

South Tees Development Corporation Board

Date: Thursday, 15 January 2026 at 11:00

Venue: Teesworks Skills Academy

Membership:

David Smith	Independent Member (Chair)
Councillor Alec Brown	Leader, Redcar and Cleveland Borough Council (Vice Chair)
Carole Morgan	Independent Member
Lyndsay Hogg	Independent Member
Jason Faulkner	Independent Member
Carolyn Curr	Independent Member
John Baker	Independent Member
Allan Armstrong	Independent Member

Associate Members:

John Barnes	Chief Executive STDC
Brian Archer	Chief Executive Redcar and Cleveland BC

AGENDA

- 1. Apologies for Absence**
To receive any apologies for absence.
- 2. Declarations of Interest**
To receive any declarations of interest.
- 3. Minutes of Previous Meeting**
To approve as a correct record the minutes of the meeting held on 11 September 2025.
- 4. STDC CEX Update Report**
To receive a report from the STDC Chief Executive providing the Board with an activity update since the last meeting.
- 5. Governance & Appointments Paper**
To receive a report from the Head of Legal, STDC, detailing various appointments for agreement and confirmation by the South Tees Development Corporation Board.

SOUTH TEES DEVELOPMENT CORPORATION

- 6. Quarter 2 Budget Monitoring Report**
To receive a report from the Interim Group Director of Finance and Resources presenting the 2025/2026 revenue and capital forecast outturn position for South Tees Development Corporation.
- 7. Treasury Management Mid-year Review 2025/2026**
To receive a report from the Interim Group Director of Finance and Resources presenting an update on treasury management activities for the first six months of the 2025/2026 financial year.
- 8. Information Governance Report**
To receive an update report from the Head of Legal, STDC, in respect of Freedom of Information, Complaints and Data Protection Matters.
- 9. Delegated and Urgent Decisions**
To receive a report from the Head of Legal, STDC, detailing Delegated and Urgent Decisions taken since the last Board meeting.

Under Section 12a of the Local Government Act 1972, the Chair to seek agreement from the Committee to exclude members of the press and public.

- 10. Environmental, Health and Safety (EHS) Management Report**
To receive and consider a report from the EHS Director presenting an update on the key EHS activities in relation to works currently being undertaken on the Teesworks.

The information contained within this report is withheld as it relates to STDC's ongoing Health and Safety operations which if these were disclosed could expose the operations to risk and undermine the imperative and complex work of Health and Safety Officers.

This item is exempt from publication by virtue of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of schedule 12A of the Local Government Act 1972.

- 11. Date and Time of Next Meeting**

5 March 2026 @ 11:00

**SOUTH TEES
DEVELOPMENT
CORPORATION**

Members of the Public – Rights to Attend Meeting

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

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

South Tees Development Corporation Declaration of Interests Procedure

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

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Development Corporation. As a general principle, members should act impartially and should not use their position at the Development Corporation to further their personal or private interests.
3. There are two types of personal interests covered by the Constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Development Corporation where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Development Corporation;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or

trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

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

Procedures for Declaring Interests

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

Register of Interests

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

SOUTH TEES DEVELOPMENT CORPORATION

Declaration of Interests at Meetings

7. The Development Corporation will include a standing item at the start of each statutory meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

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

SOUTH TEES DEVELOPMENT CORPORATION BOARD

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

Date: Thursday 11 September 2025

Time: 11:00

Venue: Teesworks Skills Academy

Attendees:		Apologies:
Members		
David Smith	Chair	Cllr Alec Brown, Leader, RCBC
Carolyn Curr	Independent Member	
Carole Morgan	Independent Member	
John Baker	Independent Member	
Allan Armstrong	Independent Member	
Jason Faulkner	Independent Member	
Lyndsay Hogg	Independent Member	
Associate Members		
John Barnes	Chief Executive Officer, South Tees Development Corporation	
Brian Archer	Chief Executive Redcar & Cleveland Borough Council	
Officers / Others		
Jo Moore	Interim Group Director of Finances and Resources	
Jodie Townsend	Interim Group Monitoring Officer	
Victoria Pescod	Head of Legal, South Tese Development Corporation	
Victoria Smith	Group Financial Controller	
Elaine Braham	Governance Officer	
Neil Westwick	Senior Director. Lichfields	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
ANNUAL GENERAL MEETING				
STDC 01/2025/26	Apologies for Absence	Apologies were received from Cllr Alec Brown.		
STDC 02/2025/26	Declarations of Interest	John Baker, Independent Member, declared a non-pecuniary interest as a member of South Tees Site Company Board.		
STDC 03/2025/26	Governance & Appointments	<p>The Board received a report from the Head of Legal, STDC, detailing the constitutional requirement for the Annual General Meeting of the South Tees Development Corporation Board (STDC).</p> <p>It recommended that the STDC Board:</p> <ul style="list-style-type: none"> i. Notes the Constitutional amendments detailed in the report. ii. Reconfirms the Officer Scheme of Delegation as detailed in the STDC Constitution at Appendix 1. iii. Notes the Boards membership as set out in Paragraph 13. iv. Notes the appointment by the Tees Valley Mayor of David Smith as Chair of South Tees Development Corporation Board. v. Appoints one of its members as Vice Chair of the South Tees Development Corporation Board. vi. Notes the position of the South Tees Development Corporation Audit & Governance Committee as set out in Paragraphs 27 – 39. vii. Notes the appointment and removal by South Tees Developments Limited of Directors of TEMCO as detailed in Paragraph 45. viii. Notes the Membership Allowance Scheme for 2025-2026 at Appendix 2. ix. Approves and Notes the proposed dates for the ordinary meetings of the STDC Board as detailed in the report. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>x. Approves amendments to the STDC Constitution in respect of the references to Chief Executive and delegations to Head of Legal Services.</p> <p>The Head of Legal, STDC, advised that they would take the paper as read, highlighting that there were items to note and items to approve.</p> <p>The Board had the opportunity to ask questions in respect of the items to note and none were asked.</p> <p>RESOLVED: the Board</p> <p>i. Noted the Constitutional amendments detailed in the report.</p> <p>iii. Noted the Boards membership as set out in Paragraph 13.</p> <p>Noted the appointment by the Tees Valley Mayor of David Smith as Chair of South Tees Development Corporation Board.</p> <p>vi. Noted the position of the South Tees Development Corporation Audit & Governance Committee as set out in Paragraphs 27 – 39.</p> <p>vii. Noted the appointment and removal by South Tees Developments Limited of Directors of TEMCO as detailed in Paragraph 45.</p> <p>viii. Noted the Membership Allowance Scheme for 2025-2026 at Appendix 2.</p> <p>The Head of Legal, STDC, advised that with regards to constitutional changes, they reflect the change in role of the Chief Operating Officer to Chief Executive Officer. Secondly in respect of the scheme of delegation changes to the Head of Legal, since publication of the papers it had been agreed internally to undertake a full review of all delegations across all entities to ensure uniformity and separation, and therefore this would be returned to the next Board.</p> <p>An Independent Member advised that he had noted a few elements in the draft constitution, and it was agreed to pick this up outside of the meeting.</p> <p>RESOLVED: the Board</p> <p>ii. Noted the deferral of changes to the Officer Scheme of Delegation as detailed above.</p>	<p>Constitutional Updates to be returned to next Board.</p>	<p>Legal/ Governance</p>

