arrangements for Teesworks partners (**Appendix 4**);
v. Delegated authority to the Group Chief Executive Officer in consultation with the Group Director of Finance and Resources, Monitoring Officer and the Chair to implement the above.

BACKGROUND INFORMATION

1. STDC Board received a report at its meeting on 30th September, seeking approval to the proposed Governance arrangements intended to take effect on the successful acquisition of 100% of the issued share capital of South Tees Site Company ("STSC") on the 8th October 2020.

2. That acquisition took place on the 8th October 2020 and work has been undertaken following that acquisition to review the working arrangements necessary to ensure day-day operation as a single entity, also including the roles and responsibilities of the Teesworks joint venture partners. This has also been required to ensure that STDC activity and governance meets the requirements of the STDC Assurance Framework submitted to Government alongside the STDC Business Plan.

3. This work has included:

   - A review of current internal meeting arrangements and thematic work programmes – to identify an efficient structure moving forward.

- Consideration of the current STDC Scheme of Delegation, in addition to that currently in in place with the STDC Board to the Group Chief Executive and Group Director of Finance and Resources;

- Establishment of governance and procedural arrangements for the Teesworks joint venture partners, across a number of activities.

DETAIL

STDC Governance structure

4. The proposal is for a revised governance structure to sit underneath the STDC Board, as illustrated within Appendix 1. This includes:

5. The **STDC Delivery Group** – a requirement within the STDC Assurance Framework. The primary purpose of this group is for all integrated delivery partners to undertake a periodic review of performance. The group will receive and assess relevant business intelligence and the outcomes of these reviews will facilitate appropriate reporting to the overall Tees Valley Combined Authority Executive Group and the STDC Board.

6. The Delivery Group is chaired by the Group Chief Executive and includes the Group Director of Finance and Resources; Group Commercial and Delivery Director; and the senior officers that lead the five Operational Groups (see below); together with the Teesworks joint venture partner team.

7. The STDC Delivery Group is supported by **five STDC Operational Groups** that will manage the day-day operational activities of STDC – summarised below.

    - Keepsafe – responsible for managing the H&S COMAH assets and working with project teams to support their decontamination and demolition.

    - Commercial – to identify commercial opportunities and liaise with investors and funding bodies to progress transactions and land and property legal agreements. Will also lead on branding and communication matters.

    - Projects – to lead the progression of the capital programme, including letting and managing contracts and dealing with strategic planning matters. With responsibility for the STDC master programme and project spend.

    - Performance – to control budget and cashflow, and be responsible for performance monitoring, providing management information to STDC Board, TVCA and BEIS/MHCLG. Would also manage the procurement pipeline.

    - Estates – to manage the Teesworks site, the ‘Estate Management Company’, with responsibility for common services and securing/managing tenant service charges. Will also be responsible for additional services, such as quay handling and rail connections.

8. A Terms of Reference has been prepared for each Operational Group and these are attached at Appendix 2.

9. The Operational Groups would meet twice monthly, reporting into the monthly Delivery Group. A report would be prepared for each Delivery Group, setting out progress over the last month; workload for the next month and key issues for discussion and those for decision at STDC Board. The Delivery Group chair would provide a monthly progress update to the STDC Board.

STDC Scheme of Delegation

10. The STDC Board currently delegates that some decisions on Works and Services contracts can be made by the Group Chief Executive and the Group Director of Finance and Resources – specifically where Works contracts are below £10m and Services contracts are below £1m. This was agreed at STDC Board on 30th June 2020 – the General Delegation (GD) scheme.

11. The proposal for a revised GD is set out within Appendix 3. This provides for further sub-delegation in relation to:
    - GD 3(b) and GD5 (Works);
    - GD3 (a) and GD 4 (Goods and Services); and
    - GD2 (Disposal of surplus assets)

12. /These sub-delegations are subject to certain safeguards and key threshold controls would still remain with the Group Chief Executive, the Group Director of Finance and Resources, and the STDC Board. The purpose of this is to streamline the approval process and create efficiencies in programme timescales.. In summary the proposed changes are as follows:

Works

- Works between £1m and £10m:
    - For works over £1m, the Group Chief Executive and Group Director of Finance and Resources is still required to approve the 'invitation of quotes/tenders'.
    - However, if the tender subsequently comes in on price target, then the STDC Engineering and Programme Director has delegation to 'Accept the Tender' and manage the process thereafter.
    - Project Managers have delegation to approve Purchase Orders and invoices up to the value of £50,000 – above that it is the responsibility of the STDC Engineering and Programme Director.

- Works below £1m:
    - If the Works are below £1m, then the STDC Engineering and Programme Director has delegation to approve the 'Invitation to Tender', 'Accept the Tender' and manage the procurement and the contract. Project Managers have delegation for invoicing below the £50,000 level.

- Exceptions:
    - If (i) the tendered price is higher than expected, or (ii) if a tender that was initially below £1m, but after tender it increases beyond £1m – the delegation

refers back to the Group Chief Executive and Group Director of Finance and Resources.

- o If Works have a Service element, then that needs to be identified with a cost, within the 'Invitation to quote/tender 'and the 'Tender acceptance'. If the Service element is above thresholds, then this needs to be highlighted and the Service procedure followed – ie refer to Board if above £1m and to Group Chief Executive and Group Director of Finance and Resources if above £100,000.

Goods and Services

- Goods and Services between £100,000 and £1m

    - o for Goods and Services over £100,000 then the Group Chief Executive and Group Director of Finance and Resources is required to approve the 'invitation of quotes/tenders'.
    - o If the tender subsequently comes in on price target, then any STDC Director has delegation to 'Accept the Tender' and manage the process thereafter.
    - o Project Managers have delegation to approve Purchase Orders and invoices to the value of £50,000 in respect of the contract – above that it is responsibility of the STDC Director.

- Goods and Services between £50,000 and £100,000

    If the cost of Goods and Services is between £50,000 to £100,000, then the STDC Engineering and Programme Director has delegation to approve the 'Invitation for quotations/tender', with any STDC Director then having the delegation to 'Accept the Tender' and manage the procurement and the contract. Project Managers have delegation to approve Purchase Orders and invoices to the value of £50,000 in respect of the contract – above that it is responsibility of the STDC Director.
- Goods and Services below £50,000
    - o If the cost of Goods and Services is below £50,000, then any STDC Director has delegation to approve the 'Invitation for quotations/tender'.

- Exceptions:
    - o For Goods and Services between £50,000-£100,000 - iIf (i) the tendered price is higher than expected, or (ii) if a tender that was initially below £100,000, but after tender it increases beyond £100,000, – the delegation refers back to the Group Chief Executive and Group Director of Finance and Resources.
    - o For Goods and Services below £50,000 - if (i) the tendered price is higher than expected, or (ii) if a tender that was initially below £50,000, but after tender it increases beyond £50,000 (but not above £100,000), the delegation refers back to the STDC Engineering and Programme Director.

Disposal of surplus assets

Currently STDC's scheme of delegation is designed only to allow disposal of surplus items of plant and machinery under GD2 with board referral necessary for disposals with a value in excess of £10,000

This level of authority was not designed to accommodate realisation of surplus materials, scrap and items of plant and machinery recovered from site as part of regeneration activity.

A request to amend GD2 by extending its scope to allow realisation of assets recovered from site and increase the value to which Chief Officers can approve disposals to £1m is included in November's finance update to Board

In the event that this amendment is approved the following sub-delegations are proposed

- Surplus assets with a value in excess of £1,000,000
  - Acceptance of highest offer/quotation, or price benchmarked against market data will be approved by Board in Line with GD2. Such disposal will include group disposals of similar types of assets up to this cumulative sum.

- Surplus assets with a value exceeding £100,000 and no more than £1,000,000
  - Group Chief Executive and Group Director of Finance and Resources is required to approve the offer and any STDC Director can then deal with all subsequent matters.
  - Multiple repeat sales of the same or similar products to one customer over a rolling three-month period will be considered as a single sale for the purpose of this sub delegation and should be considered in aggregate.
  - Exceptions:
    i. Where sales over a three-month period exceed £1,000,000 approval for the arrangement should be given by STDC Board in accordance with GD2.
    ii. If subsequent negotiation/amendment to the offer either reduces the price or leads to a change in the assets purchased (quantity and or type) then approval must be given by the Group Chief Executive and Group Director of Finance and Resources before final acceptance/settlement.

- Surplus assets up to £100,000

  - Any STDC Director is authorised to approve highest offer/quotation, or price benchmarked against market data.
  - Multiple repeat sales of the same or similar products to one customer over a rolling three-month period will be considered as a single sale for the purpose of this sub delegation and should be considered in aggregate.
  - Exceptions:
    i. If Subsequent negotiation/amendment to the offer either reduces the unit price, or leads to a change in the assets purchased (quantity and/or type) such that the value exceeds £100,000 then approval

must be given by the Group Chief Executive and Group Director of Finance and Resources before final acceptance/settlement.

ii. Where sales over a three-month period exceed 100,000 approval for the arrangement should be given by either the Group Chief Executive or Group Director of Finance and Resources. If the aggregate value of sales exceeds £1,000,000 approval should be given by STDC Board

Teesworks joint venture partner arrangements

13. There is a requirement for STDC to agree and implement procedures that regulate the works/activities undertaken by the Teesworks joint venture partner. Staff from the joint venture partner are active in supporting the progression of Teesworks projects and initiatives, and need to be supported in that by clear rules and regulations - to ensure compliance with public sector procedures and policy.

14. STDC has developed an Operational Finance Process to accommodate new activities on site and ensure proper control of commercial activity. This covers the following:

- Procurement of items to facilitate development partner led activity;
- Asset disposal and realisations linked to commodity items and salvaged plant/equipment; and
- Inventory management – recording, valuation, movement approval and accounting

15. The purpose is to ensure all income and expenditure transactions are recorded; and that all processes/documentation align with (i) wider STDC requirements for managing the site (including the former assets of the now acquired STSC); and (ii) the proposed new governance arrangement for STDC as set out above.

The proposed Operational Finance Process is attached at Appendix 4.

FINANCIAL IMPLICATIONS

16. There are no financial implications contained within this report. The report provides further clarity and information regarding onward delegation authorities below statutory officer level. These sub-delegations are designed to strike a balance between efficient and effective operating practices and appropriate internal controls and governance.

LEGAL IMPLICATIONS

17. STDC has powers to pursuant to Chapter 2 Section 201 (2) of the Localism Act 2011 to “do anything it considers appropriate for the purposes of its object or for purposes incidental to those purposes”.

18. Paragraph 4a of the STDC constitution describes STDC’s principal objective which is “To further the economic development and regeneration of the South Tees area, so that it becomes a major contributor to the Tees Valley economy and the delivery of the Tees Valley’s Strategic Economic Plan”.

19. In accordance with paragraph 25 of its constitution STDC is also empowered to "do anything it considers appropriate for the purposes of securing the regeneration of its area, or for purposes incidental to that objective"".

20. These powers enable STDC to carry out the recommendations set out in this report.

RISK ASSESSMENT

21. The acquisition of STSC and the integration of the joint venture partner team on a day-day basis into the STDC Group does increase operating risk and also the need to ensure compliance with the STDC Assurance Framework. These are unavoidable if the STDC Group wishes to secure investment and regenerate the area.

22. The proposals set out in this report integrate the former STSC team and the joint venture partner team into the governance and management of STDC Group activity. They also ensure that the appropriate procedures and regulations are in place, to achieve compliance with the STDC Assurance Framework and Group operational policies. The principal risk is associated with not undertaking the proposals set out in this report.

23. This limits the risk of STDC exposure to unforeseen costs and provides the appropriate due diligence, detailed programme/project planning and the funding and payment mechanisms that have been agreed with central government. The proposals contained within this report represent the proposed response to governance risks.

CONSULTATION & COMMUNICATION

24. The Tees Valley Combined Authority Assurance Framework and the specific South Tees Development Corporation – Programme Assurance Framework have both been consulted with, scrutinised by, Government and TVCA Cabinet as part of the decision making processes to bring South Tees site Company into local control and to develop the TVCA Group structure.

