CONTENTS

	Page
Narrative Report	1
Group Statement of Accounts	6
Core Financial Statements:	
Movement in Reserves Statement	7
Comprehensive Income and Expenditure Statement	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Core Financial Statements	11
Corporation Statement of Accounts	31
Core Financial Statements:	
Movement in Reserves Statement	32
Comprehensive Income and Expenditure Statement	33
Balance Sheet	34
Cash Flow Statement	35
Notes to the Core Financial Statements	36
STDC and Group	
Statement of Accounting Policies	55
Statement of Responsibilities for the Statement of Accounts	63
Independent Auditor's Report	64
Glossary	65

South Tees Development Corporation and Group - Annual Financial Statements 2021/22

Narrative Report

Introduction

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

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

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

Organisational overview and external environment

The South Tees Development Corporation was established in August 2017 in the wake of the closure of the SSI Steelworks and is the first mayoral development corporation outside of Greater London. STDC's long term objective is to create a world class, modern industrial park on the former steelworks site and surrounding land that will become a hotbed of clean energy activity, leading the way in the Green Industrial Revolution. Securing investment in the cleaner, healthier and safer industries of tomorrow, it will be positioned as the UK's premier hub for offshore wind and lead the UK's ambitions of industrial decarbonisation and carbon net zero by 2050. In doing this, it will help create thousands of high-quality jobs for local people further driving economic regeneration across the Tees Valley.

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

South Tees Developments Limited (STDL) exists to own and manage 1,420 acres of land acquired from TATA Steel Europe.

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

Governance and transparency

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

A more detailed overview of STDC's governance arrangements is presented within its Annual Governance Statement which can be found at https://teesvalley-ca.gov.uk/transparency/south-tees-development-corporation/annual-statement-of-accounts/

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

2021/22 performance

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

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

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

Key milestones include

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

· **Freeport status** – In February 2021 the Mayor and Combined Authority submitted a bid to become a Freeport. In March 2021, as part of the Spring Budget, Tees Valley was announced as one of the first places to get Freeport status under the new Government policy to create Freeports across the country. Covering 4,500 acres, and with Teesworks at its heart, the Teesside Freeport is the largest in the UK and, as of November 2021, the first operational. The Freeport is forecast to create more than 18,000 jobs and provide a £3.2billion boost to the local economy over the next five years.

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

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

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

Financial performance

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

Future sustainability

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

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

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

Outlook, strategy, and operating model

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

Site regeneration
Overall there has been an acceleration of the capital delivery on site. Approximately 300 acres of land is in the process of remediation and with this has come the support of around 650 jobs in the construction sector to date. The Teesworks Demolition Framework completed during the 2020/21 financial year. After confirmation of appointments and ensuring contractor resource, activity has accelerated at pace. As previously stated, a number of major structures have come down ahead of schedule with all expected to be brought down by the end of 2022. In March 2022 construction completed on the Teesworks Skills Academy and, in July 2022, construction began on SeAH Wind Ltd's monopile factory.

Commercial activity

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

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

Key risks

The nature of the STDC site brings with it a number of safety and delivery risks. In particular, safeguarding individuals on site, maintaining site security and ensuring hazardous and toxic materials do not cause additional environmental harm. South Tees Site Company continues to manage these risks and progress has been made to decontaminate the site.

Risks to delivery include the impact of unforeseen issues when redeveloping the site, relating to ground conditions and potentially unsafe structure. Where possible these risks are mitigated through survey activity and robust planning and safety management systems adopted by contractors on site. As demolition has progressed and areas of the site have been remediated this risk is reducing.

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

Key Sections Included in the Statement of Accounts

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

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

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

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

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

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

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

South Tees Development Corporation Group Statement of Accounts 2021/22

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

	General Fund Balance	Capital Grants Unapplied	**Total Usable Reserves**	Capital Adjustment Account	Other Unusable Reserves	**Unusable Reserves**	**Total Group Reserves**
	£000s	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Movement in reserves during 2020/21							
Balance at 1 April 2020 brought forward	968	5,225	**6,193**	(695)	(512)	**(1,207)**	**4,986**
Total Comprehensive Income and Expenditure	(5,613)	-	**(5,613)**	-	(305)	**(305)**	**(5,918)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	8,216	(5,172)	**3,044**	(2,953)	(91)	**(3,044)**	-
Increase/Decrease in Year	**2,603**	**(5,172)**	**(2,569)**	**(2,953)**	**(396)**	**(3,349)**	**(5,918)**
Balance at 31 March 2021 carried forward	**3,571**	**53**	**3,624**	**(3,648)**	**(908)**	**(4,556)**	**(932)**
Amounts earmarked (Note 7)	3,249						
Amounts uncommitted	322						
Total General Fund Balance at 31 March 2021	**3,571**						
Movement in reserves during 2021/22							
Balance at 1 April 2021 brought forward	3,571	53	**3,624**	(3,648)	(908)	**(4,556)**	**(932)**
Total Comprehensive Income and Expenditure	(55,436)	-	**(55,436)**	-	176	**176**	**(55,260)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	70,902	(53)	**70,849**	(70,483)	(366)	**(70,849)**	-
Increase/Decrease in Year	**15,466**	**(53)**	**15,413**	**(70,483)**	**(190)**	**(70,673)**	**(55,260)**
Balance at 31 March 2022 carried forward	**19,037**	**-**	**19,037**	**(74,131)**	**(1,098)**	**(75,229)**	**(56,192)**
General Fund analysed over:							
Amounts earmarked (Note 7)	18,715						
Amounts uncommitted	322						
Total General Fund Balance at 31 March 2022	**19,037**						