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>ix. Approved amendments to the STDC Constitution in respect of the references to Chief Executive.</p> <p>Item (v), appointment of one of its members as Vice Chair of the South Tees Development Corporation Board, was deferred to the next meeting as Cllr Brown was not in attendance.</p> <p>The Board reaffirmed David Smith's appointment to the Freeport Board.</p> <p>RESOLVED: the Board</p> <p>x. Approved and Noted the proposed dates for the ordinary meetings of the STDC Board as detailed in the report.</p> <p>The Board had the opportunity to ask questions, no further questions were asked.</p>	<p>To be returned to next Board.</p>	<p>Legal/ Governance</p>
<p>STDC 04/2025/26</p>	<p>STDC Corporate Structure</p>	<p>The STDC Chief Executive explained it was felt it would be beneficial to take the opportunity to review the evolving corporate structure of STDC.</p> <p>The Head of Legal Services advised that the group structure would be explained at the Members' Inductions on 22 September 2025 and this purely focused on the STDC wider structure.</p> <p>STDC is a 10% shareholder in Steel River Energy Limited (SREL). SREL in turn has a 50% shareholding in Steel River Power Limited. This equates to a 5% shareholding for STDC through its shareholding in SREL.</p> <p>South Tees Site Company Employee Trust Ltd, was set up to manage monies from central government to facilitate training etc for SSI staff who were being made redundant. Discussions are ongoing with central government in respect of the remaining monies and this will be reported to board in due course.</p> <p>Land is held is under South Tees Development Limited (STDL).</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>TEMCo has been created to allow the transfer of legacy contracts from South Tees Site Company (STSC) once this is wound up.</p> <p>The Chief Executive (CEX), STDC, explained that as the parcel of retained land reduces the intention is that TEMCo will pick up the management of services currently being undertaken by STSC and STDL and these companies will disappear.</p> <p>The Board had the opportunity to ask questions:</p> <ul style="list-style-type: none"> • The CEX, Redcar & Cleveland Borough Council (RCBC), asked who underwrites the risk on the site and where does the liability sit, is this with Site Company or others. The CEX, STDC, explained that STSC has no liabilities, and that the responsibility for Health and Safety sits with STDC. Site Company currently has only three members of staff who will either transfer to one of the other entities or will leave. • The Chief Executive of Redcar & Cleveland Borough Council noted that the risk sits with the public sector and not the private sector, the CEX, STDC confirmed this. 		
BOARD MEETING				
STDC 05/2025/26	Apologies for Absence	Apologies were received from Cllr Alec Brown.		
STDC 06/2025/26	Declarations of Interest	John Baker, Independent Member, declared a non-pecuniary interest as a member of South Tees Site Company Board.		
STDC 07/2025/26	Minutes of Previous Meetings	RESOLVED – That the minutes of the meeting held on 10 June 2025 were approved as a true and accurate record.		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC 08/2025/26	Chair's Update	The Chair advised that he had nothing further to add.		
STDC 09/2025/26	STDC CEX Update Report	<p>The Board received a report from the Chief Executive (CEX), South Tees Development Corporation (STDC), providing an activity update since the last meeting.</p> <p>It recommended that the STDC Board:</p> <p>i. Notes the contents of the report.</p> <p>The CEX, STDC, advised that they would take the report as read, and provided the following updates.</p> <ul style="list-style-type: none"> • In respect of Item 10, the Foundry, a decision in relation to the Development Consent Order (DCO) had been deferred until 30 October 2025. STDC will be making representations between now and then, and will report back to Board in due course. • Good progress is being made in respect of the Park and Ride facility, with trunk road works commencing on 22 September 2025. <p>The Board had the opportunity to ask questions:</p> <ul style="list-style-type: none"> • An Independent Member noted that the press had reported that there is a conflict of interest between the DCO and Data Centre and asked what the implications are for STDC. The CEX, STDC, explained that there is a decision to be made by government around which route they wish to take, Artificial Intelligence (AI) or Net Zero. • An Independent Member noted that permission had been granted for a service centre, and asked if the Board would be receiving information in respect of this. The CEX, STDC, advised that this is a private sector led project. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • An Independent Member noted that paragraph 16 states that electricity supply remains the responsibility of STSC, which in turn makes it a liability for STDC. Their understanding was that the setting up of JV Power was to divest STDC of this liability, and asked for an update in respect of this. The CEX, STDC, explained that by divesting the infrastructure to the private sector it had secured the investment and expertise needed to run this. The supply of electricity differs from the transmission network. When new tenants come on board they will be encouraged to take on market facing meters, however existing tenants have not moved over. Where market facing meters are in place this negates the potential debt liability from these users. • The Independent Member asked if STDC are confident that the investment in the infrastructure sits with the joint venture. The CEX, STDC, confirmed that it does, and that it had given prospective tenants the confidence that power requirements would be in place should they come to site, without this STSC would unlikely have been able to do this. • The Chief Executive of Redcar & Cleveland Borough Council asked if the Board could receive a report detailing the liabilities for Teesworks, and the strategy for managing and mitigating this risk. The CEX, STDC, noted that STDC are only a 10% shareholder in Teesworks and asked if there were any specific areas of focus, and landfill tax was provided as an example. • The CEX, STDC, stated that they could look at liabilities under the 90:10 agreement and how these transferred to the private sector under these arrangements, and the CEX, RCBC, stated it would be helpful to understand where the liabilities and risk sits. <p>RESOLVED: the Board <u>noted</u> the content of the report.</p>	<p>Report to December Board</p>	<p>CEX, STDC</p>
<p>STDC 10/2025/26</p>	<p>Q1 Forecast of Revenue and Capital Outturn 2025/26 and 2025/26-2028/29</p>	<p>The Board received a paper from the Interim Group Director of Finance & Resources, providing details of the 2025/2026 revenue and capital forecast outturn position for South Tees Development Corporation, highlighting any significant variances against the approved budget for the year, based on the position as at the end of June 2025.</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
	Capital Programme	<p>It recommended that the STDC Board:</p> <ol style="list-style-type: none"> i. Notes the Q1 forecast revenue outturn surplus of £0.488m for 2025/26. ii. Notes the Q1 Capital Outturn Forecast of an overspend of £0.055m above the approved budget for 2025/26 and the reasons for this as set out in the report. iii. Approves the additional capital budget of £0.055m for the forecast overspend. iv. Notes that if this capital budget is approved this will result in additional borrowing of £0.055m which has a revenue impact of £0.002m per annum. v. Formally requests the loan interest deferral on the facility borrowing from the TVCA Cabinet. vi. Notes the future years revenue implications of the financing costs associated with the total forecast borrowing of £404.9m as at 31 March 2026. vii. Approves the forecast financial contributions to STSC of £0.236m to be paid from reserves. viii. Approves the forecast financial contribution to STDL of £5.79m to be paid from reserves. ix. Notes the forecast revenue reserves at 31 March 2026 at £0.882m. <p>The Interim Group Director of Finance & Resources advised that they would take the report as read, highlighted the following:</p> <ul style="list-style-type: none"> • At the end of Q1 STDC is forecasting a revenue outturn for 2025/2026 of a surplus of £0.488m, and they are confident that the business rate income projections are a reasonable assumption. STDC are currently forecasting capital expenditure of £34.053m for 2025/2026 which represents an overspend of £0.055m. • As at the end of Q1, and based on the forecast capital budget outturn, and borrowing requirements, STDC's total forecast borrowing amounts by March 2026 will £404.9m, and this will need to be serviced. • The Board were advised that of the £350m borrowing facility agreed by TVCA, based on current forecasts, there will be a remaining facility of £98.3m as at 31 March 2026. • STSC is currently forecasting a deficit of £0.24m for 2025/2026 which is a positive variance to budget of £0.21m. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • STDL is currently forecasting a deficit of £5.8m, this has been reduced by £1.5m of revenue secured in September, reducing the forecast deficit to £4.3m. • It was reported that the opening reserves had been updated, and that by the end of Q2 reserves are estimated at being just over £2m. <p>The Board had the opportunity to ask questions:</p> <ul style="list-style-type: none"> • An Independent Member noted that the income from business rates was not where they had initially hoped, and asked how they expect to meet the 2025/2026 forecast. The Group Financial Controller explained that the business rates are in line with forecast and that the uplift was not budgeted until July 2025, when the anchor tenant was forecast to be operational. Additionally a reconciliation will be undertaken with RCBC at the end of the financial year. To date no monies have been recognised and once the reconciliation is complete this will be reflected in the accounts. • An Independent Member asked what had changed for the forecast to be significantly reduced. The CEX, STDC, explained that they review major tenants coming on stream to ensure that delivery dates are realistic, aiming to be robust and prudent in their approach. Building resilience into the forecasting, and because of the reliance on business rates aiming to under promise and over deliver. A strategic working group is being set up to review business rates throughout the year. • An Independent Member asked if there were any key assumptions underpinning the £4.8m that needed to be hit to get these monies. The Group Financial Controller reported that the Valuation Officers had validated the figure in respect of SeAH, and the team on site are working with SeAH to ensure that they are recognised as operational. The CEX, STDC, explained that RCBC are the billing authority and they are working together to ensure that they have enough live data to ensure that the billing is completed timely. • An Independent Member asked if there were any key assumption that still needed to happen this year. The Group Financial Controller advised that the number of tenants used to make up the figure were already on site. The CEX, STDC, reported that they aim to be as cautious as possible without limiting themselves. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • An Independent Member noted that the projected forecast borrowing rises to c£15m by the end of 2026/2027, and asked if STDC are assured that they will be able to service this liability. The Group Financial Controller advised that business rates income is forecast to increase, however there is continued modelling of the medium term financial plan which will review both the levels of income and the costs of borrowing. The updated medium term financial plan will be reported to the Board. • A member of the public interrupted the meeting to ask if questions would be accepted given that the paper was published late. The MO advised that the chair had discretion here, and it was agreed that in this instance they would be. <p>The Board were asked to approve the additional borrowing of £0.055m, and to formally note the future revenue implications of the forecast borrowing. The Chair took these as a group and the Board had the opportunity to ask questions:</p> <ul style="list-style-type: none"> • An Independent Member noted it is proposed that the Board request a loan interest deferral on the facility borrowing from the TVCA Cabinet, and asked how this works. The Group Financial Controller explained that it is effectively a payment holiday, and no additional costs would be added. • An Independent Member asked if STDC would be able to get a better deal on the interest rate. The Group Financial Controller explained that the borrowing that was previously drawn down is at the rate available at that time. The rate for future borrowing is a forecast. • An Independent Member noted that the tender for the Park & Ride Phase 3 Construction had come in at £1.7m above budget, and the net increase in the unit cost per m³ for haulage of affected material had resulted in an increase over the original contract value of 15.3%, and asked if these are two separate things. It was confirmed that they were not. • The Group Financial Controller advised that the procurements had not been awarded. The CEX, STDC, advised that in respect of the tenders a thorough review was underway looking to try and reduce these to the budget set. • The Group Financial Controller reported that with regards to the 15.3% overspend, this had been verified and checked by Atkins who affirmed this as a valid basis. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>RESOLVED: the Board</p> <ul style="list-style-type: none"> i. Noted the Q1 forecast revenue outturn surplus of £0.488m for 2025/26. ii. Noted the Q1 Capital Outturn Forecast of an overspend of £0.055m above the approved budget for 2025/26 and the reasons for this as set out in the report. iii. Approved the additional capital budget of £0.055m for the forecast overspend. iv. Noted that if this capital budget is approved this will result in additional borrowing of £0.055m which has a revenue impact of £0.002m per annum. v. Formally requested the loan interest deferral on the facility borrowing from the TVCA Cabinet. vi. Noted the future years revenue implications of the financing costs associated with the total forecast borrowing of £404.9m as at 31 March 2026. vii. Approved the forecast financial contributions to STSC of £0.236m to be paid from reserves. viii. Approved the forecast financial contribution to STDL of £5.79m to be paid from reserves. ix. Noted the forecast revenue reserves at 31 March 2026 at £0.882m. 		
STDC 11/2025/26	Regulatory Update Report	<p>The Board received a report from the Interim Group Monitoring Officer updating on a number of regulatory matters for the South Tees Development Corporation.</p> <p>It recommended that the STDC Board:</p> <ul style="list-style-type: none"> i. Notes the content of the report <p>The Head of Legal, STDC, advised that they would take the report as read.</p> <p>The Board had the opportunity to ask questions and none were asked.</p> <p>RESOLVED: the Board noted the content of the report.</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC 12/2025/26	Delegated and Urgent Decisions	<p>The Board received a report from the Head of Legal, STDC, providing detail of all Urgent and Delegated Decisions taken since the last Board meeting.</p> <p>It recommended that the STDC Board:</p> <p>i. Notes that no Urgent Decisions or Delegated Decisions had been taken since the last Board meeting.</p> <p>The Head of Legal, STDC, advised that they would take the report as read.</p> <p>The Board had the opportunity to ask questions and none were asked.</p> <p>RESOLVED: the Board noted the content of the report.</p>		
<p>The following items are exempt from publication by virtue of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of schedule 12A of the Local Government Act 1972</p>				
STDC 13/2025/26	Environmental, Health and Safety (EHS) Management Report	<p>The Board received a report from the EHSS Director presenting an update on the key EHS activities in relation to works currently being undertaken on the Teesworks site.</p> <p>It was recommended that the STDC Board:</p> <p>i. Notes the content of the report.</p> <p>The Chair advised that this was a confidential item and should the Board wish to discuss the detail then agreement would be required from the Board to exclude members of the press and public.</p> <p>The Board did not wish to ask any questions.</p> <p>RESOLVED: the Board noted the content of the report.</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
The Chair to sought agreement from the Board to exclude members of the press and public and they left the meeting.				
STDC 14/2025/26		The Board received a presentation from Lichfields.		
STDC 15/2025/26	Date and Time of Next Meeting	4 December 2025 at 11:00		