EQUALITY & DIVERSITY

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

Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance and Resources
Telephone Number: 01642 527707
Email Address: gary.macdonald@teesvalley-ca.gov.uk

STDC structures – *17.11.20*

STDC Board

As existing arrangements

STDC Delivery Group

Julie Gilhespie	– Chair
Gary Macdonald	– DOFR/Performance group lead
Alison Fellows	– Group Commercial & Delivery Director
Matt Johnson	– Commercial group lead
John McNicholas	– Project delivery group lead
Kit Forrest	– Estates group lead
Mark Kenrick	– Keepsafe group lead
Chris Harrison	– Development partner lead
Mark Reynolds	– Programme coordination

Meets monthly, its role:

- Operates at a strategic level
- Sets strategic direction
- Receive feedback from group leads
- Discuss strategic matters
- Agree strategic actions
- Prepare for full STDC Board

STDC Operational Groups (see over)

- **Commercial** - to ensure that opportunities are identified and progressed with investors & Govt/funders
- **Projects** - to progress the capital investment programme and deal with project specific actions
- **Performance** - to monitor budget, cashflow and provide performance management and risk information
- **Estates** - to establish and manage service charge, to manage and maintain the site
- **Keepsafe** - to manage the Keepsafe programme

Meet twice monthly, either side of monthly STDC Delivery Group. Role:

- Agree actions and lead on implementation.
- Reviews detail and monitors progress.
- Leads' report to Strategy Group

Keepsafe

Responsible for

- Keepsafe assets
- Liaison with decontam & demolition project lead

Key people

- Mark Kenrick (Lead)
- Karl Dickinson
- Decon/Dem Project Manager
- HSE Keepsafe Manager
- Natalie Robinson

Commercial

Responsible for

- Identifying opportunities
- Liaison with investors
- Land & Property legals
- Commercial transactions
- Marketing & Branding

Key people

- Matt Johnson (Lead)
- Nolan Gray
- Ged Armstrong
- Chris Harrison
- Gary O'Malley
- Neil Thomas

Others as required:

- Anna Stone
- Craig Peacock

Projects

Responsible for

- Progressing capital projects
- Maintaining programme
- Letting and managing contracts
- Strategic planning matters
- Land Assembly/CPO
- Risk management

Key people

- John McNicholas (Lead)
- Chris Harrison
- Project Managers
- Ged Armstrong
- Mark Reynolds
- Neil Westwick
- Natalie Robinson
- Peter Judge

Others as required:

- Neil Thomas
- PMO organisation

Estates

Responsible for

- Establish Estate Co
- Run Estate Co
- Site security
- Operate common and additional services charge

Key people

- Kit Forrest (Lead)
- Estates Services Director
- Mark Kenrick
- Mark Buttitta
- Matt Johnson
- Mark Reynolds
- Neil Thomas
- Gary O'Malley
- Stephen Smith (external adviser)

Performance

Responsible for

- Budget control / cashflow
- Procurement support
- Access to funding support
- Performance monitoring & reporting (BEIS / TVCA

Key people

- Gary Macdonald (Lead)
- Mike Russell; Kit Forrest
- Mark Reynolds; Natalie Robinson; Sharlein Smales

Others as required

- PMO organisation; Sarah Brackenborough

Health and Safety Director; and Risk Manager

STDC Operational Groups – Estates

Terms of Reference

Group	Estates
Lead officer	Kit Forrest (until Estates Services Director appointed)
Public Sector Senior Responsible Officer (PS SRO)	Mark Kenrick
Team	• Estates Services Director – (to be appointed) • Mark Kenrick • Mark Buttitta • Matt Johnson • Neil Thomas • Gary O'Malley • Mark Reynolds • Stephen Smith *(external)*
Role and function	• To set up the Estate Co. to be responsible for common services and charges. • To establish the common services required and their costs – to identify the core service charge basis across the site. • To contract with, and manage, providers to deliver services. • To liaise with the Keepsafe group – to establish responsibilities and remits for cross cutting matters, such as security. • To liaise with the Commercial team to align service charge to occupier requirements – for example to include additional services such as: o Utility provision o Materials handling o Quay/Port services o Weighbridges o Rail o Highways • To prepare monthly reports for the Teesworks Strategy Group on ManCo budgets and cashflow

Delegation/authority	Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority. The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.

STDC Operational Groups - Keepsafe

Terms of Reference

Group	Keepsafe
Lead officer	Mark Kenrick
Public Sector Senior Responsible Officer (PS SRO)	Mark Kenrick
Team	• Karl Dickinson • Decontamination & Demolition Project Manager – from Projects Group • HSE Keepsafe Manager • Natalie Robinson
Role and function	• To maintain the safe condition of the Keepsafe assets in advance of decontamination and demolition. • To work closely with the Project Delivery group lead on the phasing and programming of the decontamination/demolition activity to facilitate site development. • To work closely with the appointed decontamination and demolition project manager within the Project Delivery Group – in the procurement and management of the decontamination and demolition contracts in respect of the Keepsafe assets.
Delegation/authority	Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority. The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.

TEESWORKS

STDC Operational Groups – Performance

Terms of Reference

Group	**Performance**
Lead officer	Gary Macdonald
Public Sector Senior Responsible Officer (PS SRO)	Gary Macdonald
Team	• Mike Russell • Kit Forrest • Mark Reynolds • Natalie Robinson • Sharlein Smales Others as required • PMO organisation • Sarah Brackenborough
Role and function	• To set up and maintain a budget control and monitoring system – working closely with the project delivery group team (individual project managers). • To set up and maintain a performance monitoring system – that meets the requirements of BEIS and TVCA. • To set up and maintain a forward procurement system that informs budget and cashflow. • To prepare and maintain the Teesworks risk register. • To prepare monthly reports for the Teesworks Strategy Group on budgets and cashflow; performance and risk. • To prepare quarterly reports for BEIS on budgets and cashflow; performance and risk. • To liaise and support the Commercial Group with the preparation of funding submissions and Business Cases
Delegation/authority	Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority. The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.

TEESWORKS

STDC Operational Groups – Projects

Terms of Reference

<table>
<tr><th>Group</th><th>Projects</th></tr>
<tr><td>Lead officer</td><td>John McNicholas</td></tr>
<tr><td>Public Sector Senior Responsible Officer (PS SRO)</td><td>John McNicholas</td></tr>
<tr><td>Team</td><td>• Chris Harrison
• Project Managers (to be appointed)
• Ged Armstrong
• Mark Reynolds
• Neil Westwick
• Peter Judge
• Natalie Robinson

Others as required:
• Neil Thomas
• PMO Organisation</td></tr>
<tr><td>Role and function</td><td>• To progress the capital investment in the site preparation and infrastructure works.
• To appoint and manage design teams and contractors to deliver the above works.
• To lead on and address strategic planning/land matters across Teesworks – CPO, bio-diversity, Design Code etc.
• To liaise with the Commercial team on matters specific to an investor enquiry/proposal.
• To liaise with the Keepsafe team on the decontamination and demolition of the Keepsafe assets.
• To maintain Programme, Action Log and Risk Register.
• To liaise with the Performance team on budgets and outputs.</td></tr>
<tr><td>Delegation/authority</td><td>Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority.

The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group’s agreed outcomes.</td></tr>
</table>

TEESWORKS

STDC Operational Groups - Commercial

Terms of Reference

Group	**Commercial**
Lead officer	Matt Johnson
Public Sector Senior Responsible Officer (PS SRO)	Nolan Gray
Team	• Chris Harrison • Ged Armstrong • Gary O'Malley • Neil Thomas Others as required: • Anna Stone • Craig Peacock
Role and function	• To liaise with investors to secure development at Teesworks. • To manage and promote the Teesworks brand. • To progress commercial transactions – including Heads of Terms and Land/Property. • To lead on securing the funding to deliver projects – including accessing government funding sources. • To work closely with the Performance Group – when a Business Case is required to support funding submissions. • To work closely with the Project Delivery group on site preparation and infrastructure needs to secure investment.
Delegation/authority	Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority. The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.

STDC – Financial Sub delegations by chief officers

November 2020

DRAFT FOR APPROVAL

Background

STDC's Scheme of delegation includes the following Financial delegations as agreed by STDC board at 30 June 2020

Document	Paragraph	Approval	Approval authority
Scheme of Delegation	**3. General Delegations to all Chief Officers** *(Chief Officers - CEO, Director of Finance & Resources, Engineering & Programme Director and Monitoring Officer).* **Contracts & Accounts**	GD2 - The disposal of surplus or obsolete equipment to the person submitting the highest quotation up to a limit of **£10,000** in value.	**All Chief Officers**
		GD3 - The acceptance of the best value tender or quotation: A) For the supply of goods, materials or services for which financial provision has been made in the Development Corporation's budget and that do not exceed **£1,000,000**, and B) For building and civil engineering works for which financial provision has been made in the Development Corporation's budget and that do not exceed **£10,000,000.**	**Chief Executive and Director of Finance and Resources**
		GD4 - The invitation of quotations for contracts for the supply of goods, materials or services from at least three persons, subject to financial provision having been made in the Revenue or Capital Budget of the Development Corporation.	**All Chief Officers**
		GD5 - The invitation of quotations for contracts for the execution of works from at least three persons, subject to financial provision having been made in the Revenue or Capital Budget of the Development Corporation.	**All Chief Officers**
		GD6 - The provision of services or the purchase of materials or minor items of equipment for which provision has been made in the revenue estimates.	**All Chief Officers**

The purpose of this document is to detail and approve appropriate sub delegations to officers within STDC in line with the requirements for delivery of the site regeneration programme. Authority to make these delegations is given in paragraph 2.5 of STDC's scheme of delegation which states that

2.5 The delegated powers of Chief Officers set out in this Scheme may be exercised by other officers authorised by the Chief Officer with the delegated power to act on their behalf and in their name, provided that appropriate administrative procedures are in place to record the authorisation and monitor decisions taken.

GLOSSARY

CEX	Group Chief Executive
DOFR	Director of Finance and Resources
EPD	Engineering and Programme Director
Any DIR	Any one of STDC's Commercial Director or Strategic Utilities Director
MGR	Project Manager or other staff member delegated as manager for the purpose of purchase order authorisation
Xentrall	Xentrall Shared Services
HOFR	Head of Finance and Resources
Finance	A member of the STDC finance team including HOFR and/or Finance manager

Part A

Sub delegations in relation to GD3(b) and GD5- (Works)

1. **Works with a value in excess of £10,000,000** – Acceptance of best value quote or tender will be approved by Board in Line with GD3. Thereafter subsequent matters follow the authorisation methodology described below
2. **Works with a value exceeding £1,000,000 and no more than £10,000,000**
   a. Either CEX or DOFR is required to approve the 'invitation of quotes/tenders'.
   b. If the tender subsequently comes in on price target, then EPD can then deal with all subsequent matters. However, If the tender price is higher than expected when approved under 2a above then approval must be given by the CEX or DOFR before acceptance
   c. If the subsequent tender price is higher than £10m the approval must be given by board to proceed under paragraph 1
3. **Works up to £1m**- the EPD is authorised to approve invitation of quotes and tenders, however if the tender price is ultimately higher than £1m this need to be referred to the CEX or DOF for approval pre acceptance
4. **Service elements** – need to be identified with a cost, within the 'Invitation to quote/tender 'and the 'Tender acceptance'. If the Service element is above thresholds, then this needs to be highlighted and the Service procedure followed – ie refer to Board if above £1m and to CEX/DOFR if above £100,000
5. These delegations and further approval levels are described in Table A below

Table A

Step/Approval	CEX	DOFR	EPD	MGR	Xentrall	HOFR	Finance (Budget sign off)	Where recorded	Notes/ future plans
Invitation of quotations/Tender – > £1m	✓	✓					✓	Contract Justification form	Future opportunity to systemise in e-procurement system?
Invitation of quotations/Tender – up to £1m	✓	✓	✓					Contract Justification form	Future opportunity to systemise in e-procurement system?
Acceptance of quotation/tender (Subject to principals in para's 1-4 above)	✓	✓	✓				✓	Award of contract form	Future opportunity to systemise in e-procurement system?
Purchase order requisition	✓	✓	✓	✓				Purchase order request form	Future opportunity to systems - Agresso
Purchase order approval >£50,000	✓	✓	✓				✓	Purchase order request form	Future opportunity to systems - Agresso
Purchase order approval up to £50,000	✓	✓	✓	✓				Purchase order request form	Future opportunity to systems - Agresso
Invoice GRN	✓	✓	✓	✓				Applications for payment (to be systemised in Agresso)	Invoice must match / or sit within approved PO level, otherwise will require finance review/ further authorisation
Invoice payment	✓	✓	✓	✓	✓	✓		Agresso finance system	