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

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

2020/21				2021/22		
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
6,659	(6,676)	**(17)**	Core Running Costs	5,633	(21,058)	**(15,425)**
37,338	(36,825)	**513**	Enabling Infrastructure	50,961	(45,900)	**5,061**
20,208	(1,938)	**18,270**	Development Costs	118,582	(4,677)	**113,905**
64,205	**(45,439)**	**18,766**	**Cost Of Services**	**175,176**	**(71,635)**	**103,541**
			Financing and Investment Income and Expenditure:			
-	-	-	Interest payable and similar charges	1,062	-	1,062
23	(13)	**10**	Net interest on the net defined benefit liability/asset	42	(20)	22
			Taxation and Non-Specific Grant Income:			
777	-	777	Taxation	1,261	-	1,261
-	(13,940)	**(13,940)**	Capital grants and contributions	-	(50,450)	(50,450)
65,005	**(59,392)**	**5,613**	**(Surplus) or Deficit on Provision of Services**	**177,541**	**(122,105)**	**55,436**
		305	Re-measurements of the defined benefit liability			(176)
		305	**Other Comprehensive Income and Expenditure**			**(176)**
		5,918	**Total Comprehensive Income and Expenditure**			**55,260**

Balance Sheet as at 31 March 2022

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

	Note	**31 March 2022 £000s**	31 March 2021 £000s
Non-current assets			
Property, plant and equipment	8	40,653	34,328
Total non-current assets		40,653	34,328
Current assets			
Inventories		300	300
Debtors	13	53,988	38,329
Cash and Cash Equivalents	14	35,475	12,310
Total current assets		89,763	50,939
Current liabilities			
Grant Receipts In Advance	21	-	(200)
Short Term Creditors	15	(110,455)	(48,954)
Total current liabilities		**(110,455)**	(49,154)
Long term liabilities			
Long Term Borrowing	16	(74,238)	(36,022)
Other Long Term Liabilities	16 & 22	(1,081)	(884)
Provisions		(834)	(139)
Total long term liabilities		**(76,153)**	(37,045)
Net Assets:		**(56,192)**	(932)
Reserves			
Usable reserves:			
General Fund Balance		322	322
Earmarked General Fund Reserves	7	18,715	3,249
Capital Grants Unapplied	7	-	53
		19,037	3,624
Unusable Reserves:			
Pensions Reserve	16 & 22	(1,081)	(884)
Capital Adjustment Account	9	(74,131)	(3,648)
Accumulated Absences Account		(17)	(24)
		(75,229)	(4,556)
Total Reserves:		**(56,192)**	(932)

Mayor Ben Houchen ....

Chair South Tees Development Corporation Board
Date

Cash Flow Statement For The Year Ended 31 March 2022

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

	Note	**2021/22**	2020/21
		£000s	£000s
Net (surplus) or deficit on the provision of services		**55,436**	5,613
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(121,369)	(22,175)
Pension Fund adjustments		(373)	(83)
Increase/(Decrease) in Inventories (Stock)		-	300
Increase/(Decrease) in Revenue Debtors	13	15,659	28,024
(Increase)/Decrease in Revenue Creditors	15	(38,301)	(28,164)
(Increase)/Decrease in Provisions		(695)	(139)
(Increase)/Decrease in Grants In Advance		200	-
		(144,879)	(22,237)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services		(50,450)	-
		(50,450)	-
Net cashflow from operating activities		**(139,893)**	**(16,624)**
Investing activities			
Purchase of short term and long term investments		-	-
Purchase of property, plant and equipment, investment property and intangibles		104,494	35,724
Purchase of Subsidiary		-	-
Other receipts from investing activities		50,450	-
Net cashflow from investing activities		**154,944**	35,724
Financing activities			
Movement in short and long term borrowings		(38,216)	(24,807)
Net cashflow from financing activities		**(38,216)**	(24,807)
Net (increase) or decrease in cash and cash equivalents		**(23,165)**	(5,707)
Cash and cash equivalents at the beginning of the reporting period		**12,310**	**6,603**
Cash and cash equivalents at the end of the reporting period	14	**35,475**	**12,310**

The cashflow for operating activities includes the following items:

Note 1: Group Structure

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

Teesworks:

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

Details of other Group entities are set out below:

South Tees Developments Limited ("STDL"):

- On 3rd January 2019 STDC formed a new 100% subsidiary company South Tees Developments Limited.
- South Tees Developments Ltd was set up in 2019 to hold and develop land areas on behalf of STDC. The masterplan for the redevelopment of the site under STDC has been agreed with the long term view to redevelop the site to provide a high value, low carbon, diverse and inclusive economy. Creating significant employment prospects for the area.
- As the organisation is 100% owned by the STDC it will be treated as a subsidiary.
- The financial statements of STDL are prepared under FRS102 and are to the same financial year end as the Combined Authority. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

South Tees Site Company ("STSC"):

- On 8th October 2020 STDC acquired South Tees Site Company Limited (STSC) from the Department for Business Energy and Industrial Strategy for a nominal sum. STSC is responsible for the management and keep safe of the former SSI steelworks site which vested into the ownership of STDC on the same day.
- As the organisation is 100% owned by the STDC it will be treated as a subsidiary.
- The financial statements of STSC are prepared under FRS102 and are to the same financial year end as the Combined Authority. Where relevant and material accounting policies have been aligned to the Code of Practice on Local Authority Accounting.