DRAFT

CHIEF EXECUTIVE OFFICER UPDATE

SUMMARY

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

RECOMMENDATIONS

It is recommended that the STDC Board:

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

DETAIL

BP - DEVELOPMENT CONSENT ORDER (DCO)

1. The Board will be aware that STDC has been engaged with BP in relation to its proposed H2Teesside blue hydrogen project and the associated Development Consent Order (DCO), with engagement focused on land interests, consenting interfaces, and potential implications for the wider Teesworks development programme.
2. BP has now formally confirmed its decision to withdraw its DCO application following an internal review of its project portfolio. BP has cited material changes in circumstances at the Teesworks site, including the granting of planning permission for alternative development, which rendered the project incompatible with the revised site context. This decision was taken by BP and is not a result of any issue arising from STDC's engagement or support.
3. As a consequence of the withdrawal, the DCO will not proceed, and all associated activity has now ceased. Importantly, the withdrawal of the DCO removes the uncertainty that had existed around the site, including potential safeguarding and compulsory acquisition considerations associated with the consenting process.

SOUTH TEES DEVELOPMENT CORPORATION

4. The lifting of this uncertainty provides increased clarity over the future use of the land and will enable STDC, working in conjunction with its private sector partners, to focus on accelerated development across a number of priority areas, including sustainable fuels, offshore renewables, and artificial intelligence-led digital infrastructure. Officers consider that this creates an opportunity to progress development activity at pace and in a manner aligned with STDC's strategic regeneration and investment objectives.
5. There are no ongoing obligations for STDC arising from the DCO withdrawal, and no further officer time or financial resource is anticipated in relation to this matter. Any further material developments will be reported to the Board as appropriate.

FREEPORT

6. As previously reported, we continue to work closely with SeAH to support its internal processes in advance of the full completion of the South Bank entrance works. Casper, the appointed Customs Site Operator (CSO), is actively collaborating with SeAH to implement interim material processing and security arrangements. These measures are designed to ensure operations continue safely, securely, and without disruption while the main entrance infrastructure is finalised and brought into service.
7. In parallel, design work is progressing on a new security gatehouse, together with the development of supporting security procedures. These activities are being undertaken in preparation for the potential expansion of the Customs Zone beyond its current primary location, subject to tenant requirements.
8. In addition, we have worked closely with the Quay Operator, Steel River Quay, to complete a review of compliance with the International Ship and Port Facility Security (ISPS) Code, which provides the framework for enhancing the security of ships and port facilities. The associated design works have now been completed and fully implemented by the Quay Operator, with formal sign-off received from the Department for Transport (DfT). The ISPS Zone will be kept under review and adjusted as necessary to reflect the requirements of the site and its occupiers as redevelopment progresses.

TENANT UPDATE

An update on major tenant activity is provided below: -

9. South Bank:
 - SeAH – Limited construction activities are ongoing, with the majority of works now complete. SeAH is now preparing for operational readiness to satisfy its order book.
 - Land Adjacent to SeAH – Discussions continue with several potential tenants, primarily linked to offshore wind projects.

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- Freeport 'Entrance/Zone' – The planning application has been submitted and determined, and we are now progressing through the funding approval process for this entrance.
- Quay Facilities Building – Construction is complete, and the building is now ready for full occupation.
- South Bank Spec Scheme – Outline planning consent has been secured for approximately 100,000 sq. ft of flexible space, with individual units ranging from 3,500 sq. ft to 10,000 sq. ft.
- Memorial Garden – Works are complete on this project and the garden is open.
- General Electric (GE) – GE has now vacated the land they were occupying on a temporary basis.
- Severfield (A) – Construction of their Phase I facility is currently underway.
- Ørsted – It is now in occupation and construction of its facility is well progressed, with first monopiles due for landing and storage imminently.
- Remaining Land – Active discussions are ongoing with multiple potential tenants for the remaining available plots.

10. Dorman Point:

- Energy Recovery Facility (ERF) – We have been formally notified by Hartlepool Borough Council, in accordance with the terms of the option agreement, that the developer has appointed a preferred bidder. Work remains ongoing to secure the necessary licences. We continue to work closely with Hartlepool Borough Council and Viridor to support the delivery of the scheme in line with their respective requirements
- Remaining Land – Further interest is being progressed with potential tenants for the remaining plots.

11. Lackenby:

- British Steel – Development of the Electric Arc Furnace is currently on hold
- Ashcourt – Land drawn down completed and the facility is operational.
- EOS – In the final stages of legal agreements; planning permission has been granted.
- Tees Dock Roundabout & HGV Park – Planning has been submitted and approved for both the new entrance and associated HGV parking facility.
- Node A (Super Substation) – Plans are progressing with National Grid, in collaboration with Steel River Power, regarding development of the Node A plot.
- Remaining Land – Ongoing discussions with multiple potential tenants for the remaining land.

12. Steel House:

- Park & Ride – Construction is progressing as planned.
- NZT Occupation – In line with contractual obligations, we are delivering the required number of parking spaces to support NZT's construction activities.

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We continue to work closely with NZT to support their occupation of the Park & Ride and the provision of the agreed car parking spaces.

- Remaining Land – Ongoing discussions with multiple potential tenants for the remaining land.

13. Long Acres:

- Hanson – Planning application has been approved; legal agreements are now progressing.
- Remaining Land – Ongoing discussions with multiple potential tenants for the remaining land.

14. NZT:

- NZT – Remediation is now fully complete. The option has been exercised, and the site has been drawn down and transferred to BP.
- Construction/Site Enablement – Works are now progressing on site enablement and construction.

15. The Foundry:

- H2 Teesside – As per BP's announcement the DCO has been withdrawn and the H2T project will no longer proceed.
- AI Data Centre – Reserved matters approval for approximately 5.5 million sq.ft of data centre development was granted by Redcar & Cleveland Borough Council on 1 August 2025.
- Remaining Land – Continued discussions are underway with multiple potential tenants for the remaining land.

Commercial negotiations, led by Teesworks Ltd, are ongoing across multiple areas of the site, with continued strong interest from prospective tenants. As these opportunities progress, relevant updates will be provided to the Board at the appropriate time. Certain negotiations remain commercially sensitive and subject to due diligence, and as such, some details will remain confidential until they are suitable for disclosure.

SITE MAINTENANCE

16. As previously reported, on-site bridge structures have been assessed, and a comprehensive maintenance plan has been developed to address the identified repairs and required interventions.

17. The maintenance plan is actively monitored through regular reviews and risk assessments, ensuring alignment with financial forecasts and budget controls. This approach supports effective cost management and the appropriate allocation of resources for ongoing bridge maintenance.

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18. Following approval by the TVCA Cabinet, South Tees Development Corporation (STDC) established TEMCo as a standalone company to manage the Estate on behalf of STDL. The final elements of the company setup, including VAT registration and bank account arrangements, remain in progress to enable full operational activity.
19. TEMCo remains responsible for the key services previously outlined:
 - Communal Estate Management Services and Service Charge Administration
 - Management and maintenance of the STDL's retained non-communal estate (voids).
 - Commercial Services Management and Charges Administration
20. Officers continue to progress the structured plan to deliver TEMCo's business plan objectives, including transferring resources, novating contracts, and providing commercial services across the estate. Work in these areas is ongoing.