Part B –

Sub delegations in relation to GD3(A) and GD4- (Goods and Services)

1. **Good and services with a value more than £1,000,000** – Acceptance of best value quote or tender will be approved by Board in Line with GD3. Thereafter subsequent matters follow the authorisation methodology described in paragraphs below
2. **Goods and services with a value exceeding £100,000 and no more than £1,000,000**
   a. Either CEX or DOFR is required to approve the 'invitation of quotes/tenders.
   b. If the tender subsequently comes in on price target, then any director can then deal with all subsequent matters. However, If the tender price is higher than expected when approved under 2a above then approval must be given by the CEX or DOFR before acceptance
   c. If the subsequent tender price is higher than £1m the approval must be given by board to proceed under paragraph 1
3. **Goods and services more than £50,000 up to £100,000**- EPD is authorised to approve invitation of quotes and tenders, however if the tender price is ultimately higher than £100,000 this need to be referred to the CEX or DOF for approval pre acceptance
4. **Goods and services up to £50,000**- Any Director is authorised to approve invitation of quotes and tenders, however if the tender price is ultimately higher than £50,000 this need to be referred to the EPD,CEX or DOF for approval pre acceptance
5. These delegations and further approval levels are described in Table B below

Table B

Step/Approval	CEX	DOFR	EPD	Any Dir	MGR	Xentrall	HOFR	Finance (Budget)	Where recorded	Notes
Invitation of quotations/Tender – more than £100k	✓	✓						✓	Contract Justification form	Subject to para’s 1-4 above
Invitation of quotations/Tender – over £50k up to £100k	✓	✓	✓						Contract Justification form	Subject to para’s 1-4 above
Invitation of quotations/Tender –up to £50k	✓	✓	✓	✓					Contract Justification form	Subject to para’s 1-4 above
Acceptance of quotation/tender >100k	✓	✓	✓	✓				✓	Award of contract form	Subject to para’s 1-4 above
Acceptance of quotation/tender up to100k	✓	✓	✓	✓					Award of contract form	Subject to para’s 1-4 above
Acceptance of Quotation/tender up to £50k	✓	✓	✓	✓					Award of contract form	Subject to para’s 1-4 above
Purchase order requisition	✓	✓	✓	✓	✓				Purchase order request form	To be systemised into Agresso
Purchase order approval (>£50k)	✓	✓	✓	✓				✓	Purchase order request form	
Purchase order approval (<50k)	✓	✓	✓	✓	✓			✓	Purchase order request form	

Step/Approval	CEX	DOFR	EPD	Any Dir	MGR	Xentrall	HOFR	Finance (Budget)	Where recorded	Notes
Invoice GRN	✓	✓	✓	✓	✓				Applications for payment (to be systemised in Agresso)	Invoice must match / or sit within approved PO level, otherwise will require finance review/ further authorisation
Invoice payment	✓	✓	✓	✓	✓	✓	✓			

Part C

[DRAFTED ON THE ASSUMPTION THAT GD2 IS EXTENDED TO ALLOW REALISATION OF RECOVERED ASSETS AND DELAGETING AUTHORISATION TO CHIEF OFFICERS FOR DISPOSALS UP TO £1M]

Sub delegations in relation to GD2 (disposal of surplus assets)

1. **Surplus assets with a value in excess of £1,000,000** – Acceptance of highest offer/quotation, or price benchmarked against market data will be approved by Board in Line with GD2. Thereafter subsequent matters follow the authorisation methodology described in paragraphs below
2. **Surplus assets with a value exceeding £100,000and no more than £1,000,000**
   a. Either CEX or DOFR is required to approve the offer
   b. Any director can then deal with all subsequent matters. However, If subsequent negotiation/amendment to the offer either reduces the price or leads to a change in the assets purchased (quantity and or type) then approval must be given by the CEX or DOFR before final acceptance/settlement
   c. Multiple repeat sales of the same or similar products to one customer over a rolling three-month period will be considered as a single sale for the purpose of this sub delegation and should be considered in aggregate. Where sales over a three-month period exceed 1,000,000 approval for the arrangement should be given by STDC board in accordance with GD2
3. **Surplus assets up to £100,000**- Any Director is authorised to approve highest offer/quotation, or price benchmarked against market data, However, If
   a. Subsequent negotiation/amendment to the offer either reduces the unit price, or leads to a change in the assets purchased (quantity and/or type) such that the value exceeds £100,000 then approval must be given by the CEX or DOFR before final acceptance/settlement
   b. Multiple repeat sales of the same or similar products to one customer over a rolling three-month period will be considered as a single sale for the purpose of this sub delegation and should be considered in aggregate. Where sales over a three-month period exceed £100,000 approval for the arrangement should be given by either the CEX or DOFR if the aggregate value of sales over a three-month period exceeds £1,000,000 approval should be given by STDC Board

Notes/other

- Would need to flag product groups under works and services on Agresso
- To check with SV whether Agresso can accommodate the individual authorisation levels / the de minimis approval level across each category
- To check with Xentrall how the payment runs and approvals work
- HOF (Mike Ru) to run monthly reports on spend approvals below the £50k threshold, to make sure that rules are being followed correctly on delegation/authority, and to advise DOFR
- HOF (Mike Ru) to run monthly and sales by customer, to make sure that rules are being followed correctly on delegation/authority, and to advise DOFR

PLANNING – OPERATIONAL FINANCE PROCESSES

DRAFT OVERVIEW FOR DISCUSSION

BACKGROUND/ PURPOSE

The purpose of this document is to outline proposals that can be adopted to develop finance processes linked to the operation of development partner activity on the Teesworks site and identify future actions to allow full implementation

New Financial processes are required to accommodate new activities on site and ensure proper control of commercial activity which ito date has not been undertaken by the group

Key areas covered are

- **Procurement** of items to facilitate development partner led activity including
    - Procurement of day to day consumables to facilitate on site activity
    - Larger strategic procurements linked to planned activity
- **Asset disposals and realisations in** the following areas
    - Commodity items (principally scrap and aggregates)
    - Salvaged plant and equipment
- **Inventory management**
    - Recording
    - Valuation
    - Movement approval
    - Accounting

RELATED ITEMS NOT ADDRESSED

Alongside operational finance processes the following additional processes will need to be agreed to inform the final implementation of underlying finance processes

- **Methodology for realisation of assets** sold defining group entities which transact and how proceeds will be allocated/ ringfenced
- **Site operating procedure -** safety considerations authorised access and protocols
- **Authorisation of activity on site -** (certain areas permits etc)

PROCESSES EXCLUDED FROM CONSIDERATION AT THIS STAGE

- **Land transactions** – Are excluded at this stage
- **Accounting policy developments** – Such as capitalisation policies for assets purchased and inventory valuation. Wil be considered downstream in line with group policy alignment and following appropriate advice

LIMITED CONSULTATION

The processes outlined below have been developed independently by the finance and procurement teams of STDC and STSC with limited consultation

Accordingly, items presented are for discussion and are subject to amendment based on feedback and an agreed position

PART A - PROCUREMENT

PROCUREMENT OF CONSUMABLE ITEMS

Suggested process outline

- Budget to be allocated for this in STDC (C£20k suggested as appropriate per annum)
- STDC to raise a PO with STDL for the £20k value
- Partners can then order equipment though STSC procurement subject to STDC sign off in line with SOD (Note STSC procurement will need to be provided with product specification rather than a specific item purchase however specific items can be provided to show indicative spec
- JMc to give STSC authorisation to make individual purchase on STDC's behalf (revised SOD provides JM authorisation up £100k)
- Under STSC regs this would allow single quote awards up to £3k and three quote awards thereafter (this aligns with the current SC procurement thresholds) and should allow a quick response to smaller asks
- STSC would then recharge to STDC group on a periodic basis
- STSC procurement to report spent against PO monthly to STDC finance, spend limited to value of open STDC PO

Process	Documentation needed	Must comply with	Status/ action	Timing	WHO
Approval of budget spend in STDC	Budget/ MTFP approval from STDC board	STDC Finance regs	To be included at November update	Approval 25 Nov	MAR
Drafting and approval of PO to STDL	Purchase order requisition / approval	STDC procurement policy/ Scheme of delegation	DRAFT ATTACHED – APPENDIX A1	ASAP	MAR/ STDC procurement
Agree operating parameters with STSC	Draft approval process for individual call off	STDC/STSC procurement policies/ schemes of delegation	PO Template and monitoring sheet APP A4/ A5	ASAP	MAR/ STSC procurement
Agree billing parameters with STSC	Draft bulling process (agree monthly/ quarterly	STDC/STSC finance policies/ schemes of delegation	Dr TO CONSIDER	31 December	MAR/DR
Agree Asset capitalisation policies	Fixed asset policies	STDC Finance regs	To be drafted	31 December	MAR/DR/GM
Agree asset recording and monitoring policies	Fixed asset policies	STDC finance regs	To be drafted	31 December	MAR/DR/GM

OTHER PROCURMENT ACTIVITY (Planning, consultancy, other)

Process outline

- Forward procurement pipeline to be developed as part of the new STDC group performance workstream across all activity
- Delivery of procurement should then fit within existing budgetary control processes
- Procurement requirements identified by Delivery Partner to be signed off by JMc (may need further escalation in line with SOD depending on procurement value

Process	Documentation/ process needed	Must comply with	Status/ action	Timing	WHO
Identify forward procurement requirements.	Procurement pipeline planner Standing performance group agenda item	N/a	Template document to be prepared Base suggestion APP A6	To be set by performance group	STDC procurement
Develop tender specifications on a procurement by procurement basis	Standard procurement scoping document (suggest procurement team support to inform on required process)	STDC procurement policy	Template doc/ process to be drafted	To be set by performance group	STDC Procurement
Purchase order requisition to be approved in line with existing STDC policy/ SOD	Contract Justification form PO Request form	STDC procurement policy	Existing documents Appendix A2 and A3	N/A	N/a
Approval of budget spend in STDC	Budget/ MTFP approval from STDC board	STDC Finance regs	Should be accommodated via performance group process and existing STDC quarterly planning approach	Updates quarterly as required	STDC Finance

PART B – REALISATION OF ASSETS FROM SITE

REALISATION OF ASSETS FROM SITE

Additional requirements pre finance processes

- Methodology for realisation assets and in particular how/ where proceeds should be held and associated accounting– Suggest initial action for Strategy Group
- Suggest agreed operating procedure is put in place to ensure any assets/ materials are extracted safely and free of contamination and in line with wate and other permitting etc – Keep safe
- Terms and conditions of sale to be developed by category of realisation (commodity/reclaimed plant and equipment etc) – Group legal
- Opinion needed regarding risk of warranty (defect if plant, potential harm and injury if plant fails or any goods are contaminated given COMAH site)
- Appropriate insurance to be procured in light of the above – STDC/group Finance

Finance processes - General

- In line with agreed operating procedure/ approved area suggest a realisation plan is drawn up and approved by site/ location based on an initial estimate/ valuation showing indicative timings of realisation and value
- Approval should be in line with STDC Scheme of delegation (this will need to be amended to allow some realisation of assets above £10k without Board referral)
- At each individual sale, a sales order should be drawn up and signed off in line with the STDC scheme of delegation
- Evidence of appropriate pricing should be considered on sale (i.e. competitive tender/auction, commodity market prices, or alignment with agreed pricing arrangement such as forward sales contract)
- Once sales order is approved goods can move, appropriate evidence of the quantum/ value moved should be captured (e.g. weighbridge tickets, gatehouse logs)
- Approval to move needed (for use at gatehouse)
- For non-commodity items recovered appropriate inventory records will need to be developed and maintained pre-sale (see later)
- Credit policy to be agreed. Where customers pay cash in advance evidence of payment is needed, Customers purchasing on credit should be credit check approved (periodically reviewed)