Note 2: Expenditure & Funding Analysis

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

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
4,366	(4,383)	**(17)**	Core Running Costs	6,520	(21,945)	**(15,425)**
19,723	(19,210)	**513**	Enabling Infrastructure	36,139	(31,078)	**5,061**
(1,735)	20,005	**18,270**	Development Costs	(7,429)	121,334	**113,905**
22,354	**(3,588)**	**18,766**	**Net Cost Of Services**	**35,230**	**68,311**	**103,541**
(22,898)	9,745	(13,153)	Other Income and Expenditure	(35,609)	(12,496)	(48,105)
(544)	**6,157**	**5,613**	Surplus or Deficit	**(379)**	**55,815**	**55,436**
322			**Opening General Fund Balance**	**322**		
(544)			Less/Plus Surplus or (Deficit)	**379**		
544			Movements To/(From) Other Reserves	**(379)**		
322			**Closing General Fund Balance at 31 March 2021**	**322**		

Note 2: Expenditure & Funding Analysis

Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2021/22				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Core Running Costs	30	351	(22,326)	**(21,945)**
Enabling Infrastructure	-	-	(31,078)	**(31,078)**
Development Costs	121,334	-	-	**121,334**
Net Cost Of Services	121,364	351	(53,404)	**68,311**
Other Income and Expenditure from the Expenditure and Funding Analysis	(50,450)	22	37,932	**(12,496)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	70,914	373	(15,472)	**55,815**

Adjustments between Funding and Accounting Basis 2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Core Running Costs	-	73	(4,456)	**(4,383)**
Enabling Infrastructure	-	-	(19,210)	**(19,210)**
Development Costs	2,005	-	-	**2,005**
Net Cost Of Services `	2,005	73	(23,666)	**(21,588)**
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,940)	10	23,675	**9,745**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(11,935)	83	9	**(11,843)**

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

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

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

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	2021/22	2020/21
	£000s	£000s
Expenditure		
Employee benefits expenses	10,775	8,006
Other services expenses	165,662	56,976
Interest payments	1,104	23
Total Expenditure	**177,541**	65,005
Income		
Fees, charges and other service income	(37,018)	(21,766)
Interest and investment income	(22)	(13)
Government grants and contributions	(85,065)	(37,613)
Total Income	**(122,105)**	(59,392)
(Surplus) or Deficit on the Provision of Services	**55,436**	5,613

Segmental Income

Income received on a segmental basis is analysed below:

	2021/22	2020/21
	£000s	£000s
Services	**Income from Services**	Income from Services
Core Running Costs	(17,519)	(2,212)
Enabling Infrastructure	(14,822)	(17,616)
Development Costs	(4,677)	(1,938)
Total income analysed on a segmental basis	**(37,018)**	**(21,766)**

Note 3: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

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

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

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

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

Note 4: Critical Judgements in Applying Accounting Policies

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

There are no critical judgements for the Group.

Note 5: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in Group's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Pension liabilities**: estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide STDC with expert advice about the assumptions to be applied. Sensitivities are included in Note 22

South Tees Development Corporation Group - Annual Financial Statements 2021/22

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

2021/22	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	70,536	-	(53)	(70,483)
Adjustments involving the Capital Grants Unapplied Account	-	-	-	-
Adjustments involving the Pensions Reserve	373	-	-	(373)
Adjustments involving the Accumulated Absences Adjustment Account	(7)	-	-	7
Total Adjustments	**70,902**	**-**	**(53)**	**(70,849)**

2020/21	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	2,953	-	-	(2,953)
Adjustments involving the Capital Grants Unapplied Account	5,172	-	(5,172)	-
Adjustments involving the Pensions Reserve	83	-	-	(83)
Adjustments involving the Accumulated Absences Adjustment Account	8	-	-	(8)
Total Adjustments	**8,216**	**-**	**(5,172)**	**(3,044)**

Note 7: Movements in Earmarked Reserves

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

Earmarked Reserves	Balance at 1 April 2021 £000s	Transfers Out 2021/22 £000s	Transfers In 2021/22 £000s	Balance at 31 March 2022 £000s
Revenue Reserves				
Planned Activities - STDC	(626)	626	(19,407)	(19,407)
Planned Activities - Subsidiaries	(2,623)	3,315	-	692
Total Revenue Reserves	**(3,249)**	**3,941**	**(19,407)**	**(18,715)**
Capital Grants Unapplied	(53)	53	-	-
Total Capital Reserves	**(3,302)**	**3,994**	**(19,407)**	**(18,715)**

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

Details of reserves

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

Note 8: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Plant & Machinery	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s
Cost					
As at 1 April 2021	37,696	135	23	18,667	**56,521**
Additions	1,473	-	-	126,221	**127,694**
Revaluation	-	-	-	-	**-**
Reclassification	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
As at 31 March 2022	39,169	135	23	144,888	**184,215**
Depreciation					
As at 1 April 2021	3,494	14	18	18,667	**22,193**
Additions	-	-	-	-	**-**
Depreciation Charge	-	30	5	-	**35**
Impairments	20,470	-	-	100,864	**121,334**
Reclassification	-	-	-	-	**-**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2022	23,964	44	23	119,531	**143,562**
Net Book Value					
As at 31 March 2021	34,202	121	5	-	34,328
As at 31 March 2022	**15,205**	**91**	**-**	**25,357**	**40,653**

Basis of Classification

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

An independent valuers opinion of the current value of the STDC Group land was prepared in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation was carried out on 20/10/21, a desktop exercise was carried out by management as at 31/03/22 where no material amendments to this valuation were identified and this has informed the revalued figure shown in the accounts . Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

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

Basis of Depreciation

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

Contractual Commitments

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

Note 8: Non Current Assets Plant, Property and Equipment

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

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

An independent valuers opinion of the current value of the STDC Group land was prepared by Avison Young in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation has informed the revalued figure shown in the accounts with an effective date of 31/03/2021. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

The Valuer included a material uncertainty clause as per VPS 3 and VPGA 10 of the RICS valuation due to the unique nature and scale of the land holdings in relation to the £34.2 million land & buildings valuation in the above table. They clarify that: For the avoidance of doubt, the inclusion of the 'material uncertainty' declaration above does not mean that the valuation cannot be relied upon.