JV POWER

21. Responsibility for electricity supply continues to rest with South Tees Site Company (STSC).
22. Officers continue to liaise with our JV partners to manage and mitigate any potential financial or commercial risks to STSC arising from its ongoing supply obligations.
23. Supply agreements remain in place for tenants, with credit checks undertaken for both current and prospective off-takers to manage credit risk effectively.
24. Engagement with Drax, Elexon, Ofgem, and Steel River Power on the installation of market-facing meters is ongoing. SeAH has submitted the first application for a meter, forming part of the longer-term plan to transfer supply responsibilities away from STSC, though progress on this remains incremental.

UTILITIES

25. The upgrade of the Redcar High Voltage system to support the Park & Ride Scheme is underway and progressing in line with programme. The works remain on schedule under close management oversight. Once complete, the HV system will be automatically adopted by the Power JV, relieving STDC of ongoing maintenance responsibilities.
26. As previously reported, the medium to long-term plan for the expansion of the Private Water Network, fully funded by the private sector, remains in place. Initial water offers have been issued to several tenants and accepted. While there has been

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limited operational movement, the development and potential divestment of the Private Water Network could represent a strategic priority for the Board to consider.

27. Ownership of a private water network carries both risks and opportunities. Opportunities include generating long-term revenue, supporting tenant requirements, and maintaining control over site infrastructure. Risks relate to operational complexity, regulatory compliance with NWL and Ofwat, and reliance on tenant volumes for financial viability. Officers will continue to monitor these factors and provide advice to the Board on potential strategic options for the network.
28. The Board is encouraged to consider its strategic options regarding the ongoing development and potential divestment of the on-site Private Water Network. Officers will continue to assess risks, opportunities, and operational implications, and will present a set of options and recommendations for the Board's consideration in the coming months.

PROGRAMME DEVELOPMENT

29. Dorman Point

- The status on remediation of land is unchanged, with 60% of the site complete.
- The proposed construction of the highway and site security entrance works adjacent to the Skills Academy, including a vehicle turnaround loop, has been placed on hold. This is pending further details on the potential development layout at Dorman Point, which may necessitate an adjustment to the location.
- Further to the execution of the related agreement with Hartlepool Borough Council (HBC), work has recently commenced to remove the large mudstone stockpile from the designated TV ERF site. This work, contracted by Teesworks Ltd, is expected to be completed by mid-January, providing a fully cleared site and enabling the project to progress through its FID stage.

30. South Bank

- The installation of onshore utilities at South Bank Quay is close to completion and is expected by February 2026.
- Activity at the Quay continues to show strong growth. Notably, following Orsted's lease of land behind the quay, work has commenced on a two-year campaign involving the import and preparation of large-scale offshore wind components, such as monopiles, for subsequent export to North Sea wind farm projects. Orsted has appointed Cadeler as its operational contractor for this campaign.

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- Since the last Board meeting, work has commenced and been completed on the construction of a 550m-long temporary linear drainage channel at the quay. This channel will serve the 25-acre port hinterland area, helping to prevent flooding during periods of heavy rainfall, which is essential to maintaining the quay's operational functionality.
- Work on the Memorial Garden was duly completed by mid-September, on programme and budget.

31. Demolition Works Programme

- As previously reported, the demolition programme is now substantially complete.

32. Net Zero Teesside

- Construction operations on the NZT project continue to expand, with work progressing on several fronts. STDC and Teesworks remain engaged with the BP team on the planning and delivery of enabling works for the project, including utilities and the abnormal load route from RBT to the project site. Various elements of this work are scheduled to commence in Q1 2026.

33. Teesworks Park and Ride Facility

- Work on Phases 1 and 2 of the project, including the new access junction and internal roads, is progressing well. Improvement works on the A1085 Trunk Road have commenced and are scheduled for completion by the end of January 2026. All associated traffic management measures are in place, and to date, no adverse feedback has been received regarding disruption to the wider road network, which is a positive outcome.
- Work on Phase 3 of the Park & Ride project, which involves the construction of the 1,500-space car park, is progressing well.
- The current programme anticipates initial completion of the Park & Ride facility, including Phases 1 and 2 in full, by the end of January 2026, with 650 spaces of the Phase 3 car park scheduled for completion by the end of March 2026. Additionally, two of the four existing Steel House car parks have been prepared for initial use by the NZT project, providing 300 spaces in the near term. BP has provided STDC with a revised profile reflecting the progressive increase in car parking requirements in line with its updated construction programme. Park & Ride construction remains ahead of BP's revised parking requirements, ensuring that STDC will meet its contractual obligations for the NZT project.

34. Offsite Highway Improvement Works

- Consultant SYSTRA is nearing completion of the design work for highway improvement projects at the Greystones and Wilton West Gate/Trunk Road

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roundabout junctions and has completed the design for the A66/Tees Dock Road roundabout improvement scheme. These improvements respond to conditions attached to the outline planning permissions secured for developments across the Teesworks site.

- Tenders for the A66/Tees Dock Road roundabout junction improvements have been evaluated, and it is anticipated that the successful bidder, Esh Construction, will be appointed in Q1 2026, with a project start targeted for April. This is subject to confirmation of highways funding and alignment with the Medium-Term Financial Plan (MTFP). Work has also been completed to secure quotations for the necessary statutory utility diversion works. Firm start dates from the utility companies will be obtained before confirming the construction start date, helping to minimise the risk of delays.

35. BP Hydrogen

- BP recently announced its decision to withdraw from plans to develop the H2Teesside plant at Teesworks. The formal withdrawal of the application for an Order granting development consent for the H2Teesside project, on the Foundry site at Redcar, was confirmed in early December.

RISK ASSESSMENT

36. As previously reported, STDC is overseeing several major projects, each carrying distinct delivery risks. These risks are being actively managed through robust project management and strong project control processes.

37. Each project is supported by a detailed plan, with regular progress reviews conducted. Where necessary, corrective actions are implemented to mitigate potential impacts on cost and schedule, ensuring all projects remain on track for timely delivery.

CONSULTATION & COMMUNICATION

38. There are no communication requirements associated with the content of this report.

EQUALITY & DIVERSITY

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

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AGENDA ITEM 5
REPORT TO THE STDC BOARD
15 JANUARY 2026
REPORT OF HEAD OF LEGAL SERVICES, STDC

GOVERNANCE & APPOINTMENTS

SUMMARY

This report details various appointments for agreement and confirmation by the South Tees Development Corporation Board.

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. **Appoints** one of its members as Vice Chair of the South Tees Development Corporation Board.
- ii. **Notes** the appointment by the Mayor of the Chair of the South Tees Development Corporation Audit and Governance Committee.
- iii. **Approves** the appointment of an Independent Member to the STDC Audit and Governance Committee.

DETAIL

South Tees Development Corporation Board

1. The Board is asked to **Appoint** a Vice Chair of the South Tees Development Corporation (STDC) Board.

South Tees Development Corporation Audit and Governance Committee

Appointment of Chair

2. Paragraph 10.1 of the STDC Constitution provides that the Tees Valley Mayor shall appoint an Independent Member of the STDC Audit and Governance Committee as Chair. Such appointment cannot be an Independent Member who also sits on the STDC Board.

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3. On the 18 July 2025 the former chair of the committee, Mike Sharp resigned as a committee member and Chair of the committee.
4. At the Tees Valley Combined Authority Cabinet meeting on 26 September 2025, TVCA Cabinet was asked to note the Tees Valley Mayor's appointment of Geoff Westmoreland as Chair of the Corporations Audit and Governance Committee.

Appointment of Independent Member

5. Paragraph 10.1 of the STDC Constitution provides that, with the exception of the Chair and the representative from the Tees Valley Combined Authority Audit and Governance Committee, all other members of the STDC Audit and Governance Committee shall be appointed by the Board of the Corporation.
6. Independent Members of the committee are appointed after an open and transparent recruitment process.
7. Following a successful recruitment campaign, the STDC Board is asked to **Approve** the appointment of Adam O'Neill as an Independent Member of the STDC Audit and Governance Committee.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

9. The report relates to the Constitution of the South Tees Development Corporation which sets out the appropriate statutory framework. The Constitution came into effect on 1 August 2017 (updated June 2025) and is legally binding.

RISK ASSESSMENT

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

CONSULTATION & COMMUNICATION

11. The recruitment of Audit and Governance Committee members followed at public recruitment process.

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EQUALITY & DIVERSITY

12. It is not expected that the content of this report will have an adverse effect on any individual with protected characteristics.

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AGENDA ITEM 6
REPORT TO THE STDC BOARD
15 JANUARY 2026
REPORT OF INTERIM DIRECTOR OF FINANCE AND RESOURCES

**QUARTER TWO FORECAST OF REVENUE AND CAPITAL OUTTURN 2025/2026
AND 2025/2026 – 2028-2029 CAPITAL PROGRAMME**

SUMMARY

To provide details of the 2025/26 revenue and capital forecast outturn position for South Tees Development Corporation (STDC), highlighting any significant variances against the approved budget for the year, based on the position as at the end of September 2025.