Process	Documentation/ process needed	Must comply with	Status/ action	Timing	WHO
List of approved sites and operating policies thereon to be drawn up pre realisation activity	Master approved site realisation document and subsidiary operating procedures	H&S/ Risk policies	To be drafted	Pre realisation in each area	Commercial/ Keep safe
Realisation plan by developed by site and approved by Strategy Group signed off by Keep safe	Template by site realisation plan	N/a	Template document to be prepared	ASAP	Commercial group?
Realisation plans to be reflected in budgeting/ MTFP	STDC quarterly MTFP refresh	STDC finance regs	To be added as performance group agenda action Regular updated to be provided by Commercial Group	Quarterly	STDC finance (based on commercial group output)
STDC Scheme of delegation to be updated to accommodate asset realisations	Board paper/ subsidiary scheme of delegation	STDC Finance regs	Draft amendment to Scheme of delegation and Sub delegation wording APP B1 and B2	DRAFT ATTACHED	MAR
Sales order approval form to be drafted	Sales order form	Updated STDC Scheme of delegation	Draft attached APP B3	DR drafting	MAR or DR
Credit / customer take on policies to be drafted	Agreed credit rating approach	STDC Finance regs	To be drafted STDC finance regs to be reviewed to consider need for additional section	DR considering based on SC approach	MAR or DR

Process	Documentation/ process needed	Must comply with	Status/ action	Timing	WHO
Process of physical movement dockets to be developed	Approval to move goods (to be seen by gatehouse)	N/a	"ATR" process in draft. Needs to be finalised to include scrap, finance reporting and authorisation from STDC/DL only APP B4	ASAP	Commercial/Keepsafe
Weighbridge and gatehouse	Policies/ process to be developed	N/a	"ATR" process in draft. Needs to be finalised to include scrap, finance reporting and authorisation from STDC/DL only APP B4	ASAP	Commercial/Keepsafe

PART C - INVENTORY MANAGEMENT

Inventory Management

Controls need to be implemented where assets are processed/ extracted from the site to ensure inventories are logged and controlled

Suggested controls (to be discussed are)

- Monthly reports of processing volumes by contractor as extracted (aggregates, scrap etc)
- Monthly estimates of goods stockpiled on site (by location tonnage and realisation value)
- Record of stock movements out (sales and transfers across the site)
- Recording, location control and inventory management for plant/equipment stocks recovered (including existing floating assets)
- Process of periodic inventory checking to be undertaken
- Advice needed on accounting for inventory values (particularly where inventories are extracted from the site, unique situation where we may be adding land value and also creating inventory value – may also have taxation impact. Likely that we will need to be able to capture and allocate costs of extraction somehow or argue that the cost is incidental to other activity and therefore zero

Process	Documentation/ process needed	Must comply with	Status/ action	Timing	WHO
Develop inventory control system (may need to be spreadsheet initially)	Inventory log, location, description, quantity/ reference, est realisable value per unit, total value				Commercial/ finance
Develop monthly reporting of inventory values and movements	Transfer/ sales logs by item/ value				Commercial/finance
Agree details of processing info to be prepared by site contractors	Contractors to provide schedule of materials processed in each reporting period by location				Commercial
Process of physical inventory checks introduced	Periodic inventory sampling logs				Commercial/ finance

TEESWORKS

AGENDA ITEM 9

REPORT TO THE STDC BOARD

25th NOVEMBER 2020

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

ANNUAL FINANCIAL STATEMENTS

SUMMARY

The purpose of this report is to present to Members of STDC Board the latest draft financial statements for the STDC Group 2019/20.

Approval of the STDC Group statutory accounts had been scheduled at this meeting However, there remains an outstanding report from the Teesside Local Government Pension Scheme auditor, which prevents the financial statements from being finalised.

However, subject to receipt of the pension auditor's report (which is not expected to have a material impact on the STDC group accounts) the audit and accounts work is complete and financial statements are presented for review on the basis that no further changes are anticipated.

In particular, the outcomes of the audit work are as follows:

- STDC will receive an unqualified audit opinion
- There has been a positive conclusion on value for money
- Control weaknesses highlighted in the prior year have been addressed and not recurred

RECOMMENDATIONS

It is recommended that the STDC Board:

i. Delegates authority to the Group Director of Finance and resources in consultation with the Chair of STDC's Audit and Risk Committee, Mayor and Group Chief Executive Officer to make any amendments necessary to finalise the STDC Group financial statements and to subsequently sign and publish them once finalised subject to the conditions outlined in paragraphs 9 And 10 below

REPORTING REQUIREMENTS

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

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

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

4. The Statement of Accounts are attached at Appendix 1 and are the latest draft for the Group. Remaining outstanding issues are summarised from paragraph 7

PROGRESS SINCE THE PUBLICATION OF DRAFT ACCOUNTS IN JULY

5. At the STDC Board meeting of 29th July, Management presented draft unaudited financial statements for consideration. Since July the following progress has been made:
    a. The Group audit of STDC and its consolidated accounts is substantially complete
    b. The separate component audit of South Tees Developments Limited is complete
    c. All audit adjustments to date have been agreed reflected in the revised draft financial statements
    d. An additional Audit and Risk Committee was held on 19 November where the draft accounts and the status of Group audit work were considered in detail. Key outcomes from that meeting are summarised below

FEEDBACK FROM AUDIT AND RISK COMMITTEE

6. The key matters arising discussed at that meeting are summarised below
    a. **Adjustments since July draft –** The Audit work gave rise to several adjustments to the presentation of the accounts (the majority of which were presentational and did not affect reported earnings or financial position). ARC challenged management to ensure that the level of audit adjustments is minimised next year. Management acknowledged the challenge and discussed several process improvements that were in development to address this. These include allocation of further specialist resource and improved systemisation of financial processes.
    b. **Material adjustment to earnings –** One adjustment was a £525,000 adjustment to STDC's earnings due to an over accrual of certain liabilities. This, (along with other immaterial adjustments) drove an overall increase in STDC Group's comprehensive income from £777,000 to £1,292,000. Management commented that systems improvements noted above will prevent similar adjustment being necessary in future.
    c. **Contingent liability –** A potential future contingent liability is disclosed in the accounts due to some uncertainty regarding whether STDC itself should be subject to Corporation tax. It is the opinion of the Group Chief Legal Officer and STDC's tax advisors that STDC should be considered as a local authority in relation to Corporation tax and therefore be exempt. However, until final determination of this matter from HMRC there is a possibility that STDC's income since incorporation could be assed for Corporation tax. On this basis the accounts assume that Corporation tax will not be payable. But disclose an estimate of the potential liability should HMRC find otherwise at note 24 The current estimate of the potential liability is £1,095,000.

d. **Emphasis of matter/ material valuation uncertainty –** The auditor's opinion includes an "emphasis of matter" paragraph which draws attention to an increased level of uncertainty in the carrying value of STDC Group's pension and property related assets and liabilities as a result of market uncertainty created by COVID-19. ARC discussed this paragraph with the auditor who clarified that this approach had been taken by auditors across many public bodies and was not specific to STDC. In addition, the inclusion of this paragraph does not mean that the valuations in the accounts cannot be relied upon rather it highlights an increased level of uncertainty given unusual market conditions.

REMAINING OUTSTANDING MATTERS

7. Completion of the audit, and finalisation of the financial statements is subject to the following key matter:

    a. **Report of the Pensions Auditor** – STDC's auditor has yet to receive its report from the auditor of the Teesside Local Government Pension Scheme. Without this report the final audit opinion cannot be issued and the accounts cannot be finalised. There is a known issue with regard to the pension fund actuarial valuation which has held up this report, however the impact on the STDC group is expected to be immaterial and not to lead to an adjustment to the financial statements. This issue is common to all local public bodies which are members of the scheme

8. The above position is further summarised in an update letter to STDC's Audit and Rick Committee which is attached as Appendix 2

FINALISATION OF THE ACCOUNTS

9. As a result of outstanding information above STDC Group has been unable to finalise its audited financial statements for 2019/20 in advance of this Board meeting. Accordingly, to meet the statutory filing target of 30th November 2020 an alternative route to approval is suggested as STDC's next scheduled Board meeting is not scheduled until January 2021.

10. It is therefore recommended that Board delegates authority to the Group Director of Finance and resources in consultation with the Chair of STDC's Audit and Risk Committee, Mayor and Group Chief executive officer to make any amendments necessary to finalise the STDC group Financial Statements and to subsequently sign and publish them at once finalised subject to:
    a. The remaining outstanding issue beingt resolved; and'
    b. STDC;s Group auditor's issuing a signed and unqualified audit report on the financial statements

FINANCIAL IMPLICATIONS

11. None

LEGAL IMPLICATIONS

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

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

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

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

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

Name of Contact Officer:	**Mike Russell**
Post Title:	Head of Finance and Resources
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Email Address:	**mike.russell@teesworks**

South Tees Development Corporation and Group

Draft Unaudited Financial Statements

for the year ended 31/03/2020

CONTENTS

Narrative Report

Introduction

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

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

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

Organisational overview and external environment

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

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

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

Governance and transparency

STDC is part of the Tees Valley Combined Authority (TVCA) Group but retains its own separate Board (chaired by the Mayor of the Tees Valley) and governance committees with members drawn from both the public and private sectors. The STDC constitution ensures alignment with the wider objectives of TVCA through the concept of "referral decision" for any significant matters.

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

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

2019/20 performance

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

Key milestones include

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

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

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

Outlook, strategy, and operating model

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

Narrative Report

Site regeneration

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

Land acquisition

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

South Tees Site Company (STSC) Transition

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

Commercial activity

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

Key risks

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

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

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

Covid-19

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

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

Key Sections Included in the Statement of Accounts

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

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

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

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

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

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

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

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

	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves £000s
Movement in reserves during 2019/20						
Balance at 1 April 2019	**2,020**	**-**	**2,509**	**4,528**	**(65)**	**4,463**
Total Comprehensive Income and Expenditure	1,669			1,669	(364)	1,305
Adjustments between accounting basis & funding basis under regulations (Note 5)	(2,525)	-	2,716	191	(191)	(0)
Increase/Decrease in Year	(855)	-	2,716	1,860	(555)	1,305
Balance at 31 March 2020 carried forward	1,164	-	5,225	6,388	(620)	5,768
	-					
General Fund analysed over:						
Amounts earmarked (Note 6)	842					
Amounts uncommitted	322					
Total General Fund Balance at 31 March 2020	1,164					

	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves £000s
Movement in reserves during 2018/19						
Balance at 1 April 2018	**2,174**	**-**	**925**	**3,099**	**(2)**	**3,097**
Total Comprehensive Income and Expenditure	1,368			1,368	1	1,369
Adjustments between accounting basis & funding basis under regulations (Note 5)	(1,522)	-	1,584	62	(63)	-
Increase/Decrease in Year	(154)	-	1,584	1,430	(62)	1,369
Balance at 31 March 2019 carried forward	2,020	-	2,509	4,528	(65)	4,463
General Fund analysed over:						
Amounts earmarked (Note 6)	1,698					
Amounts uncommitted	322					
Total General Fund Balance at 31 March 2019	2,020					

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

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Movement in reserves during 2019/20						
Balance at 1 April 2019	**1,523**	**-**	**2,509**	**4,033**	**(338)**	**3,694**
Total Comprehensive Income and Expenditure	1,656	-	-	1,656	(364)	1,292
Adjustments between accounting basis & funding basis under regulations (Note 5)	(1,995)		2,716	721	(505)	-
Increase/Decrease in Year	(339)	-	2,716	2,376	(869)	1,292
Balance at 31 March 2020 carried forward	1,184	-	5,225	6,408	(1,207)	4,985
General Fund analysed over:						
Amounts earmarked (Note 6)	862					
Amounts uncommitted	322					
Total General Fund Balance at 31 March 2020	1,184					