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

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

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

Note 9: Capital Adjustment Account

	2021/22 £000s	2020/21 £000s
Balance at 1 April	3,648	695
Impairments	121,334	22,162
Depreciation	35	19
	121,369	22,181
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(50,450)	(13,940)
Application of grants to capital financing from the Capital Grants Unapplied Account	(53)	(5,172)
Statutory provision for the financing of capital investment charged against the General Fund	(378)	(111)
Capital expenditure charged against the General Fund balance	(5)	(5)
	(50,886)	(19,228)
Balance at 31 March	**74,131**	**3,648**

Note 10: Capital Expenditure and Financing

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

	31 March 2022 £000s	31 March 2021 £000s
Opening Capital Financing Requirement	**36,935**	**11,137**
Capital investment		
PPE Additions	127,694	45,021
Sources of Finance		
Government grants and other contributions	(50,450)	(19,112)
Sums set aside from revenue:		
Minimum Revenue Provision (MRP)	(378)	(111)
Closing Capital Financing Requirement	**113,801**	**36,935**

Note 11: STDC Members' Allowances

STDC is part of the Tees Valley Combined Authority (TVCA) Group but retains its own separate Board (chaired by the Mayor of the Tees Valley) and governance committees with members drawn from both the public and private sectors. None of these members are paid any remuneration by either STDC Group nor the TVCA Group. Expenses claimed in 2021/22 amounted to Nil (2020/21 £3,497).

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

Note 12: Employee remuneration

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

Remuneration of Senior Employees 2021/22

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

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

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

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

Remuneration of Senior Employees 2020/21

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

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

Note 12: Employee remuneration

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

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

Note 13: Debtors

	31 March 2022 £000s	31 March 2021 £000s
Central Government	12,506	2,846
Local Government	32,045	31,041
Other entities and individuals	9,437	4,442
	53,988	**38,329**

Note 14: Cash and Cash Equivalents

	31 March 2022 £000s	31 March 2021 £000s
Bank and Imprests	20,475	12,310
Cash Equivalents	15,000	-
	35,475	**12,310**

Note 15: Short Term Creditors

	31 March 2022 £000s	31 March 2021 £000s
Central Government	(230)	(1,723)
Local Government	(66,438)	(25,684)
Other entities and individuals	(43,787)	(21,547)
	(110,455)	**(48,954)**

Note 16: Other Long Term Liabilities

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

Note 17: Related Party Transactions

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

Central Government

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

Related Parties

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

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

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

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

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

	Long Term Debtors £000s	Short Term Debtors £000s	Long Term Creditors £000s	Short Term Creditors £000s
Tees Valley Combined Authority	-	32,045	74,238	66,437
Total	**-**	**32,045**	**74,238**	**66,437**

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

	Long Term Debtors £000s	Short Term Debtors £000s	Long Term Creditors £000s	Short Term Creditors £000s
Tees Valley Combined Authority	-	35,266	36,022	28,751
Stockton on Tees Borough Council	-	-	-	5
Total	**-**	**35,266**	**36,022**	**28,756**

Note 18: External Audit Costs

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

	2021/22	2020/21
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	17	16
Fees payable to Tait Walker with regard to external audit services	24	9
	41	**25**

Note 19: Leases

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

STDL has leases which came with the land (both as lessee and lessor), they do not transfer the risks and rewards to the lessee, so do not qualify as finance leases. The nature of the agreements is for rents of items which could not be seen as assets e.g. pipework.

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

Note 20: Grant Income

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

	2021/22	2020/21
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
Development Grant from MHCLG	-	5,290
STDC Business Case Grant via TVCA	48,450	6,550
Get Building Fund Grant via TVCA	2,000	2,100
Total	**50,450**	13,940
Credited to Services		
TVCA Investment Fund Grant	-	8,126
Development grant from TVCA	200	-
STDC Business Case Grant via TVCA	34,413	13,704
Operating Grant BEIS	-	1,814
	34,613	23,644
Capital and Revenue Grants Receipts in Advance		
Development grant from TVCA	-	200
Total	**-**	200

Note 21: Financial Instruments

Categories of Financial Instruments

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

Financial Assets

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

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

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

Financial Liabilities

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

Financial Instruments

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

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

	Long Term		**Short Term**	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£000s	£000s	**£000s**	£000s
At Amortised Cost	-	-	76,860	47,094
Total financial assets	**-**	-	**76,860**	47,094

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

	Long Term		**Short Term**	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(74,238)	(36,022)	(110,114)	(47,887)
Total financial liabilities	**(74,238)**	(36,022)	**(110,114)**	(47,887)

Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31st March 2021.