The report highlights key assumptions used in those forecasts, together with any key financial risks, as well as details of the forecast reserves position as at the end of March 2026 for the Board to consider in line with those risks.

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. **Note** the Q2 revenue net surplus of £2.384m for year ending 31 March 2026 which is a movement of £1.795m from the Quarter 1 reported position of a surplus of £0.589m;
- ii. **Note** the key income drivers for this net surplus and actions being taken to enable the Corporation to achieve a balanced position;
- iii. **Note** the financial risks for 2025/26;
- iv. **Note** the key variance in the capital budget of £6.200m Quarter 2 forecast gross capital expenditure of £27.798m.

DETAIL

1. Executive Summary

- 1.1 The 2025/26 Budget was presented and approved by the Board on 27 March 2025 set the overall revenue budget of £6.312m across the STDC Group and a capital budget of £34.998m.
- 1.2 The Quarter 1 (Q1) report to the STDC Board on 11 September 2025 forecasted a revenue outturn for 2025/26 of a surplus of £0.488m for STDC, a deficit of £5.790m for

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STDL and a deficit of £0.238m for STSC giving a group deficit of £5.540m, this compares to the Quarter 2 (Q2) group position of a surplus of £2.384m.

- 1.3 The Q1 reported a forecast capital outturn of £35.053m is compared to the Q2 forecast outturn of £27.798m, due to £6.200m of capital projects being deferred until 2026/27.
- 1.4 A review of all items of the revenue budget in terms of income and expenditure has been carried out to gain a deeper understanding of the basis and rationale for income and cost drivers. There is further work still to be carried out but where this work has been concluded, the financial impact has been concluded in the Q2 forecast, but where further work is still required, this will be reported in the Quarter 3 (Q3) financial monitor report.
- 1.5 It should be noted that for the Q2 forecast outturn position, all forecasts to year end are based upon the actual position at 30 September 2025 and a revised forecast for the final 6 months of the year which has been based on trends and discussed with the budget holders.
- 1.6 There are £7.238m of permanent costs which were unbudgeted and which are now causing a significant pressure on the base budgets for which STDC have worked on mitigations totalling £9.189m in 2025/26. The most significant pressure being interest and principal repayments of loans to TVCA.
- 1.7 The minimum revenue provision, which sets aside funding for the repayment of loan principal, was set in the budget at £1.435m. This has now been recalculated as part of the review of the financial statements for 2023/24 and 2024/25 to be £2.173m, this now forms a further financial pressure of £0.738m on the financial outturn for year ending 31 March 2026.
- 1.8 This report sets out the key financial risks to the STDC Group that have been identified to-date together with any mitigating management actions that are being undertaken to manage those risks. The key risks for the STDC Group for 2025/26 relate to the ability of the group to service loans made to them by TVCA as well as any financial implications arising from the financial statements review of the 2023/24 and 2024/25 draft published accounts.
- 1.9 For Quarter 2, the forecast assumes that the unbudgeted interest payable of £6.5m will be paid to TVCA based on the achievement of management mitigating actions, there are no performance issues within the STDC Group. The STDC Board should note that the majority of these are one off mitigations and there are significant risks on the delivery of these mitigations.
- 1.10 Within the base budget there is approaching £5m included for business rates income, this being the single largest income source for the STDC group. Discussions with the billing authority has raised some matters regarding differences in assumptions on the level of forecast income. The Q2 forecast assumes that the budgeted income will be

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realised in 2025/26. A review of the business rates income, supported by external advisors has identified a further £4.689m business rates income that is awaiting Valuation Office confirmation which is due in January 2026, this additional business rate forecast income has been included in the Q2 forecast income.

- 1.11 The STDC group budget included opening revenue reserves of £6m all of which were to be used to balance the budget in 2025/26. A review of the financial statements for 2023/24 and 2024/25 has identified some matters regarding the level of reserves, these are being resolved and will be reported in the Q3 quarterly financial report.
- 1.12 An amount of £1m has been held in STDL provisions for the additional risks associated with the original purchase of the Teesworks site for the requisite 6 years. However, it has been confirmed by TVCA legal services that this can now be released which will help to mitigate the forecast overspend arising from the unbudgeted interest and principal repayments to TVCA.
- 1.13 The forecast STDC Group surplus of £2.384m, having released £1m from the STDL provision, and based upon the additional business rates of £4.689m being realised, uses £3.731m of the £6.115m STDC reserves figure. The budget was based upon full usage of the £6.115m reserve.
- 1.14 STDC is currently forecasting capital expenditure outturn of £27.798m for 2025/26, which represents an underspend of £6.200m as set out in the capital expenditure section of this report. The impact of this is a reduction in forecast new borrowing from £35.055m to £23.798m of £23.398m and a corresponding increase in interest payments on this new borrowing in 2027/28.

2 Quarter 2 – Revenue Forecast Outturn 2025/26

- 2.1 At the end of Quarter 2 (30 September 2025), the Corporation is forecasting a net revenue surplus of £2.052m for 2025/26, which is a positive net movement of £1.564m from the Quarter 1 reported revenue position as set out in **Table 1** below.
- 2.2 Table 1 sets out the overall STDC Group revenue position. The STDC Board should note that the budget approved in March 2025 was not presented as a composite group.

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Table 1 – STDC Group Q2 Forecast Outturn

	Approved Budget 2025/26	Q2 Outturn	Forecast 2025/26	Variance
	£'000	£'000	£'000	£'000
Other Income	-	(15)	(15)	15
Works Agreement	(567)	-	(205)	(362)
Business rates	(4,868)	-	(9,557)	4,689
Total Income	(5,435)	(15)	(9,777)	4,342
Operating Expenditure				
Employees	730	368	730	-
Premises	84	21	84	-
Transport	-	-	-	-
Supplies and Services	1,024	577	1,024	-
Third Party Payments	-	-	-	-
RCCO	-	-	-	-
Total Operating Expenditure	1,838	966	1,838	-
Net operating (surplus) / deficit	(3,597)	951	(7,939)	4,342
Central Overheads				
Cost of borrowing - MRP	1,435	-	2,173	(738)
Cost of borrowing - Interest	4,367	11,274	10,774	(6,407)
Third Party - Interest	(2,700)	(748)	(1,109)	(1,591)
Net cost of borrowing	3,102	10,526	11,838	(8,736)
Net (surplus)/deficit revenue position	(495)	11,447	3,899	(4,394)

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Subsidiaries				
Grant to STDL	6,357	755	(600)	6,957
Grant to STSC	450	156	432	18
Total	6,807	911	(168)	6,975
Contribution from Reserves	(6,115)		(6,115)	-
Overall Net (surplus)/deficit	197	12,388	(2,384)	(2,581)

2.3 As can be seen from the table above the key variances are as follows:

- **Works Agreement income shortfall of £0.362m**
This income is derived from the overhead charge for STDC management costs from forward funding agreements. The budget was based upon two forward funding agreements being undertaken in 2025/26, however only Orsted A forward funding agreement has been forthcoming.
- **Business rates additional income of £4.689m**
A review of the income forecast which has been supported by external advisors has been included in the income forecasts. This is subject to formal confirmation from the Valuation Office by the end of January 2026
- **Cost of borrowing – MRP overspend of £0.738m**
The budget of £1.435m was based upon a calculation which has had to be reset to £2.137m to meet CIPFA requirements.
- **Cost of borrowing – interest overspend of £6.407m**
The interest budget of £4.267m set was not based upon interest being due one year post draw down on all the loans from TVCA. The full interest costs for all loans for 2025/26 totals £11.274m. This has been partially mitigated by interest due from TVCA to STDC for STDC monies held by TVCA for 2025/26 of £9.7m with interest due to STDC forecast to be £0.5m. The loans are set out in **Appendix 3**.
- **Third party interest under achievement of income by £1.563m**
The budget was based upon £2.7m of income from the Quay operating agreement which due to delays in the Quay becoming operational and the reduced level of tonnage coming through the Quay has only delivered £0.2m of income. The deficit has been partially mitigated by interest earned on the NZT forward funding agreement.
- **STDL overall net overachievement variance of £6.597m**

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The revenue position for STDL is set out in **Appendix 1**. A budget deficit of £6.357m was set for STDL for 2025/26. Due to increased one-off lease income of £4.5m and increased recurrent service charge income of £0.76m combined with reduced spend on the estate of £1.341m this has led to a surplus of £0.600m against the budget.

- 2.4 The STSC Q2 revenue forecast outturn position, as set out in **Appendix 2**, of £0.432m is in line with the revenue budget of £0.450m. The gross budgeted income from the sale of electricity and power of £38.443m and the gross budgeted costs of £38.883m have reduced by £8.258m and £8.690m respectively resulting in the overall net position being in line with the budget. The reductions being due to the Seah operations starting and continuing at a slower than expected pace.

Q2 Capital Forecast Outturn 2025/26

- 2.5 At the end of Quarter 2 (30 September 2025), the Corporation is forecasting a net capital forecast outturn for 2025/26 of £28.798m against an approved budget for 2025/26 of £34.998m culminating in an underspend of £6.200m as set out in **Table 2** below.

Table 2 – STDC Q2 forecast outturn

	Annual Budget £'000	YTD Actual £'000	Forecast Outturn £'000	Variance £'000
Capital Budget				
Park & Ride	17,869	11,649	17,869	-
Demolition	1,145	604	1,145	-
Site Preparation and Infrastructure	14,929	642	8,729	(6,200)
Enabling Studies and Other	1,055	119	1,055	-
Total Capital Expenditure	34,998	13,014	28,798	(6,200)

1.