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Movement in reserves during 2018/19						
Balance at 1 April 2018	**2,174**	**-**	**925**	**3,099**	**(2)**	**3,097**
Total Comprehensive Income and Expenditure	599	-	-	599	1	599
	-	-	-	-	-	-
Adjustments between accounting basis & funding	(1,250)	-	1,584	335	(335)	-
basis under regulations (Note 5)	-	-	-	-	-	-
Increase/Decrease in Year	(651)	-	1,584	934	(334)	599
Balance at 31 March 2019 carried forward	1,523	-	2,509	4,033	(338)	3,694
General Fund analysed over:						
Amounts earmarked (Note 6)	1,201					
Amounts uncommitted	322					
Total General Fund Balance at 31 March 2019	1,523					

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

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

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

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

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

2018/19				2019/20		
£000s Expenditure	£000s Income	£000s Net		£000s Expenditure	£000s Income	£000s Net
2,922	(1,935)	**987**	Core Running Costs	9,544	(8,249)	**1,295**
965	(603)	**362**	Enabling Infrastructure	2,294	(2,057)	**237**
127	(127)	**-**	Development Costs	423	(423)	**-**
4,015	**(2,666)**	**1,349**	**Cost Of Services**	**12,260**	**(10,729)**	**1,531**
			Financing and Investment Income and Expenditure:			
1	(2)	**(1)**	Net interest on the net defined benefit liability/asset	8	(8)	**-**
-	-	**-**	***Taxation and Non-Specific Grant Income and Expenditure***	5	-	**5**
-	(1,946)	**(1,946)**	Capital grants and contributions	-	(3,193)	**(3,193)**
4,016	**(4,614)**	**(598)**	**(Surplus) or Deficit on Provision of Services**	**12,273**	**(13,929)**	**(1,656)**
		-	(Surplus) or deficit on revaluation of non current assets			-
		(1)	Actuarial (gains) or losses on pension assets & liabilities			364
		-	Other (gains) and losses			-
		(1)	**Other Comprehensive Income and Expenditure**			**364**
		(599)	**Total Comprehensive Income and Expenditure**			**(1,292)**

STDC and Group Balance Sheet as at 31 March 2020

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

	Note	Group	Group	STDC	STDC
		31 March 2020 £000s	**31 March 2019 £000s**	**31 March 2020 £000s**	**31 March 2019 £000s**
Non-current assets		-	-		
Property, plant and equipment	9	11,500	12,000	-	-
Long term loan	10	-	-	11,273	11,273
Long Term Debtors	11	-	-	-	150
Total non-current assets		11,500	12,000	11,273	11,423
Current assets					
Short term investments					
Debtors	12	10,306	2,756	7,243	2,602
Cash and Cash Equivalents	13	6,603	3,034	3,034	3,034
Total current assets		16,908	5,790	10,277	5,636
Current liabilities					
Short Term Creditors	14	(11,712)	(1,829)	(4,070)	(1,328)
Total current liabilities		(11,712)	(1,829)	(4,070)	(1,328)
Long term liabilities					
Long Term Borrowing	15	(11,215)	(12,215)	(11,215)	(11,215)
Other Long Term Liabilities	16	(496)	(52)	(496)	(52)
Total long term liabilities		(11,711)	(12,267)	(11,711)	(11,267)
Net Assets:		**4,985**	**3,694**	**5,768**	**4,463**
Reserves					
Usable reserves:					
General Fund Balance	1	322	322	322	322
Earmarked General Fund Reserves	6	862	1,201	842	1,698
Capital Grants Unapplied		5,225	2,509	5,225	2,509
		6,408	4,032	6,388	4,528
Unusable Reserves:					
Capital Adjustment Account	27	(911)	(273)	(108)	-
Pensions Reserve	21	(496)	(52)	(496)	(52)
Accumulated Absences Account	5	(16)	(13)	(16)	(13)
		(1,423)	(338)	(620)	(65)
Total Reserves:		**4,985**	**3,694**	**5,768**	**4,463**

Mayor Ben Houchen ....

November 2020

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

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

	Note	Group **2019/20** **£000s**	Group **2018/19** **£000s**	STDC **2019/20** **£000s**	STDC **2018/19** **£000s**
Net (surplus) or deficit on the provision of services		**(1,656)**	**(598)**	**(1,669)**	**(1,368)**
non-cash movements:					
Depreciation, impairment and amortisation of non current assets			-		-
Taxation		(5)	-	-	-
Revaluation losses		(530)	(273)	-	-
Pension Fund adjustments		(80)	(52)	(80)	(52)
Increase/(Decrease) in Revenue Debtors	12	7,550	2,749	4,641	2,595
(Increase)/Decrease in Revenue Creditors	14	(9,878)	(844)	(2,742)	(343)
(Increase)/Decrease in Provisions		-	-		
(Increase)/Decrease in Long Term Creditors	15	1,000	(11,215)	-	(11,215)
Increase/(Decrease) in Long Term Debtors	11	-	-	(150)	150
		(1,943)	**(9,635)**	**1,669**	**(8,865)**
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		-	-		
Capital Grants credited to surplus or deficit on the provision of services	5	(2,716)	(1,584)	(2,716)	(1,584)
		(2,716)	**(1,584)**	**(2,716)**	**(1,584)**
		-	**-**		
Net cashflow from operating activities		**(6,314)**	**(11,817)**	**(2,716)**	**(11,816)**
Investing activities					
Purchase of property, plant and equipment, investment property and intangible assets	9	30	11,273	-	-
Purchase of short term and long term investments		-	-	-	11,273
Other receipts from investing activities		2,716	1,584	2,716	1,584
Net cashflow from investing activities		**2,746**	**12,857**	**2,716**	**12,856**
Financing activities					
Net (increase) or decrease in cash and cash equivalents		**(3,569)**	**1,040**	**(0)**	**1,040**
		-	**-**		
Cash and cash equivalents at the beginning of the reporting period		**(3,034)**	**(4,075)**	**(3,035)**	**(4,075)**
		-	**-**		
Cash and cash equivalents at the end of the reporting period	13	**(6,603)**	**(3,035)**	**(3,035)**	**(3,035)**
The cashflow for operating activities includes the following items:					
Interest received		-	-	-	-
Interest paid		-	-	-	-

Note 1: STDC and Group Expenditure & Funding Analysis

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

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**	**STDC**	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
1,412	(1,194)	**218**	Core Running Costs	1,204	83	**1,287**
589	(227)	**362**	Enabling Infrastructure	(132)	369	**237**
-	-	**-**	Development Costs	-	-	**-**
2,001	**(1,421)**	**580**	**Net Cost Of Services**	**1,071**	**452**	**1,524**
(2,251)	303	(1,948)	Other Income and Expenditure	(856)	(2,337)	(3,193)
(250)	**(1,118)**	**(1,368)**	Surplus or Deficit	**216**	**(1,885)**	**(1,669)**
(72)			**Opening General Fund Balance**	**(322)**		
(250)			Less/Plus (Surplus) or Deficit	**216**		
(322)			**Closing General Fund Balance at 31 March 2020**	**(106)**		

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**	**Group**	**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
1,684	(696)	**988**	Core Running Costs	682	613	**1,295**
589	(227)	**362**	Enabling Infrastructure	(132)	369	**237**
-	-	**-**	Development Costs	-	-	**-**
2,273	**(923)**	**1,350**	**Net Cost Of Services**	**550**	**982**	**1,532**
			Taxation and Non-Specific Grant Income and Expenditure	5		**5**
(2,523)	575	(1,948)	Other Income and Expenditure	(339)	(2,854)	**(3,193)**
(250)	**(348)**	**(598)**	Surplus or Deficit	**216**	**(1,872)**	**(1,656)**
(72)			**Opening General Fund Balance**	**(322)**		
(250)			Less/Plus (Surplus) or Deficit	**216**		
(322)			**Closing General Fund Balance at 31 March 2020**	**(106)**		

Note 1: STDC and Group Expenditure & Funding Analysis

Notes to the Expenditure and Funding Analysis:
STDC

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Core Running Costs	-	80	3	**83**
Enabling Infrastructure	369	-		**369**
Development Costs	-	-		**-**
Net Cost Of Services	369	80	3	**452**
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,193)		856	**(2,337)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(2,824)	80	859	**(1,885)**

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

Notes to the Expenditure and Funding Analysis:

Group Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Core Running Costs	530	80	3	**613**
Enabling Infrastructure	369	-		**369**
Development Costs				**-**
Net Cost Of Services	899	80	3	**982**
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,193)		339	**(2,854)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(2,294)	80	342	**(1,872)**

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

Notes to the Expenditure and Funding Analysis:

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

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

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	Group	Group	STDC	STDC
	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s
Expenditure				
Employee benefits expenses	1,016	874	834	874
Other services expenses	10,714	3,141	4,408	1,855
Depreciation, amortisation and impairment	530			
Taxation and Non-Specific Grant Income and Expenditure	5			
Pension payments	8	1	8	1
Total Expenditure	**12,273**	**4,016**	**5,250**	**2,730**
Income				
Fees, charges and other service income	(5,110)	(518)	-	(2)
Interest and investment income	(8)	(2)	(8)	(2)
Local Government grants and contributions	(2,511)	-	(611)	-
Government grants and contributions	(6,300)	(4,094)	(6,300)	(4,094)
Total Income	**(13,929)**	**(4,614)**	**(6,919)**	**(4,098)**
(Surplus) or Deficit on the Provision of Services	**(1,656)**	**(598)**	**(1,669)**	**(1,368)**

Segmental Income

Income received on a segmental basis is analysed below:	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s
Services	**Income from Services**	**Income from Services**	**Income from Services**	**Income from Services**
Core Running Costs	(5,110)	(518)	-	(2)
Total income analysed on a segmental basis	**(5,110)**	**(518)**	**0**	**(2)**

Description and purpose of each reserve

Reserves

Usable reserves:

General Fund Balance

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

Earmarked General Fund Reserves

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

Capital Grants Unapplied

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

Unusable Reserves:

Capital Adjustment Account

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

Accumulated Absences Account

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

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

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

- IFRIC 23 Uncertainty over Income Tax Treatments

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

- IFRS 16

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

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

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

- Annual Improvements to IFRS Standards 2015–2017 Cycle

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

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

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

Note 3: Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

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

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

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

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

2019/20 STDC	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	108			(108)
Adjustments involving the Capital Grants Unapplied Account	(2,716)		2,716	-
Adjustments involving the Pensions Reserve	80			(80)
Adjustments involving the Accumulated Absences Adjustment Account	3			(3)
Total Adjustments	**(2,525)**	**-**	**2,716**	**(191)**

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

2019/20 Group	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Group Adjustments involving the Capital Adjustment Account	638		-	(422)
Group Adjustments involving the Capital Grants Unapplied Account	(2,716)		2,716	-
Group Adjustments involving the Pensions Reserve	80			(80)
Group Adjustments involving the Accumulated Absences Adjustment Account	3			(3)
Total Adjustments	**(1,995)**	**-**	**2,716**	**(505)**

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

Note 6: Movements in Earmarked Reserves - STDC

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

Earmarked Reserves	Balance at 31 March 2019 £000s	Transfers Out 2019/20 £000s	Transfers In 2019/20 £000s	Balance at 31 March 2020 £000s
Revenue Reserves				
Planned Activities	(1,698)	855		(842)
Total Revenue Reserves	**(1,698)**	**855**	**-**	**(842)**

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

Note 6: Movements in Earmarked Reserves - Group

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

Earmarked Reserves	Balance at 31 March 2019 £000s	Transfers Out 2019/20 £000s	Transfers In 2019/20 £000s	Balance at 31 March 2020 £000s
Revenue Reserves				
Planned Activities - STDC	(1,698)	855		(842)
Planned Activities - Subsidiary	497	(517)		(20)
Total Revenue Reserves	**(1,201)**	**338**	**-**	**(862)**

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

Note 7: Members' Allowances

STDC is part of the Tees Valley Combined Authority (TVCA) Group but retains its own separate Board (chaired by the Mayor of the Tees Valley) and governance committees with members drawn from both the public and private sectors. None of these members are paid any remuneration by either STDC Group nor the TVCA Group. The Mayor is paid and his costs are reflected in the accounts of TVCA.

Note 8: Employee Remuneration STDC and Group.

The Chief Executive was employed by the South Tees Site Company from October 2019 in the 2019/20 year, a Government run organisation responsible for the safety, security and upkeep of the former SSI site. His remuneration is included in the table information for that entity. Costs charged in relation to his services amounted to £46,121. There was no recharge in the prior year. In the period from June to September the CEO was directly employed by South Tees Development Corporation.