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

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

Note 21: Financial Instruments

Financial Assets	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022		31 March 2021	
		£000s	£000s	£000s	£000s
Other Short Term Assets*	N/A	76,860	76,860	47,094	47,094
Total Financial Assets		**76,860**	76,860	**47,094**	47,094
Recorded on Balance Sheet as:-					
Short Term Debtors		41,385		34,784	
Cash and Cash Equivalents		35,475		12,310	
Total Financial Assets		**76,860**		**47,094**	

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

Financial Liabilities	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022		31 March 2021	
		£000s	£000s	£000s	£000s
Long Term Loans**	3	(74,238)	(74,238)	(36,022)	(36,022)
Other Short Term Liabilities*	N/A	(110,114)	(110,114)	(47,003)	(47,003)
Total Financial Liabilities		**(184,352)**	(184,352)	**(83,025)**	(83,025)
Recorded on Balance Sheet as:-					
Short Term Creditors		(110,114)		(47,003)	
Long Term Borrowing		(74,238)		(36,022)	
Total Financial Liabilities		**(184,352)**		**(83,025)**	

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

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

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

Credit Risk:

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

Liquidity Risk

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

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

Note 21: Financial Instruments

Market Risk

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

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

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

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

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

Note 22: Defined Benefit Pension Scheme

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

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

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

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

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

Note 22: Defined Benefit Pension Scheme Continued

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets		Fair value of scheme assets	
	2021/22		2020/21	
	£000s	**%**	£000s	%
Equity investments (Quoted)	994	76.0%	543	79.8%
Property (Quoted)	105	8.0%	51	7.5%
Cash	209	16.0%	51	7.5%
	1,308	**100%**	645	95%

Note 22: Defined Benefit Pension Scheme Continued

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

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

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

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

Impact on the Group’s Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The Group has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service Scheme may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension Scheme in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings Scheme to pay pensions and other benefits to certain public servants.

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

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

Note 23: Termination Benefits

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2020/21	**2021/22**	2020/21	**2021/22**	2020/21	**2021/22** **£000s**	2020/21 £000s
£1 to £20,000	6	-	33	1	39	1	231	3
£20,001 to £40,000	6	-	4	1	10	1	294	35
£40,001 to £60,000	-	-	-	-	-	-	-	-
£60,001 to £80,000	-	-	-	1	-	1	-	61
£80,001 to £100,000	-	-	-	-	-	-	-	-
Total	**12**	-	**37**	3	**49**	3	**525**	99

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

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

Note 24: Provisions

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

Note 25: Contingent Liabilities

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

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

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

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

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

An incident occurred on the site during the preparation form the demolition of the South Bank Coke Ovens during the year. The incident is currently under investigation by the HSE and the outcomes and/or implication are not known. At the date of signing the accounts no conclusions have been reached and no contingent liability is reported as, in the judgement of management, the risk of such a liability is considered remote.

Note 26: Post Balance Sheet Events

There are no post balance sheet events at the authorised for issue date of 31st July 2022.

South Tees Development Corporation Statement of Accounts 2020/21

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

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

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

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

2020/21				2021/22		
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
2,259	(2,275)	**(16)**	Core Running Costs	3,913	(19,083)	**(15,170)**
3,692	(3,692)	**-**	Enabling Infrastructure	4,016	-	**4,016**
18,184	-	**18,184**	Development Costs	86,228	-	**86,228**
24,135	**(5,967)**	**18,168**	**Cost Of Services**	**94,157**	**(19,083)**	**75,074**
			Financing and Investment Income and Expenditure:			
-	-	-	Interest payable and similar charges	1,062	-	1,062
23	(13)	**10**	Net interest on the net defined benefit liability/asset	42	(20)	22
-	-	**-**	Interest and investment income	-	(8,693)	(8,693)
			Taxation and Non-Specific Grant Income:			
-	(13,940)	**(13,940)**	Capital grants and contributions	-	(20,044)	(20,044)
24,158	**(19,920)**	**4,238**	**(Surplus) or Deficit on Provision of Services**	**95,261**	**(47,840)**	**47,421**
		305	Re-measurements of the defined benefit liability			(176)
		305	**Other Comprehensive Income and Expenditure**			**(176)**
		4,543	**Total Comprehensive Income and Expenditure**			**47,245**

STDC Balance Sheet as at 31 March 2022

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

	Note	**31 March 2022 £000s**	31 March 2021 £000s
Non-current assets			
Property, plant and equipment	7	25,653	14,623
Long Term Loan	12	24,253	24,253
Long Term Debtors	12	505	505
Total non-current assets		50,411	39,381
Current assets			
Debtors	13	40,506	32,833
Cash and Cash Equivalents	14	21,249	1,727
Total current assets		61,755	34,560
Current liabilities			
Grant Receipts In Advance	20	-	(200)
Short Term Creditors	15	(82,866)	(35,609)
Total current liabilities		**(82,866)**	(35,809)
Long term liabilities			
Long Term Borrowing	16	(74,238)	(36,022)
Other Long Term Liabilities	16 & 22	(1,081)	(884)
Total long term liabilities		**(75,319)**	(36,906)
Net Assets:		**(46,019)**	1,226
Reserves			
Usable reserves:			
General Fund Balance		322	322
Earmarked General Fund Reserves	6	19,407	626
Capital Grants Unapplied		-	53
		19,729	1,001
Unusable Reserves:			
Pensions Reserve	16 & 22	(1,081)	(884)
Capital Adjustment Account	8	(64,650)	1,133
Accumulated Absences Account		(17)	(24)
		(65,748)	225
Total Reserves:		**(46,019)**	1,226

Mayor Ben Houchen ………………………………………………….