Funded By:				
Capital Receipt - Land Sale	5,000	-	5,000	-
Scrap Sales	-	340	400	(400)
Borrowing	29,998	12,674	23,398	6,600
Total Funding	34,998	13,014	28,798	6,200

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2.6 The key variances are due to deferrals of capital projects from 2025/26 to 2026/27 as follows:

➤ Freeport transport management hub phase 1	£2.400m
➤ Disposal of legacy waste arisings stockpiled	£1.100m
➤ Disposal of onshore dredgings	£1.000m
➤ Dorman Point Turnaround Loop Road	£0.400m
➤ Hinterland drainage	<u>£1.300m</u>
TOTAL	<u>£6.200m</u>

2.7 The capital spend in 2025/26 will future borrowing of £23.398m from TVCA deemed to be drawn down on 31 March 2026., compared to the Q1 forecast borrowing requirement of £30.053m, Interest and principal repayments/MRP will become due in 2027/28.

Q2 Forward Funding Agreements 2025/26

2.8 STDC has entered two non-standard commercial arrangements with private sector developers. One with BP and Teesworks Ltd (TWL) for the delivery of the Net Zero Teesside (NZT) project. There is a separate arrangement with TWL for the Orsted project which is the 'General Site Preparation Works Agreement'. Both arrangements require STDC to forward fund capital development works, which are fully repayable under the terms of the advanced agreements. The arrangements incur interest charges due to the deferred repayment profile. The forecasts assume that all repayments are paid when they fall due and the interest accrued is paid in full.

The Q2 forecast position is set out in **Table 3** below.

Table 3 – Forward Funding Agreements

	Prior years' £'000 £'000	Budget 2025/26 £'000	Actual 25/26 Q2 £'000	Forecast 2025/26 £'000
NZT Project	27,700	3,800	2,657	3,352
Osted Project	1,499	3,310	3,956	3,956
Total Capital Expenditure	29,199	7,110	6,613	7,308
Funded by				
Private Sector Contributions Received	15,000	-	4,133	-
Private sector funding owed	14,199	7,110	3,956	7,308
Total Funding	29,199	7,110	8,089	7,308

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- 2.9 The forward funding agreements include interest to be charged by STDC to the recipient of the forward funding at a rate above the Bank of England base rate. The Q2 forecast interest of £0.937m has been included in third party interest in **Table 1** above

Risks – Q2 Summary of Key Financial Risks for 2025/26

- 2.10 The Corporation is exposed to a number of key financial risks in the current and future financial years, and these continue to be identified and quantified, as well as senior officers reviewing and implementing mitigating actions to manage these risks. Key risks underpinning the revenue forecast outturn position identified to-date are:
- (a) **Business rates income** – the forecast Q2 outturn position is based upon heraditaments that are already fitted out with power which triggers the business rates valuation. Business rates are back dated to this date. The financial risk is regarding the Valuation Office confirmation of the rateable value and any delays in valuation. STDC is working closely with both Redcar & Cleveland Borough Council as the billing authority and external advisors. STDC Board should note that no monies have been received from Redcar & Cleveland Borough Council to-date.
 - (b) **Capital expenditure** – there are always inherent financial risks in the delivery both in terms of programmed delivery timeframes and the overspends. None are highlighted to date.
 - (c) **Income collection** – there is always a risk with regard to the collection of income. STDC collect income of £1.137m for Quay operating income, works agreement income and interest due on forward funding projects as set out in **Table 1**. STDL collect the income for service charges and commercial services totalling £6.302m as set out in **Appendix 1**. STSC collect income for power and water totalling £8.170m as set out in **Appendix 2**.
 - (d) **Medium term sustainability** of the financial model for STDC - This is based upon raising business rates from inward investment on the Teesworks site as the buildings occupied by businesses become fitted out for operations. There is inevitably a lag between STDC investing in remediation of the land and the associated costs of borrowing and the JV exercising their right of transfer of the land for the inward investor to set up the business and for it to fit out the buildings which is the point at which business rates income is raised

FINANCIAL IMPLICATIONS

3. The Quarter 2 (Q2) group revenue position forecasts a surplus of £2.384m. The Q2 group capital outturn is a forecast of £27.798m, due to £6.200m of capital projects being deferred until 2026/27.

SOUTH TEES DEVELOPMENT CORPORATION

4. The revenue implications for future years is principally the repayment of principal and interest on the forecast additional borrowing of £27.798m to fund the forecast capital spend in 2025/26. This will need to be funded from revenue income in future years.

LEGAL IMPLICATIONS

5. Loan agreements for STDC borrowings from TVCA are currently in draft form.

RISK ASSESSMENT

6. There are key risks for STDC as follows:
7. Business rates income forecasts are subject to confirmation of valuations by the Valuation Office. Forecasts have been based upon valuations from external advisors Knight Frank.
8. The increase in service charge income is dependent upon land being drawn down by Teesworks Ltd at a point in time when inward investors have been secured.

CONSULTATION & COMMUNICATION

9. No consultation has taken place.

EQUALITY & DIVERSITY

10. There are no direct equality and diversity impacts from this report.

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Appendix 1 – STDL Q2 Position

1 The overall Q2 forecast outturn for 2025/26 of a surplus of £0.600m for STDL for 2025/26 is set out in **table 4** below.

Table 4 – Q2 forecast outturn 2025/26

	Approved Budget 2025/26 £'000	Q2 Outturn £'000	Forecast 2025/26 £'000	Variance £'000
Lease Income – One Off	-	(1500)	(4,500)	4,500
Commercial Services External (cell e45)	(344)	(340)	(340)	(4)
Service Charge & Rent	(702)	(691)	(1,822)	1,120
Total Income	(1,046)	(2,531)	(6,662)	5,616
Operating Expenditure				
Employees (E10)	720	315	720	-
Retained Estates (E57)	1,964	311	623	1,341
Communal Estates (E31)	4,110	2,479	4,110	-
Commercial Services - STDC Projects	311	62	311	-
Commercial Services - External Projects	298	119	298	-
	-	-	-	-
Total Operating Expenditure	7,403	3,286	6,062	1,341
Net operating (surplus) / deficit	6,357	755	(600)	6,957

1.1 There has been a significant increase in income levels within STDL. This is due to:

- Forecast one off lease income of £4.500m

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- Service charges & rent income forecast outturn of £1.822m against the approved budget of £0.702m. This is due to the basis of the budget not including any service charges that hadn't been agreed when the budget was developed in January 2025.
- The release of a £1m provision which was held for the required 6 year period to provide for additional spend post transfer of the land from Tata Steel to STDC has now elapsed.

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Appendix 2 – STSC Q2 Position

The overall forecast outturn for STSC for 2025/26 is a deficit of £0.432m against a budgeted deficit of £0.450m as set out in **Table 5** below.

Table 5 – Q2 forecast outturn 2025/26

	Approved Budget 2025/26 £'000	Q2 Outturn £'000	Forecast 2025/26 £'000	Variance £'000
Power Income	(37,087)	(3,759)	(8,050)	29,037
Water Income	(1,005)	(55)	(120)	885
Water Use of Systems Income	(84)	-	-	84
Intercompany Recharges	(257)	(61)	(88)	169
Total Income	(38,433)	(3,875)	(8,258)	30,175
Operating Expenditure				
Operating costs	88	-	88	-
Power Consumption and services	37,193	3,796	8,103	29,090
Water Consumption and services	1,274	201	399	875
Keep Safe Activities	328	34	100	(228)
Total Operating Expenditure	38,883	4,031	8,690	(30,193)
Net operating (surplus) / deficit	450	156	432	18

- 1.2 The electricity and water forecast outturn spend and recharge of £8.692m is substantially less than the respective budgets of circa £38.434m due the delay in the start of Seah operations in 2025/26 and the slower than forecast ratchet up of operations during the year. The impact on STSC bottom line is the differential between the costs and the recharges which is forecast as £0.432m against the approved budget of £0.450m deficit.

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Appendix 3 – STDC Borrowing

There has been a review of the borrowings to establish the overall position, this is set out in **Table 1** below. The revised interest payments of £11.274m has been based on the loan schedule contained in the table.

Table 1 – STDC Borrowings

Loan Title	Amount	Drawn Down	Loan Total	Interest Rate
TVCA Investment Programme	11,214,500	31/03/2019		3.50%
TVCA Investment Programme	24,807,760	31/03/2021		3.50%
TVCA Investment Programme	10,451,471	31/03/2022		3.50%
TVCA Investment Programme			46,473,731	
STDC GENERAL		31/03/2023	79,450,094	4.00%
STDC GENERAL		31/03/2024	73,593,327	4.67%
STDC - Heavy Lift Platform		31/03/2024	6,800,000	4.63%
STDC NZT-		01/11/2024	14,295,753	5%
STDC NZT2		31/03/2025	12,340,823	4.75%
STDC 24-25 loan		31/03/2025	49,496,067	5%
Quay (UKIB)	26,702,222	01/04/2021	-	1.99%
Quay (UKIB)	61,512,185	01/04/2022	-	1.99%
Quay (UKIB)	17,908,337	02/03/2024	-	1.99%
Quay (UKIB) Rolled up Interest	4,926,587	31/03/2024	-	1.99%
TVCA Facility Total			235,976,064	
Quay (UKIB)			111,049,331	
TOTAL			393,499,126	

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

TREASURY MANAGEMENT MID-YEAR REVIEW 2025/2026

PURPOSE OF THE REPORT

This report provides an update on treasury management activities for the first six months of the 2025/26 financial year, together with the Corporation's performance against the Treasury Management Strategy and prudential indicators, approved by South Tees Development Corporation (STDC) 10 June 2025.