The Director of Finance is employed by Tees Valley Combined Authority.

Neither of the above received direct remuneration from STDC, however a proportion of the current Director of Finance salary was recharged to STDC by TVCA and in 2019/20 this amounted to £25,885. The former Director of Finance was not recharged in this year. (2018/19 £11,461) The role holder of the Director of Finance position changed in September 2019

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

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

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

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

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

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

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

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

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

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

Basis of classification

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

An independant valuers opinion of Current Value was prepared in accordance with the RICS Valuation- Global Standards 2017, CPIFA Code, and the International Financial Reporting Standards (IFRS) and related definition of "Current Value". This valuation has informed the revalued figure shown in the accounts with an effective date of 31/03/2020. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

The valuer included a material uncertainty clause as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards effective from 31 January 2020 because of the impact of Covid 19. They clarify that: For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon.

Basis of depreciation

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

Treatment of revaluation supluses/(losses)

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

Capital Commitments

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

Note 10: Long Term Loan

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

Note 11: Long Term Debtors - Group and STDC

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

Note 12: Short Term Debtors - Group and STDC

	31 March 2020 £000s	**31 March 2019 £000s**	**31 March 2020 £000s**	**31 March 2019 £000s**
Trade Receivables	590	-	-	-
Prepayments	836	194	2	40
Other receivables	8,880	2,562	7,241	2,562
	10,306	**2,756**	**7,243**	**2,602**

Note 13: Cash and Cash Equivalents - Group and STDC

	31 March 2020 £000s	**31 March 2019 £000s**	**31 March 2020 £000s**	**31 March 2019 £000s**
Bank and Imprests	6,603	3,034	3,034	3,034
Cash Equivalents	-	-	-	-
Bank Overdraft	-	-	-	-
	6,603	**3,034**	**3,034**	**3,034**

Note 14: Short Term Creditors - Group and STDC

	31 March 2020 £000s	**31 March 2019 £000s**	**31 March 2020 £000s**	**31 March 2019 £000s**
Other Payables	(2,072)	(1,829)	(2,072)	(1,328)
Taxation	(5)			
Other entities and individuals	(9,635)	-	(1,998)	-
	(11,712)	**(1,829)**	**(4,070)**	**(1,328)**

Note 15: Long Term Borrowing - Group and STDC

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

Note 16: Other Long term Liabilities - Group and STDC

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

Note 17: Related Party Transactions

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

Central Government

Central government has effective control over the general operations of the Corporation – it is responsible for providing the statutory framework within which the Corporation operates, provides the majority of its funding in the form of grants (via TVCA) and prescribes the terms of many of the transactions that the Corporation has with other parties.

Members

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

Tees Valley Combined Authority (TVCA)

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

Entities Controlled or Significantly Influenced by the Corporation

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

Related Parties

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

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

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

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

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

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

Note 18: External Audit Costs

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

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

Note 19: Grant Income

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

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

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

Note 20: Financial Instruments - STDC

Categories of Financial Instruments

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

Financal Assets

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

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

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

Financal Instruments

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

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

	Long Term		**Short Term**	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	11,273	11,423	9,942	5,636
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**11,273**	**11,423**	**9,942**	**5,636**

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

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

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

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

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

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

Note 20: Financial Instruments STDC Group

Categories of Financial Instruments

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

Financial Assets

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

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

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

Financal Instruments

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

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

	Long Term		Short Term	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	-	-	16,178	5,582
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial assets	**-**	-	**16,178**	5,582

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

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

	Long Term		Short Term	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(11,215)	(12,215)	(11,464)	(1,587)
At Fair Value Through Other Comprehensive Income	-	-	-	-
At Fair Value Through Profit & Loss	-	-	-	-
Total financial liabilities	**(11,215)**	(12,215)	**(11,464)**	(1,587)

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

- **credit risk – the possibility that other parties might fail to pay amounts due to the Corporation**
  Presently the Corporation does not have credit customers. As the site is developed this will change.
  South Tees Developments Ltd holds a 100% provision against the debt from the former British Steel.
- **liquidity risk – the possibility that the Corporation and Group might not have funds available to meet its commitments to make payments**

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

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

Note 21: Defined Benefit Pension Schemes STDC and Group.

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

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

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

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

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

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

Pension Assets and Liabilities Recognised in the Balance Sheet

Changes to the present value of the defined benefit obligation

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

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

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

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

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

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

Local Government Pension Scheme assets comprised:

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

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

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

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

Impact on the Defined Benefit Obligation in the Scheme

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

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

Impact on the Corporation's Cash Flows
The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Corporation has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2022.
The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

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

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

Guaranteed Minimum Pension (GMP) and McCloud Judgement

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

Note 22: Termination Benefits - STDC and Group

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

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

Note 23: Provisions - STDC and Group

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

Note 24: Contingent Liabilities - STDC and Group

Contingent Liabilities – Corporation tax

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

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

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

However, should HMRC determine that STDC is subject to Corporation Tax, our current estimate of the potential Corporation tax liability to 31 March 2020 is £1,095,000. This assumes reported comprehensive income to March 2020 is equivalent to taxable profits and subject to corporation tax at 19%. Should a tax liability crystallise more work would be needed at the time to calculate the exact liability.

Note 25: Post Balance Sheet Events - STDC and Group

Events after the Reporting Period

Land acquisition and Compulsory purchase order

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

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

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

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

Transition of South Tees Site Company into Local ownership

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

Business case to government

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

The memorandum allocated £14.5m of an anticipated total of £70.9m to fund the ongoing activities of South Tees Site company.

Rebranding of the South Tees Development Corporation site

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

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

Teesworks Limited

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

Note 26: Leases - STDC and Group

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

Annual ongoing commitments with these leases are:

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

Note 27: Capital Adjustment Account - STDC and Group

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

Note 28: Capital Expenditure and Financing - STDC and Group

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

Note 28: Capital Expenditure and Financing - STDC and Group

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

Note 29: Statement of Accounting Policies - STDC and Group

General Principles

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

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Corporation and Group's cash management.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Corporation and Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Employee Benefits

Benefits Payable During Employment

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

Note 29: Statement of Accounting Policies - STDC and Group

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

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

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

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

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

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

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

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

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

Service cost comprising:

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

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

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

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

Contributions paid to the Teesside Pension Fund:

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

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

Note 29: Statement of Accounting Policies - STDC and Group

Events after the Reporting Period

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

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

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

Financial Instruments

All financial assets & liabilities are held at amortised cost.

Financial Liabilities

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

Financial Assets

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

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

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

Government Grants and Contributions

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

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

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

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

Note 29: Statement of Accounting Policies - STDC and Group

Intangible Assets

Leases

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

Overheads and Support Services

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities & Contingent Assets

A contingent liability arises where an event has taken place that gives the Corporation and Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Corporation and Group. A contingent asset arises where an event has taken place that gives the Corporation a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Corporation. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Corporation and Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Corporation and Group expenditure.

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

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Corporation has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of levy.

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

VAT

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

Note 29: Statement of Accounting Policies - STDC and Group

Fair Value Measurement

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

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

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

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

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

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

Consolidation

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

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

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

Property, plant and equipment

(i) Land and buildings

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

Note 29: Statement of Accounting Policies - STDC and Group

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

(ii) Other property, plant and equipment

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

(iii) Components of costs

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

Depreciation

Freehold land is not depreciated.

Subsequent expenditure

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

Disposal

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

Capital Expenditure and Capital Financing

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

Responsibilities for the Annual Financial Statements

The Corporation and Group's Responsibilities

The South Tees Development Corporation and Group is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of South Tees Development Corporation and Group Accounts at the accounting date and its income and expenditure for the year ended 31 March 2020.

G Macdonald **Date: 31st July 2020**
Director of Finance

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

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

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

Appendix A

Glossary of Terms

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

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

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

Capital Expenditure

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

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

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

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

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

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

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

Fair Value

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

Appendix A

Glossary of Terms

Finance Lease

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

Going Concern

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

Government Grants

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

Inventories

Comprise the value of items held in the following categories:

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

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

Long Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Appendix A

Glossary of Terms

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

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

Operating Lease
A lease other than a finance lease.

Operational Assets

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

Post Balance Sheet Events

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

Prior Year Adjustments

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

Prudence

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

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

Unusable Reserves

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

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24 November 2020

Dear Members

Update/conclusion of pending matters– Audit Completion Report

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 9 October 2020, and still marked as outstanding in our update letters dated 19 October 2020 and 18 November 2020.

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status
Pensions	Regrettably, we have still not received an assurance letter from the auditor of the Teesside Pension Fund, EY, and we are unable to complete our audit until we receive it and we have time to consider its contents. We were advised on 20 November that they are hoping to provide it by week ending 27 November, but that it may be later. We will complete our work on this areas as soon as practicable after we received the assurance letter and if we have any matters to report we will issue a further update letter.	Ongoing

mazars

Tax	We have now had time to consider management's response, and are content with the approach to include a contingent liability in the financial statements. We have requested management make an adjustment to the wording of the note to remove reference to 'maximum' in the updated draft note, and they have agreed to do so. We have reviewed the final version of the note (Note 24) and are satisfied it is reasonable.	Complete
Group consolidation audit work	We have now had time to review the group statements prepared by management and initially provided to us on 17 November, after adjustments arising from the component audit at STDL. We have worked closely with management as quickly as possible since then, through several versions, to ensure the proposed final version of the statements have now been amended appropriately and in line with required accounting guidance. We are now satisfied that the Group Statements have been appropriately updated, and have no further matters to report to add to those previously reported in our Audit Completion Report and subsequent update letters dated 19 October 2020 and 18 November 2020.	Complete
Events after the Balance Sheet date.	We have now had time to review the updated draft disclosure note, and have agreed two adjustments to the draft note (Note 25) with management. These are to: • Reference the Corporation's shareholding in Teesworks Ltd; and • Clarify the relationship between the various parties in the MoU as described in the note. We have reviewed the final version of the note (Note 25) and are satisfied it is now appropriate.	Complete
	As is usual at the end of the audit process, we will discuss subsequent events with management and further review available post balance sheet information at the point we are due to sign the audit opinion. We will also review the management representation letter when it is received. If any matters arise from this which we need to report to you we will issue a further letter.	Ongoing, and on track

Review and closure processes, including checking the amended version of the financial statements produced by finance as a result of our audit.	We have now reviewed the final draft of the statements, incorporating audit adjustments, and are satisfied that the adjustments, as previously reported in our Audit Completion Report and subsequent update letters, have now been made appropriately. The impact of the various changes made to the statements has meant we have reviewed and now finalised our materiality levels for the audit of the Corporation's single entity accounts (this is a further update from that communicated in our update letter dated 19 October 2020, which was at that point in time), as it is based on a percentage of expenditure. We have amended materiality which has now been adjusted to £105,000, and triviality to £3,150. As a consequence, we are required to review all other audit work completed to date as our audit procedures are framed around the materiality level set, and then undertake any additional procedures that may be required with a lower materiality level. We have undertaken this review and are satisfied that no further additional testing is required. There are no changes to the group materiality to report from those reported in our Audit Completion Report. The only other procedures now outstanding relate to our usual final routine closedown matters.	Ongoing, and on track

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully

Cameron Waddell
Key Audit Partner

TEESWORKS

AGENDA ITEM 10

REPORT TO THE STDC BOARD

25th NOVEMBER 2020

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

FINANCE AND MEDIUM-TERM PLAN UPDATE

SUMMARY

The purpose of this paper is to provide a finance update to the Board and to review the STDC Group budget for 2020/21 and medium-term plan for the three-year period to 31 March 2023. The review is undertaken considering developments in the delivery programme and land acquisition activities since the last update provided to September Board.