Chair South Tees Development Corporation Board
Date

STDC Cash Flow Statement For The Year Ended 31 March 2022

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

	Note	2021/22	2020/21
		£000s	£000s
Net (surplus) or deficit on the provision of services		**47,421**	4,238
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(86,258)	(18,197)
Pension Fund adjustments		(373)	(83)
Increase/(Decrease) in Revenue Debtors	13	7,673	25,590
(Increase)/Decrease in Revenue Creditors	15	(29,428)	(25,927)
(Increase)/Decrease in Grants Received in Advance	20	200	-
Increase/(Decrease) in Long Term Debtors	12	-	13,485
		(108,186)	(5,132)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services		(20,044)	-
		(20,044)	-
Net cashflow from operating activities		**(80,809)**	**(894)**
Investing activities			
Purchase of property, plant and equipment, investment property and intangibles		79,459	27,008
Other receipts from investing activities		20,044	-
Net cashflow from investing activities		**99,503**	27,008
Financing activities			
Movement in short and long term borrowings		(38,216)	(24,807)
Net cashflow from financing activities		**(38,216)**	(24,807)
Net (increase) or decrease in cash and cash equivalents		**(19,522)**	1,307
Cash and cash equivalents at the beginning of the reporting period		**1,727**	**3,034**
Cash and cash equivalents at the end of the reporting period	14	**21,249**	1,727

The cashflow for operating activities includes the following items:

Note 1: Expenditure & Funding Analysis STDC

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

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
2,013	(2,029)	**(16)**	Core Running Costs	5,165	(20,335)	**(15,170)**
3,692	(3,692)	**-**	Enabling Infrastructure	4,016	-	**4,016**
-	18,184	**18,184**	Development Costs	-	86,228	**86,228**
5,705	**12,463**	**18,168**	**Net Cost Of Services**	**9,181**	**65,893**	**75,074**
(5,802)	(8,128)	(13,930)	Other Income and Expenditure	(9,560)	(18,093)	(27,653)
(97)	**4,335**	**4,238**	Surplus or Deficit	**(379)**	**47,800**	**47,421**
322			**Opening General Fund Balance at 1 April**	**322**		
(97)			Less/Plus Surplus or (Deficit)	**(379)**		
97			Movements To/(From) Other Reserves	**379**		
322			**Closing General Fund Balance at 31 March**	**322**		

Note 1: Expenditure & Funding Analysis STDC

Notes to the Expenditure and Funding Analysis: STDC

Adjustments between Funding and Accounting Basis 2021/22				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Core Running Costs	30	351	(20,716)	**(20,335)**
Enabling Infrastructure	-	-	-	**-**
Development Costs	86,228	-	-	**86,228**
Net Cost Of Services	86,258	351	(20,716)	**65,893**
Other Income and Expenditure from the Expenditure and Funding Analysis	(20,044)	22	1,929	**(18,093)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	66,214	373	(18,787)	**47,800**

Adjustments between Funding and Accounting Basis 2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Core Running Costs	-	73	(2,102)	(2,029)
Enabling Infrastructure	-	-	(3,692)	(3,692)
Development Costs	18,184	-	-	18,184
Net Cost Of Services `	18,184	73	(5,794)	**12,463**
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,940)	10	5,802	(8,128)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	**4,244**	**83**	**8**	**4,335**

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

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

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

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

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

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

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

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

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

Expenditure and Income Analysed By Nature

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

	2021/22	2020/21
	£000s	£000s
Expenditure		
Employee benefits expenses	3,107	1,447
Other services expenses	91,050	22,688
Interest payments	1,104	23
Total Expenditure	**95,261**	24,158
Income		
Fees, charges and other service income	(17,154)	(166)
Interest and investment income	(8,715)	(13)
Government grants and contributions	(21,971)	(19,741)
Total Income	**(47,840)**	(19,920)
(Surplus) or Deficit on the Provision of Services	**47,421**	4,238

Segmental Income

Income received on a segmental basis is analysed below:

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

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

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

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

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

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

Note 3: Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in STDC's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Pension liabilities**: estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide STDC with expert advice about the assumptions to be applied. Sensitivities are included in Note 22

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

2021/22	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account	(65,836)	-	53	65,783
Adjustments involving the Capital Grants Unapplied Account	-	-	-	-
Adjustments involving the Pensions Reserve	(373)	-	-	373
Adjustments involving the Accumulated Absences Adjustment Account	7	-	-	(7)
Total Adjustments	**(66,202)**	**-**	**53**	**66,149**

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

Note 6: Movements in Earmarked Reserves

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

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

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

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

Note 7: Non Current Assets Plant, Property and Equipment

	Land & Buildings	Motor Vehicles	Fixtures & Fittings	Assets Under Construction	TOTAL
	£000s	£000s	£000s	£000s	£000s
Cost					
As at 1 April 2021	17,996	135	-	14,689	**32,820**
Additions	1,473	-	-	95,815	**97,288**
Revaluation	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
As at 31 March 2022	19,469	135	-	110,504	**130,108**
Depreciation					
As at 1 April 2021	3,494	14	-	14,689	**18,197**
Additions	-	-	-	-	**-**
Depreciation Charge	-	30	-	-	**30**
Impairments	15,770	-	-	70,458	**86,228**
Derecognition of Disposals	-	-	-	-	**-**
As at 31 March 2022	19,264	44	-	85,147	**104,455**
Net Book Value					
As at 31 March 2021	14,502	121	-	-	14,623
As at 31 March 2022	**205**	**91**	**-**	**25,357**	**25,653**

Basis of Classification

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

An independent valuers opinion of the current value of the STDC Group land was prepared in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation was carried out on 20/10/21, a desktop exercise was carrie dout by management as at 31/03/22 where no material amendments to this valuation were identified and this has informed the revalued figure shown in the accounts . Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

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

Basis of Depreciation

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

Contractual Commitments

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

Note 7: Non Current Assets Plant, Property and Equipment

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

Basis of Classification

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

An independent valuers opinion of the current value of the STDC Group land was prepared by Avison Young in accordance with the RICS Valuation Global Standards 2017, CIPFA Code and the International Financial Reporting Standards and related definition of "Current value". This valuation has informed the revalued figure shown in the accounts with an effective date of 31/03/2021. Buildings on the land are dilapidated redundant assets from a former use and therefore carry no value.