The presentation of the mid-year report complies with CIPFA's Code of Practice on Treasury Management.

EXECUTIVE SUMMARY

Treasury management activity seeks to ensure that cash flow is adequately planned, with cash being available when it is needed and with any surplus cash balances arising from the day-to-day financial operations of the Corporation invested appropriately to obtain an optimal return, while ensuring security of capital and liquidity.

Treasury management manages the effective funding and cashflows of the Corporation's longer term capital plans and effectively manages cashflows to minimise the need to undertake external borrowing. Furthermore, it effectively manages interest rate and refinancing risk where appropriate seeking to minimise the impact of the costs of borrowing on the Corporation's revenue budgets.

The capital financing requirement (the Corporation's underlying need to borrow) was incorrectly calculated in the TMSS as £254.44m and this has now been corrected as part of the mid-year review report to £470.85m.

In the Treasury Management Strategy (TMSS) approved in June 2025, external borrowing was forecast to be £257.374m by the end of March 2026. However, no authorised limit or operational boundary for external borrowing was included in the approved TMSS. As at 30 September 2025, actual borrowing was £397.87m and this report seeks approval for this limit and boundary to be put in place for the remainder of the year.

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The CIPFA Treasury Management Code requires prudential indicators to be agreed in the TMSS and one of these is in relation to the CFR not being lower than actual borrowing. Therefore, technically this prudential indicator was not complied with in the first six months of the year. However, this was due to the error in the calculation of the CFR.

No new external borrowing has been undertaken during the first six months of 2025/26.

In terms of treasury management activities relating to day-to-day cashflow management, surplus cash has not been invested in line with the TMSS and this is explained in the report. This report seeks approval to delegate authority to the S73 Officer to put arrangements in place to deal with this position.

There are no further long-term funds invested for STDC.

STDC are required to report on their Treasury management activities, and this report complies with the reporting requirement in the CIPFA's Code of Practice on Treasury Management.

RECOMMENDATIONS

It is recommended that the South Tees Development Corporation's Board:

- i. **Notes** mid-year performance against the Treasury Management Strategy approved by Corporation in June 2025;
- ii. **Notes** that the Treasury Management Strategy approved by the Board on 10 June 2025 is not compliant with the CIPFA code of practice and the work being carried out to address this;
- iii. **Authorise** interim arrangements be put in place for the overnight investment of surplus funds whilst alternative options are explored including the opening of a bank deposit account;
- iv. **Note** that TVCA will be charging to STDC an amount equivalent to interest earned by STDC to offset interest lost making STDC creditor payments;
- v. **Delegates authority** to the S73 Officer to open a bank deposit account and put all necessary arrangements in place should this option be deemed the most financially efficient;
- vi. **Approve** the authorisation limit and operational boundary required by the CIPFA code 2021
- vii. **Formalise** the treasury management arrangements between STDC and TVCA

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DETAIL

1. The Corporation is required to adopt the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Corporation to be presented with a Treasury Management Mid-Year Review and other annual reports.
2. To be compliant with the CIPFA Code, the mid-year report should cover the following:
 - An economic update for the first half of the 2025/26 financial year;
 - Short to medium-term interest rates forecast
 - The Corporation's capital expenditure, as set out in the Capital Strategy;
 - Confirmation of compliance with Treasury and Prudential Limits;
 - A review of the Corporation's borrowing strategy as applicable;
 - A review of the Authority's investment strategy (on-lending) if applicable;
3. The Corporation's Treasury Management Strategy (TMSS) for 2025/26 was approved at the STDC Board meeting on 10 June 2025. The Treasury Management Strategy covers the following key areas:
 - The TVCA long-term borrowing cap of £1,237,000,000
 - TVCA strategy objectives with regard to risk and affordability
 - TVCA sources of borrowing
 - TVCA investment strategy including the placing of surplus cash invested overnight
 - Investment in organisations and relevant limits
 - STDC liquidity risk of £1m
 - Alternative strategies for investment and borrowing and associated risks

EXTERNAL CONTEXT

Economic Background

4. UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March to 3.8% in August, still well above the Bank of England's 2% target. Core inflation also rose, from 3.4% to 3.6% over the same period, albeit the August reading was down from 3.8% the previous month. Services inflation also fell from July to August, to 4.7% from 5.0%.
5. The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% y/y. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Q3.

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6. Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish MPC members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.
7. The BoE's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.
8. GDP is expected to remain weak in the near-term while over the medium-term outlook will be influenced by domestic and global developments.
9. Arlingclose are treasury advisors to TVCA who informally provide treasury management to STDC. Arlingclose maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.
10. Against a backdrop of uncertain US trade policy and pressure from President Trump, the US Federal Reserve held interest rates steady for most of the period, before cutting the Fed Funds Rate to 4.00%-4.25% in September. Fed policymakers also published their new economic projections at the same time. These pointed to a 0.50% lower Fed Funds Rate by the end of 2025 and 0.25% lower in 2026, alongside GDP growth of 1.6% in 2025, inflation of 3%, and an unemployment rate of 4.5%.
11. The European Central Bank cut rates in June, reducing its main refinancing rate from 2.25% to 2.0%, before keeping it on hold through to the end of the period. New ECB projections predicted inflation averaging 2.1% in 2025, before falling below target in 2026, alongside improving GDP growth, for which the risks are deemed more balanced and the disinflationary process over.
12. After the sharp declines seen early in the period, sentiment in financial markets improved, but risky assets have generally remained volatile. Early in the period bond

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yields fell, but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of UK plc. Since the sell-off in April, equity markets have gained back the previous declines, with investors continuing to remain bullish in the face of ongoing uncertainty.

13. Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10-year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20-year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30th September.

Credit Review

14. Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.
15. Early in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. While Moody's downgraded the long-term rating on the United States sovereign to Aa1 in May and affirmed OP Corporate's rating at Aa3.
16. Then in the second quarter, Fitch upgraded Clydesdale Bank and HSBC, downgraded Lancashire CC and Close Brothers while Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland and Toronto-Dominion Bank.
17. After spiking in early April following the US trade tariff announcements, UK credit default swap prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.
18. European banks' CDS prices has followed a fairly similar pattern to the UK, as have Singaporean and Australian lenders while Canadian bank CDS prices remain modestly elevated compared to earlier in 2025 and in 2024.
19. Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

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20. Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Corporation’s counterparty list recommended by Arlingclose remain under constant review.

LOCAL CONTEXT

21. A summary of the treasury management position as at 30 September 2025 and the change in year is shown in Table 1 below.

Table 1: Treasury Management Summary at 30 September 2025

	31.3.25 Balance £m	Movement £m	30.9.25 Balance £m
Long-term borrowing	397.153	-	397.153
Short-term borrowing	1.427	0.710	0.717
Total Borrowing	398.580	0.710	397.870
Long-term investments	-	-	-
Short-term investments	-	-	-
Cash and cash equivalents	13.931	9.066	4.865
Total Investments	-	-	-
Net Investments	384.649	8.356	393.005

22. As previously noted, STDC does not currently hold any invested funds and as a result the table presented indicates zero activity. The Corporation has also not undertaken any new borrowing during the first six months of 2025/26 nor provided any loans to third parties.

Loans/borrowing

23. TVCA originally made a loan available to the corporation of £46.474m for the purchase of the land and associated costs. Further to that, TVCA has made a borrowing facility available to the Corporation of up to £350m. At 30 September, the Corporation have used £235.976m of this facility.

SOUTH TEES DEVELOPMENT CORPORATION

24. CIPFA's Prudential Code for Capital Financing in Local Authorities recommends that STDC's total external debt should be lower than its highest forecast CFR over the next three years. As set out in Table 1 above, the actual external borrowing at 30 September 2025 totals £397.870m which exceeds the original highest CFR of £275.085m noted in the Treasury Management strategy. However, the original CFR set out in the Treasury Management strategy was incorrect and the corrected CRF is now set out in Table 9 below.
25. The restated CFR is now higher than the actual debt and therefore the Corporation is compliant with the Code.
26. TVCA has borrowed funds of £111.049m from UKIB to lend to STDC specifically for the development of the deepwater quay facility. This loan is being serviced in full in terms of interest and principal repayments to TVCA.
27. The underlying objective within the Prudential Code is to ensure that borrowing remains affordable. The current working assumption within the Treasury Management Strategy is that borrowing via TVCA will start to be repaid one year and one day post 31 March of the year in which the drawdown of the loan occurs (in accordance with the draft loan agreements).
28. The current situation is that the interest has historically not been fully accrued in line with this approach, but this situation is being rectified from 2024/25 onwards. For 2025/26, interest payments are affordable as reported in the Quarter 2 report which is a separate agenda item.
29. Further to this, MRP has not been set aside in accordance with the approved MRP policy (as part of the TMSS), this is also being rectified from 2024/25 onwards. The medium-term financial plan is currently being updated to ensure financial sustainability in future years.
30. The Corporation raises the majority of its long-term borrowing from TVCA who accesses the PWLB and UKIB.
31. As highlighted above, CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Corporation currently has no plans to borrow to invest primarily for financial return from any applications to utilise the £350m borrowing facility.