At the last update, the STDC Group comprised South Tees Development Corporation and its wholly owned subsidiary company South Tees Developments Limited ("STDL") (which holds and manages the former TATA land assets). On 8th October 2020 STDC acquired South Tees Site Company Limited ("STSC") for a nominal sum and the company joined the group. Accordingly, the medium-term financial plan has been updated to include anticipated costs and funding arising from transition

This financial update excludes any activity linked to construction of the proposed Quay at South Bank Wharf, which is the subject of a separate paper and agenda item

RECOMMENDATIONS

It is recommended that the STDC Board:

i. Notes the finance update provided in this report
ii. Endorses the updated medium-term plan for the three years to 31 March 2023,
iii. Approves deployment of the c£79m of funding transitioned from government to support the activities of STSC in line with the MTFP update enclosed, and delegates authority to the Group Chief Executive and Group Director of Finance and Resources to allow budgets virement of budgets transitioned with STSC across projects and time periods within the overall £70.9m available funding envelope.
iv. Approves the proposed change to STDC's scheme of delegation "GD2" in order to facilitate the activities of realising value from surplus site assets as part of STDC's delivery programme
v. Delegates authority to the Group Chief Executive and Group Director of Finance and Resources to transfer land assets acquired by STDC as a result of enacting

the first General Vesting Declaration from STDC to STDL, subject to an appropriate valuation and taxation advice

vi. Delegates authority to the Group Chief Executive and Group Director of Finance and Resources to authorise the transfer of any future land or related interests acquired by STDC to STDL, subject to an appropriate transfer valuation and any necessary legal and taxation support

FINANCIAL PERFORMANCE UPDATE – SEPTEMBER 2020

1. The following update relates to the financial performance of STDC group to 30 September 2020 prior to the transition of STSC into local ownership. Budget variances are compared to the September MTFP update.

Expenditure overview	Year to Date Actual £'000	Year to Date Budget £'000	Year to Date Var £'000	Year to Mar-21 Budget £'000
Core operations and running costs	964	870	(94)	2,713
STDL site management costs	452	617	165	1,153
Enabling expenditure and projects	3,253	5,615	2,362	6,234
Capital works projects	3,313	4,446	1,133	31,410
Land purchase projects	15,000	15,000	-	17,970
Net Expenditure	**22,982**	**26,548**	**3,566**	**59,480**
HV Capital expenditure (end user funded)	-	-		940
Gross expenditure	**22,982**	**26,548**	**3,566**	**60,420**

2. **Core operations/ STDL Site management costs –** Are running broadly in line with expectations, combined costs are c£70k lower than the phased budget levels at this point in the year. The underspend is largely resource related and linked to new staff hires coming on stream later than initially budgeted. Accordingly, this saving is likely to be carried forward

3. **Enabling expenditure and projects –** Shows an underspend v's budget to September of £2.3m at September compared to a corresponding underspend of £3.1m at July. The majority of spend is committed in this area and is expected to accelerate through the remainder of the year as activity increases and billing from professional advisors and consultants matches pace with their delivery. Factors contributing to the variance are the existence of unbilled professional fees costed in the September budget linked to transition and South Bank Quay costs tracking behind the budget phasing. These costs have accelerated in October with commencement of marine side investigations.

4. **Capital works projects –** Continue to track c £1.1m behind budget profile at September (July underspend £1.17m). £0.3m of this underspend relates to the Bravo 10 project which has been removed from the programme since July (See revised MTFP below). The remainder of the underspend relates to projects that are underway and committed and is considered that the remaining variance is due to the timing of billing and certification of works rather than delivery behind profile. From October the pace of

capital works is expected to accelerate as the land acquired under STDC's first general vesting declaration is brought on stream

5. **Land purchase costs –** Are tracking in line with expectations at this stage of the year. Further land purchases are anticipated later in the year because of GVD2 and other land purchases.

MEDIUM TERM PLAN REFRESH – THREE YEARS ENDED 31 MARCH 2023

6. Following a "deep dive" medium term plan update at September, which included a project by project review of expenditure by management, this update has been considered at a higher level adjusting by exception on key known planned expenditure and activity updates.

7. The revised plan position (including new entries for STSC coloured green) is presented below:

	Year	Year	Year		2020-
	Mar-21	Mar-22	Mar-23		2023
	Forecast	Plan	Plan		Plan
November MTFP Update	**£'000**	**£'000**	**£'000**		**£'000**
Operations and running costs	2,843	4,761	5,873		13,477
STDL site management costs	1,173	1,147	1,181		3,501
STSC Keepsafe and decotamination	14,519	43,424	13,010		70,953
Enabling expenditure and projects	6,478	4,508	3,074		14,060
Capital projects	29,986	68,167	54,710		152,863
Land purchase costs	18,390	1,250	-		19,640
Capital investment - HV JV	1,550	1,550	1,550		4,650
Net expenditure	**74,939**	**124,807**	**79,397**		**279,144**
MHCLG operations funding	207	-	-		207
MHCLG Prairie Grant	10,017	1,340	-		11,357
TVCA ringfenced funding	253	-	-		253
TVCA site operations funding	7,874	2,226	-		10,100
TVCA other funding	30,286	3,000	-		33,286
BEIS redirected STSC funding	14,519	43,424	13,010		70,953
New Ask BEIS	2,308	2,576	8,809		13,694
New Ask MHCLG	4,435	35,475	-		39,910
End user contributions/ advance rentals	940	13,734	15,291		29,965
MHCLG Site entrance funding	4,100	-	-		4,100
External borrowing/funding	0	23,031	42,287		65,318
	74,939	**124,807**	**79,397**		**279,144**
Being					
STDC programme delivery	60,420	81,383	66,387		208,191
STSC transitioned activity	14,519	43,424	13,010		70,953

8. **STDC programme delivery** – Overall planned medium term activity levels have been held at the levels presented to Board in July with appropriate virements between expenditure categories in lie with current operational plans (see paragraph 12 below).

9. **STSC Transitioned delivery** - At this stage STSC is included on the assumed basis that costs match the available income transitioned through the business case over the MTFP period

10. **Overall impact** – Revisions to the plan do not change anticipated borrowing and funding levels across the review period. As underlying STDC programme delivery sits within the funding and delivery parameters set in the September update, no further Board approval is necessary (Chief Officers having delegated authority to manage budget virements within the overall funding envelope of £208.2m which was approved at September)

11. However, Board's approval is sought to deploy the c£70.9m of funding transitioned from government to support the activities of STSC in line with the MTFP update above, subject to a further delegation to Chief Officers to allow virement of budgets across projects and time periods within the available funding envelope.

Key changes to planned STDC programme delivery

12. A summary of key planned changes in planned STDC programme delivery are presented below (Note this excludes proposed STSC transitioned delivery costs):

MTFP November update - Analysis of plan movements		**Year**	**Year**	**Year**		**Total**
		Mar-21	**Mar-22**	**Mar-23**		**MTFP**
Cost Catergory	**Cost item**	**£'000**	**£'000**	**£'000**		**£'000**
September MTFP - STDC Programme delivery		**60,420**	**81,383**	**66,387**		**208,191**
Operations and running costs	Tax advisory costs	100	-	-		100
Operations and running costs	Additional Marketing and communications	30	30	30		90
		130	30	30		190
STDL site management costs	Consumable equipment costs	20	20	20		60
Enabling expenditure and projects	Strategic planning and consultancy	270	1,436	-		1,706
Enabling expenditure and projects	Procurement software license fees	(26)	72	74		120
		244	1,508	74		1,826
Capital projects	Procurement support costs	(60)	-	-		(60)
Capital projects	Offshore wind - Bravo 10 Pipebridge	(1,300)	(4,700)	(2,000)		(8,000)
Capital projects	HV infrastruucture investment	(883)	(2,620)	-		(3,503)
Capital projects	Capital projects - Other	(121)	9,992	326		10,197
		(2,364)	2,672	(1,674)		(1,366)
Land purchase costs	Land purchase costs	420	(5,780)	-		(5,360)
Capital investment - HV JV	Capital investment - HV JV	1,550	1,550	1,550		4,650
Net adjustments		**-**	**-**	**-**		**-**
Updated STDC programme delivery		**60,420**	**81,383**	**66,387**		**208,191**

13. Key revisions between the September and November MTFP's are as follows:

- **Operations and running costs** – Have been increased by £190,000 over the three-year period to accommodate c£100,000 of one-off tax advisory fees linked to land acquisition and group tax arrangements. An additional £90,000 is also included over the period to accommodate impacts of transition of STSC.

- **STDC site management costs** – A small budget is included to allow the purchase of additional consumable tools and other items to facilitate works on site

- **Enabling expenditure and projects** – has been increased by £1.8m in the updated MTFP principally in order to capture strategic costs linked to securing site wide planning for future industrial/storage and distribution uses alongside some associated professional fees linked to developing the commercial proposition underlying the development plan

- **Capital projects** – Principal changes to the capital projects planned are

  - **Offshore wind – Bravo 10 pipe bridge diversion** - £8m of costs have been removed from the programme as the access that the pipe bridge diversion would have facilitated is no longer considered necessary as part of updated planning for offshore wing activities at South Bank.

  - **HV infrastructure costs** - £3.5m of HV electrical infrastructure costs have been removed from the programme as it is assumed that they will now be borne by the new HV Joint venture entity (see below)

  - **Other projects** – In light of the above, £10.1mhas been allocated to other capital projects across the review period as the operational programme is developed and new projects/ site zones come on stream

- **Land acquisition costs** – Have reduced by £5.4m in the MTFP from an estimated value of £25m to a revised position of £19.6m. This update follows completion of some key negotiations on certain landholdings which were previously forecast at a worst-case cost scenario. The £5.4m reduction releases funding in the plan to allocate to other activity.

- **High Voltage Joint Venture –** An amount of £4.65m has been included within the updated MTFP to accommodate a potential capital contribution to the High Voltage infrastructure Joint Venture (currently undergoing procurement). The amount proposed of £4.65m is to assist with supporting operations of the JV in the early years of operation prior to profitable operation. This investment eliminates the need for £3.5m of previously planned investment in HV remedial works on site and will be subject to a separate board approval in due course.

Capital project summary

14. The impact of the planned changes by delivery zone are presented below in comparison to the September MTFP update

	November update					Sept MTFP	
	Year	Year	Year	2020-		2020-	
	Mar-21	Mar-22	Mar-23	2023		2023	
	Forecast	Forecast	Forecast	Plan		Plan	Var
Capital projects	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**
Prairie (Dorman point)	10,017	9,890	3,150	23,057		23,057	-
South Bank (Enabling of offshore wind development)	10,912	8,163	2,500	21,575		29,575	(8,000)
HV Electrical infrastructure	1,140	14,654	18,624	34,418		37,981	(3,563)
Steel House	900	750	-	1,650		1,650	-
Redcar (Including NZT)	1,033	9,724	6,420	17,177		17,177	-
Teardrop (Longacres)	985	7,641	8,159	16,785		16,785	-
Gatehouse/entrances	4,100	-	-	4,100		4,100	-
Other	900	17,344	15,857	34,101		23,904	10,197
	29,986	**68,167**	**54,710**	**152,863**		**154,229**	**(1,366)**

15. Adjustments reflect the removal of Bravo 10 from the South Bank plan and the transfer of certain HV infrastructure remedial works into the proposed HV joint venture investment.

16. Other capital projects increase by £10.1m to accommodate the developing operational programme and projects yet to be fully specified for delivery across 2021/22 and 2022/3

17. An overall reduction planned capital projects expenditure arises principally as a result of diverting available funds into enabling expenditure to support the commercial development of the site.

BUSINESS CASE REPORTING AND MONITORING

18. On 8th October 2020 TVCA received the first £10.6m tranche of funding as part of the successful business case to government under a memorandum of understanding with BEIS and MHCLG. Aligned to this agreement TVCA/ STDC group has agreed a formal timetable and format for performance reporting in relation to expenditure.

19. The first formal report will be provided to BEIS and MHCLG covering performance for the period to 31 December 2020 in early March 2021. Thereafter regular quarterly performance reporting will be provided in line with an agreed timetable which is included as Appendix 1 to this report.

20. Reporting will follow an agreed format, which considers financial and operational milestones outlined in STDC's business case submission to government. The agreed reporting template is included at Appendix 2 for information and it is anticipated that Board will be given an opportunity to consider each formal submission before circulation to government as part of STDC's forward financial reporting cycle.

SCHEME OF DELEGATION – SITE ASSET REALISATIONS

21. Realisation of Surplus assets on site including scrap, surplus machinery and waste biproducts from site clearance and regeneration will become a key commercial revenue stream for STDC group into the coming years.