The Valuer included a material uncertainty clause as per VPS 3 and VPGA 10 of the RICS valuation due to the unique nature and scale of the land holdings. They clarify that: For the avoidance of doubt, the inclusion of the 'material uncertainty' declaration above does not mean that the valuation cannot be relied upon.

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

Basis of Depreciation

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

Contractual Commitments

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

Note 8: Capital Adjustment Account

	2021/22 £000s	2020/21 £000s
Balance at 1 April	(1,133)	(108)
Revenue expenditure funded from capital under statute		-
Impairments	86,228	18,184
Depreciation	30	14
	86,258	18,198
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,044)	(13,940)
Application of grants to capital financing from the Capital Grants Unapplied Account	(53)	(5,172)
Statutory provision for the financing of capital investment charged against the General Fund	(378)	(111)
	(20,475)	(19,223)
Balance at 31 March	**64,650**	**(1,133)**

Note 9: Capital Expenditure and Financing

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

	31 March 2022 £000s	31 March 2021 £000s
Opening Capital Financing Requirement	**35,803**	**11,107**
Capital investment		
PPE Additions	97,288	32,820
Loans to Subsidiaries	-	11,099
Sources of Finance		
Government grants and other contributions	(20,044)	(19,112)
Sums set aside from revenue:		
Minimum Revenue Provision (MRP)	(378)	(111)
Closing Capital Financing Requirement	**112,669**	**35,803**

Note 10: STDC Members' Allowances

STDC is part of the Tees Valley Combined Authority (TVCA) Group but retains its own separate Board (chaired by the Mayor of the Tees Valley) and governance committees with members drawn from both the public and private sectors. None of these members are paid any remuneration by either STDC Group nor the TVCA Group. Expenses claimed in 2021/22 amounted to Nil (2020/21 £3,497).

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

South Tees Development Corporation - Annual Financial Statements 2021/22

Note 11: Employee remuneration

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

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

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

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

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

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

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

Note 11: Employee remuneration

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

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

Note 12: Long Term Debtors & Loans

	31 March 2022 £000s	31 March 2021 £000s
Other entities and individuals	24,758	24,758
	24,758	**24,758**

Note 13: Debtors

	31 March 2022 £000s	31 March 2021 £000s
Central Government	11,420	1,570
Local Government	-	31,041
Other entities and individuals	29,086	222
	40,506	**32,833**

Note 14: Cash and Cash Equivalents

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

Note 15: Short Term Creditors

	31 March 2022 £000s	31 March 2021 £000s
Central Government	(54)	(69)
Local Government	(54,876)	(25,684)
Other entities and individuals	(27,936)	(9,856)
	(82,866)	**(35,609)**

Note 16: Other Long Term Liabilities

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

Note 17: Related Party Transactions

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

Central Government

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

Related Parties

South Tees Development Corporation was established by Tees Valley Combined Authority and is part of their overall group structure. Tees Valley Combined Authority Cabinet members are leaders from the constituent local authorities and therefore these organisations are classed as related parties to STDC.
South Tees Site Company was a Government controlled organisation who is responsible for the safety, security and upkeep of the former SSI Site. This was brought into the group on 9th October 2020
South Tees Developments Limited is a wholly owned subsidiary of South Tees Development Corporation.
Teesworks Ltd is an associate between STDC and its private sector partners with 10/90 ownership.
The tables below set out the income and expenditure during year between stdc and these organisations.

2021/22	**Income Received £000s**	**Expenditure £000s**
Tees Valley Combined Authority	22,235	1,495
South Tees Site Company	175	1,984
Teesworks	25,362	1,925
Redcar & Cleveland Borough Council	-	62
Stockton on Tees Borough Council	-	5
Total	**47,772**	**5,471**

2020/21	**Income Received £000s**	**Expenditure £000s**
Tees Valley Combined Authority	14,451	192
South Tees Site Company	-	11
Teesworks	-	827
Stockton on Tees Borough Council	-	9
Total	**14,451**	**1,039**

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

	Long Term Debtors £000s	**Short Term Debtors £000s**	**Long Term Creditors £000s**	**Short Term Creditors £000s**
Tees Valley Combined Authority	-	-	74,238	54,876
South Tees Site Company	-	175	-	1,990
South Tees Developments Limited	24,758	27,597	-	-
Teesworks	-	886	-	-
Total	**24,758**	**28,658**	**74,238**	**56,866**

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

	Long Term Debtors £000s	**Short Term Debtors £000s**	**Long Term Creditors £000s**	**Short Term Creditors £000s**
Tees Valley Combined Authority	-	31,041	36,022	25,684
South Tees Site Company	-	-	-	1
South Tees Developments Limited	24,759	-	-	-
Teesworks	-	-	-	3,331
Stockton on Tees Borough Council	-	-	-	5
Total	**24,759**	**31,041**	**36,022**	**29,021**