22. In order to deliver these targets, planning is currently underway to develop the necessary operational and financial controls to deliver this activity and an initial financial workshop was held on 13th November to develop processes.

23. However, STDC's current scheme of delegation is currently not fit for purpose to allow this activity to be undertaken. In particular, the General Delegation in relation to the sale of surplus assets (GD2) only accommodates the disposal of surplus or obsolete equipment and requires board referral for any asset disposals with a value in excess of £10,000.

24. In light of the overall anticipated value of assets to be realised from site, an amendment to this delegation is sought to allow activity on site to be undertaken without the need for all sales to be referred to board, causing undue delay and unnecessary administration

25. Accordingly, it is requested that the Group's Chief Officers' delegated authority is extended to authorise disposal of surplus materials as well as equipment assets with a value of up to £1m in a single transaction. This aligns with the current delegated limit for purchasing of goods and services that was agreed at June's board.

26. The suggested revision to GD2 is provided below (amendments are shown in red text). it is recommended that this is adopted by Board delegating authority to STDC Group's Chief Officers to authorise:

GD2 The disposal of surplus or obsolete equipment or surplus materials recovered from site regeneration works to the person submitting the highest quotation or at a price reasonably benchmarked against an appropriate commodity index or published market price up to a limit of £1,000,000 in value.

APPROVAL FOR LAND ASSET TRANSFERS

27. Following STDC's successful completion of the first General Vesting Declaration on 8th Octrober 2020 STDC currently holds c959 acres of former steelworks land. A second GVD is also underway to secure several smaller plots within the STDC boundary and negotiations are underway with a number of parties linked to site easements, leases and other land rights each of which are likely to give rise to compensation payments under CPO.

28. The legal nature of CPO vesting requires STDC (the named party in the CPO) to be the principal in these land transactions. However, the STDC's group structure and planning (set up to simplify operations and group taxation) holds land assets in STDL.

29. Accordingly, it is proposed that recently vested land, and any future land and related interests vested or otherwise secured by STDC will be transferred by STDC into STDL thus creating a single entity which holds all of the Group's land interests and allows efficient onward operation, marketing and ultimate realisation of the site. However,

transfer of land assets between STDC and STDL is not accommodated by any existing Chief Officer delegations and a specific board approval is therefore necessary.

30. It is recommended therefore that STDC Board delegates authority to the Chief Executive and Director of Finance to authorise the transfer of any land or related interests acquired by STDC to STDL, subject to an appropriate transfer valuation and any necessary legal and taxation support

FINANCIAL IMPLICATIONS

29. Financial implications are discussed in the body of this report.

LEGAL IMPLICATIONS

30. There are no legal implications associated with the recommendations of this report.

RISK ASSESSMENT

31. The key risks associated with the delivery of the revised plan is failure to deliver in line with programme / a material shift (forward or backward) in programme delivery phasing. Should key planning assumptions fail to materialise. STDC would consider any changes necessary to the delivery programme and forecast forward accordingly

32. By developing a "maximum case" which requires external funding there is a risk that delivery may fall behind planned levels, particularly if commercial activity does not allow timely securitisation of income. However, in this circumstance some planned activity can be deferred whilst ensuring STDC achieves targets set in relation to its government and external income funding streams.

CONSULTATION & COMMUNICATION

33. Plans have been developed in consultation with the senior management team of STDC who have provided detailed input based on the developing programme of delivery activity.

EQUALITY & DIVERSITY

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

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TEESWORKS

Quarterly BEIS/MHCLG Report:
October-December 2020

Report no. 1:
Submitted March 2021

TEES VALLEY COMBINED AUTHORITY

TEES VALLEY MAYOR

South Tees Development Corporation

Purpose and Content

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Purpose

- The Memorandum of Understanding (MoU) between Ministry for Housing, Communities & Local Government (MHCLG), Department for Business, Energy and Industrial Strategy (BEIS) and Tees Valley Combined Authority (TVCA) sets out the terms, principles and practices that will apply to the working relationship and funding arrangements between the parties in respect of the South Tees Development Corporation (STDC) and the South Tees (Teesworks) site.

- This document provides regular programme performance information to MHCLG and BEIS including, financial, milestones, benefits and risks, demonstrating that funding has been spent and outcomes are being met. This is in line with the agreed business case and the reporting metrics set out in the MoU. It has been agreed that this information will be provided on a quarterly basis.

Content

- This document provides the following information:
  - Executive Summary of key financial and milestone matters.
  - A - Previous quarter funding: including the budget; actual expenditure and amount remaining.
  - B - Planned expenditure: the budget for the next quarter and planned position against full year.
  - C - STDC project milestones and progress.
  - D – STDC project benefits and progress.
  - E - Strategic risks, and proposed mitigation.
  - F - Procurement: current contracts and planned procurements

Executive Summary

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- [Headlines from the report on key financial, progress and milestone matters inc. risk]
- [Narrative to summarise progress under the following headings where relevant]

    - **Decontamination**
    - **Demolition**
    - **Keep Safe**
    - **Remediation**
    - **Inward Investment**
    - **Promotion & Support**

A – Financial Summary

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Financial overview	Q3 YTD £'000	Q4 Forecast £'000	2020/21 Outturn £'000	2020/21 Buis Case £'000	2020/21 Var £'000
Rental	-		-		-
Scrap	-		-		-
Other	-		-		-
Total income	-	-	-	-	-
Operating Costs	-		-		-
Demolition	-		-		-
Site preparation	-		-		-
Infrastructure - Highway	-		-		-
Infrastructure - Rail	-		-		-
Infrastructure - Utilities	-		-		-
Infrastructure - Marine	-		-		-
HV Electrical infrastructure	-		-		-
Capitaisable strategic costs	-		-		-
Project delivery costs	-		-		-
Project expenditure	-	-		-	-
Keep Safe	-		-		-
I2S	-		-		-
Tier 3	-		-		-
EX SSI Estates costs	-	-	-	-	-
Land acquisition costs	-		-		-
Net Expenditure	-	-	-	-	-
Funded by:					
BEIS RDEL	-		-		-
BEIS CDEL	-		-		-
MHCLG CDEL	-		-		-
Other (Non MOU)	-		-		
	-	-	-	-	-

B – Quarterly Expenditure Analysis

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	Spend by funding source Q3 2020/21						
	BEIS RDEL	BEIS CDEL	MHCL CDEL	Other	Total	Q3	Q3
	Actual	Actual	Actual	Actual	Actual	Submission	Var
Quarterly analysis	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operating Costs					-		-
Demolition					-		-
Site preparation					-		-
Infrastructure - Highway					-		-
Infrastructure - Rail					-		-
Infrastructure - Utilities					-		-
Infrastructure - Marine					-		-
HV Electrical infrastructure					-		-
Capitaisable strategic costs					-		-
Project delivery costs					-		-
Project expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Keep Safe					-		-
I2S					-		-
Tier 3					-		-
EX SSI Estates costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land acquisition costs					-		-
Gross expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C – Monitoring milestones

Milestones completed to date

Ref.	Milestone description	Expected Completion in Q3	Completed at Q3	Re-forecast Completion Date	Impact on Programme
M1	Accelerated the CPO and achieved savings	✓	✓		
M2	Establish a common technology platform between all parties.	✓	✓		
M3	Establish a data room to share information between all parties.	✓	✓		
M4	Finalise a reciprocal Non-Disclosure Agreement (NDA).	✓	✓		
M5	Appoint a Specialist Utilities Projects Director	✓	✓		
M6	Develop a Strategic Utilities Plan	✓	✓		
M7	Appoint a Specialist Management Consultant	✓	✓		
M8	Appoint Marketing and Brand Consultant	✓	✓		
M11	Brand Launch	✓	✓		
M19/19a	Material Handling Facility - Site Preparation: Construction	✗	✓		
M12	M12 - complete all Strategy Studies	✓	✓		
M14	Decontamination and demolition	✗			
M16	Primary HV Electrical Infrastructure	✗			
M17	Preparations for Offshore Wind Development: South Bank	✗			

C – Milestone progress

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Milestones progressing in Q3 – current activity and planned activity in Q4

Ref	Milestone description	Progress in Q3	Planned progress in Q4
M12	M12 - complete all Strategy Studies	Expected to be complete by end Q3 – further work being undertaken with Natural England re: the site wide bio-diversity net gain strategy	N/A
M14	Decontamination and demolition	Works to procure a Demolition contract framework have commenced. Advanced demolition works have commenced on the South Bank areas A and B – linked to 17D. Decontamination and demolition of the COGM on the Prairie site to commence – 14A	Demolition framework procurement to be completed in Q4. Demolition works ongoing across South Bank; potentially to commence on the NZT site (14D). Decontamination and demolition of the COGM on the Prairie site to complete.
M16	Primary HV Electrical Infrastructure	Ongoing competitive dialogue procurement of a JV partner to develop, operate and maintain the HV electricity network for Teesworks.	Procurement ongoing – to complete in Q4
M17	Preparations for Offshore Wind Development: South Bank	17A Site preparation – works ongoing to progress the remediation and preparation of the Metals Recovery Area. 17C Marine Works – the submission of planning application and MMO license for the new quay wall; ongoing detailed design work, including further marine GI. 17D Landside works – demolition and ground preparation works for Areas A and B continuing.	17A – works to Metals Recovery Area to complete. 17C – Ongoing liaison with planning authority and MMO re application and license; continuation of detailed design and contract documentation. 17D Landside works – demolition and ground preparation works for Areas A and B to complete.

D – Monitoring Benefits

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Metric Ref: DL = Programme Delivery and **BCR** = KPI within BCR

Metric Ref	Description	Rational & Source	CSR Target (if applicable)	Lifetime Target (if applicable)	Business Case Baseline	Actual Y1:Q3	Actual Y1:Q4	Cumulative Total	Direction
DL01	**No. of Jobs: Programme Delivery** procured/employed to deliver programme activity inc. work on site.	*Employed through the direct delivery of spend in remediation / demolition / infrastructure. Total jobs secured (inc. safeguarded and new jobs). Source: STDC Contract Management & STDC HR*						0	0
DL02	**No. of Jobs: Private Investment** to construct new buildings/facilities.	*Employment to construct the new facilities/businesses on site. Total jobs secured (inc. safeguarded and new jobs). Source: STDC Commercial Director / Investors*			0			0	0
DL03	**Acres of Remediated Land**	*Moving forward will need to consider the definition of remediated and whether this is a multi-step process e.g. demolition complete, site preparation complete, split by plot etc. Source: STDC Programme Director*			0			0	0
DL04	**No. of Jobs: Private Investment** direct jobs within new buildings/activities.	*Employment to operate the new facilities/businesses on site. Total jobs secured (inc. safeguarded and new jobs). Source: STDC Commercial Director / Investors*			0	Annual Review			
DL05	**No. of Jobs: Supply Chain** - proxy indicator based on multipliers of direct jobs (dependent on DL04).	*Estimated using assumptions in line with the business case. Source: STDC*			0	Annual Review			
DL06	**Amount of Private Investment £**	*To capture investment attracted on site, unlocked by delivery of the programme. Source: STDC Commercial Director / Investors*			0	Annual Review			
BCR01	**All Costs £**	*To monitor progress in line with the financial model. Source: STDC, covered in section A - financial summary.*			0	£ -	£ -	£ -	0
BCR02	**Rental Income £**	*To monitor progress in line with the financial model. Source: STDC, covered in section A - financial summary.*			0	£ -	£ -	£ -	0
BCR03	**Freehold Sales Revenue £**				0	£ -	£ -	£ -	0
BCR04	**Scrap Income £**				0	£ -	£ -	£ -	0
BCR05	**Business Rate Income £**				0	£ -	£ -	£ -	0
BCR06	**Other Income £**		*0*		0	£ -	£ -	£ -	0
BCR07	**Occupancy on Site by Plot %**	*Broken down by site when relevant.*			0				
We will also monitor changes to the scope and scale of commercial projects built into the business case, timing of delivery (milestones) and employment projections to feed into the annual BCR review.									

E – Strategic Risks

TEESWORKS

Risk ID	Risk title	Risk description	Mitigation	Rating

F – Procurement and Governance

TEESWORKS

Key contracts	Description	Risks and Mitigation