Note 18: External Audit Costs

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

	2021/22	2020/21
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	17	16

Note 19: Leases

The Coporation has no leases as a single entity

Note 20: Grant Income

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

	2021/22	2020/21
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
Development Grant from MHCLG	-	5,290
STDC Business Case Grant via TVCA	18,044	6,550
Get Building Fund Grant via TVCA	2,000	2,100
Total	**20,044**	13,940
Credited to Services		
Development grant from TVCA	200	-
STDC Business Case Grant via TVCA	1,725	5,801
TVCA Investment Fund Grant	-	5,801
	1,925	11,602
Capital and Revenue Grants Receipts in Advance		
Development grant from TVCA	-	200
Total	**-**	200

Note 21: Financial Instruments

Categories of Financial Instruments

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

Financial Assets

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

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

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

Financial Liabilities

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

Financial Instruments

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

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

	Long Term		**Short Term**	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£000s	£000s	**£000s**	£000s
At Amortised Cost	24,758	24,758	50,317	32,925
Total financial assets	**24,758**	24,758	**50,317**	32,925

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

	Long Term		**Short Term**	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£000s	£000s	**£000s**	£000s
At Amortised Cost	(74,238)	(36,022)	(82,753)	(35,435)
Total financial liabilities	**(74,238)**	(36,022)	**(82,753)**	(35,435)

Financial Instruments - Fair Values

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

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

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

Note 21: Financial Instruments

Financial Assets	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022		31 March 2021	
		£000s	**£000s**	£000s	£000s
Loans to Subsidiaries	3	24,758	24,758	24,758	24,758
Other Short Term Assets*	N/A	50,317	50,317	32,925	32,925
Total Financial Assets		**75,075**	75,075	**57,683**	57,683
Recorded on Balance Sheet as:-					
Long Term Debtors		24,758		24,758	
Short Term Debtors		29,068		31,198	
Cash and Cash Equivalents		21,249		1,727	
Total Financial Assets		**75,075**		**57,683**	

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

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

Financial Liabilities	Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022		31 March 2021	
		£000s	**£000s**	£000s	£000s
Long Term Loans**	3	(74,238)	(74,238)	(36,022)	(36,022)
Other Short Term Liabilities*	N/A	(82,753)	(82,753)	(35,435)	(35,435)
Total Financial Liabilities		**(156,991)**	(156,991)	**(71,457)**	(71,457)
Recorded on Balance Sheet as:-					
Short Term Creditors		(82,753)		(35,435)	
Long Term Borrowing		(74,238)		(36,022)	
Total Financial Liabilities		**(156,991)**		**(71,457)**	

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

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

Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

Credit Risk:

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

Liquidity Risk

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

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

Market Risk

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

Note 21: Financial Instruments

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

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

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

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

Note 22: Defined Benefit Pension Scheme

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

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

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

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

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

Note 22: Defined Benefit Pension Scheme Continued

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

Local Government Pension Scheme assets comprised:

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

Note 22: Defined Benefit Pension Scheme Continued

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

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

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

Impact on the Defined Benefit Obligation in the Scheme

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

Impact on the Corporation's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Corporation has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service Scheme may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension Scheme in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings Scheme to pay pensions and other benefits to certain public servants.

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

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

Note 23: Termination Benefits

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

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

Note 24: Provisions

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

Note 25: Contingent Liabilities

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

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

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

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

Note 26: Post Balance Sheet Events

There are no post balance sheet events at the authorised for issue date of 29th July 2022.

Statement of Accounting Policies - STDC and Group

General Principles

The Statement of Accounts summarise the Corporation and Group's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Corporation and Group is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

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

Going Concern

The Corporation and Group meets its working capital requirements through cash received via the form of Government Grants, borrowing from parent company Tees Valley Combined Authority and cash generated from operations.
There is confirmation that this support will continue for a minimum of 12 months from the date of issuing these financial statements and as such they are prepared on the basis of a going concern.

Accruals of Income and Expenditure

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

- Income from the sale of goods is recognised when the Corporation and Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Corporation and Group.
- Income from the provision of services is recognised when the Corporation and Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Corporation and Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for respectively as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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.

Statement of Accounting Policies - STDC and Group

Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Corporation are members of one pension scheme:

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

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

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the 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.

Statement of Accounting Policies - STDC and Group

- 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.

Post Employment Benefits

Group entities make available defined contribution schemes set out below:

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

Events after the Reporting Period

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

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

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

Financial Instruments

All financial assets & liabilities are held at amortised cost.

Statement of Accounting Policies - STDC and Group

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.

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

Statement of Accounting Policies - STDC and Group

Inventories

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

Leases

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

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.

Statement of Accounting Policies - STDC and Group

Fair Value Measurement

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

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

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

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

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

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

Consolidation

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

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

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

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

Business Combinations

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

Statement of Accounting Policies - STDC and Group

Investments in associates and joint ventures

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

Property, plant and equipment

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

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Land and buildings are revalued by external independent professional valuers on 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.

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.

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

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.

Statement of Accounting Policies - STDC and Group

Disposal

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

Capital Expenditure and Capital Financing

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

Responsibilities for the Annual Financial Statements

The Corporation and Group's Responsibilities

The South Tees Development Corporation Group is required to:

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

The Chief Financial Officers Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

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

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

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

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

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

Appendix A

Glossary of Terms

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

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

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

Capital Expenditure

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

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

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

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

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

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

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

Fair Value

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

Appendix A

Glossary of Terms

Finance Lease

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

Going Concern

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

Government Grants

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

Inventories

Comprise the value of items held in the following categories:

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

Investments

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

Long Term Contracts

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Appendix A

Glossary of Terms

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

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

Operating Lease
A lease other than a finance lease.

Operational Assets

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

Post Balance Sheet Events

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

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

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

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

Unusable Reserves

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