**SOUTH TEES
DEVELOPMENT
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32. At 30 September the Corporation held £397.870m of borrowings as summarised in Table 2 below.

Table 2: Borrowing Position

Loan Title	Amount	Drawn Down	Loan Total	Interest Rate
TVCA Investment Programme	11,214,500	31/03/2019		3.50%
TVCA Investment Programme	24,807,760	31/03/2021		3.50%
TVCA Investment Programme	10,451,471	31/03/2022		3.50%
TVCA Investment Programme			46,473,731	
STDC GENERAL		31/03/2023	79,450,094	4.00%
STDC GENERAL		31/03/2024	73,593,327	4.67%
STDC - Heavy Lift Platform		31/03/2024	6,800,000	4.63%
STDC NZT-		01/11/2024	14,295,753	5%
STDC NZT2		31/03/2025	12,340,823	4.75%
STDC 24-25 loan		31/03/2025	49,496,067	5%
Quay (UKIB)	26,702,222	01/04/2021	-	1.99%
Quay (UKIB)	61,512,185	01/04/2022	-	1.99%
Quay (UKIB)	17,908,337	02/03/2024	-	1.99%
Quay (UKIB) Rolled up Interest	4,926,587	31/03/2024	-	1.99%
TVCA Facility Total			235,976,064	
Quay (UKIB)			111,049,331	
Interest accrued			4,371,000	
TOTAL			397,870,126	

OTHER DEBT ACTIVITY

33. The Corporation has no other debt activity.

INVESTMENTS

34. The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Corporation's cash flows or treasury risk management activity that ultimately represents balances that should be invested until the cash is required for use in the course of business.

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35. STDC holds no invested funds. The investment position at the end of September is shown in table 3 below which demonstrates that STDC have no invested funds.

Table 3: Treasury Investment Position at 30 September 2025

	31.3.25 Balance £m	Net Movement £m	30.9.25 Balance £m	30.9.25 Income Return %
Banks & Building Societies	13.931	9.066	4.865	-
Government (incl. LAs)	-	-	-	-
Money Market Funds	-	-	-	-
Total Investments	13.931	9.066	4.865	-

36. Both the CIPFA Code and government guidance require the Corporation to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Corporation currently has no investments, however, should it invest then the objective if investing money will be to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
37. STDC has banking arrangements in place with a fully operational bank account and uses this account to pay non-creditor payment expenditure and receives income into this account. However, TVCA has paid creditor payments on behalf of STDC through the TVCA bank account, with payments being made forming the basis for the loans made to STDC on 31 March in each financial year.
38. Through informal arrangements, TVCA has been undertaking both treasury management and management of the STDC bank account including monthly bank reconciliations. However, there is no formal agreement in place for comprehensive treasury management activities for STDC. TVCA currently receives these services under a SLA with Stockton Council and, going forward, a proposal will be made to the Board to enter into a formal arrangement with Stockton for the new financial year.
39. The Treasury Management strategy approved at the STDC Board on 10 June 2025 requires the surplus cash held in the STDC operational bank account to be invested overnight and consequently interest to be earned.

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CORPORATION**

40. This report proposes that interim arrangements are put in place to allow TVCA to invest the surplus cash alongside TVCA surplus cash whilst alternative arrangements such as a STDC deposit account being set up.
41. However, as TVCA currently make all the creditor payments from their bank account they will subsequently earn less overnight interest than they would have earned during the financial year and the value of this will be charged to STDC under a methodology determined by the S73 Officer, as set out in Table 4 below.

Table 4: Interest foregone by TVCA and STDC

Month	STDC Bank Balance	Interest Rate	STDC Lost Interest	TVCA Payments	TVCA Lost Interest
	£		£	£	£
01/04/2025	4,355,143	4.49%	16,295	1,463,990	5,478
01/05/2025	4,276,052	4.39%	15,643	1,525,212	5,580
01/06/2025	5,424,043	4.29%	19,391	1,319,418	4,717
01/07/2025	3,884,043	4.26%	13,788	3,453,416	12,260
01/08/2025	3,621,412	4.18%	12,615	10,059,244	35,040
01/09/2025	5,663,857	4.09%	19,304	14,897,830	50,777
01/10/2025	4,864,989	4.05%	16,419	19,150,185	64,632
01/11/2025	6,805,894	4.05%	22,970	25,743,065	86,883
01/12/2025	8,180,809	4.05%	27,610	29,754,179	100,420
TOTAL			164,036		365,786

42. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5 : Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2020	4.30	AA-	92%	11	0.50
31.03.2021	4.63	A+	75%	10	0.02
31.03.2022	4.13	AA-	38%	3	0.01
31.03.2023	4.72	A+	100%	1	3.62
31.03.2024	5.02	A+	0.72	7	5.62
30.09.2024	4.74	A+	100%	1	5.03
30.09.2025	4.7	A+	100%	1	4.09
Similar LAs	4.39	AA-	47%	82	5.07
All LAs	4.38	AA-	62%	11	4.06

NON-TREASURY INVESTMENTS

43. The definition of investments in the Treasury Management Code now covers all the financial assets of the Corporation as well as other non-financial assets which the Corporation holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return). The Corporation does not hold any non-treasury investments.

COMPLIANCE

44. The Treasury Management Strategy approved on 10 June 2025 reported that all treasury management activities undertaken during 2025/26 would comply fully with the CIPFA Code of Practice. The Group Director of Finance and Resources has reviewed the compliance and noted that both Operational Boundaries and Authorised Limits

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need to be set for the corporation in order that compliance is achieved. A piece of work has been undertaken to establish both the authorisation limit and the operational boundary which is set out in table 6 below.

Table 6: Debt Limits

Treasury Management Required	£m
Authorised Limit	464.0
Operational Boundary	424.3

- 45. The authorised limit is set to ensure that external borrowing already in place plus any capital expenditure during 2025/26 does not exceed this limit, allowing for a 10% margin.

INVESTMENT LIMITS

- 46. Compliance with specific investment limits is demonstrated in Table 7 below.

Table 7: Investment Limits

	30.9.25 Actual £m	2025/6 Limit	Complied? Yes/No
Any single organisation, except the UK Central Government	-	£15m per organisation	Yes
UK Central Government	-	Unlimited	Yes
Any group of organisations under the same ownership	-	£15m per organisation	Yes
Any group of pooled funds under the same management	-	£37.5m	Yes



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	30.9.25 Actual £m	2025/6 Limit	Complied? Yes/No
Negotiable instruments held in a broker's nominee account	-	£37.5m	Yes
Foreign countries	-	£15m	Yes
Registered providers and registered social landlords	-	£37.5m	Yes
Unsecured investments with building societies	-	£15m	Yes
Loans to unrated corporates	-	£15m	Yes
Money Market Funds	-	Unlimited	Yes
Real estate investment trusts	-	£37.5m	Yes

- 47. The Corporation measures and manages its exposures to treasury management risks using the following indicators.
- 48. **Maturity Structure of Borrowing:** This indicator is set to control the Corporation's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing are set out in table 8 below which are within the limits set in the Treasury management Strategy approved by the STDC Board on 10 June 2025.

Table 8: Borrowing Maturity

	30.9.25 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	0%	100%	0%	Yes
12 months and within 24 months	0%	100%	0%	Yes

	30.9.25 Actual	Upper Limit	Lower Limit	Complied?
24 months and within 5 years	0%	100%	0%	Yes
5 years and within 10 years	0%	100%	0%	Yes
10 years and above	100%	100%	100%	Yes

49. **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Corporation’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 9: Long Term Investments

	2025/26	2026/27	2027/28
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£1m	£1m	£1m
Complied?	Yes	Yes	Yes

50. This indicator compares the Corporation’s actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the corporation is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Corporation must hold to fund its current capital and revenue plans while aiming to keep treasury investments at the minimum level of £1m required to manage day-to-day cash flow.

Table 10: Liability Benchmark

	31.3.25	31.3.26	31.3.27	31.3.28
	Actual	Forecast	Forecast	Forecast
	£m	£m	£m	£m
Incorrect CFR in Treasury Management strategy	216.16	254.44	-	-
Corrected Loans CFR	445.66	470.85	-	-
Less: Balance sheet resources	18.40	19.76	-	-
Net loans requirement	427.26	451.09	-	-
Plus: Liquidity allowance	1	1	-	-
Liability benchmark	428.26	452.09	-	-

51. The table above shows the existing loans outstanding, the capital financing requirement, and the resources held on the balance sheet which act as a buffer to the capital financing requirement.

CONCLUSION AND COMPLIANCE

52. The Treasury Management Strategy is not compliant with the CIPFA code 2021 as the authorisation limit and operational boundaries were not set within the strategy, this has been addressed in this report.
53. The capital financing requirement noted in the Treasury Management Strategy was incorrect and was not based upon the capital expenditure plans and a revised capital finance requirement has now been correctly calculated in this report.
54. STDC overnight cash balances have not been invested as required by the Treasury Management strategy. However, this has been more than financially compensated for as TVCA pay all creditor payments from their bank account such that TVCA receive less interest on their own overnight balances.

SOUTH TEES DEVELOPMENT CORPORATION

55. This report seeks approval to delegate authority to the S73 Officer to put in place necessary arrangements for the investment of surplus cash balances.
56. The informal arrangements whereby TVCA support STDC with treasury management need to be formalised.

FINANCIAL IMPLICATIONS

57. This report is a financial update and therefore there are no specific financial implications other than those contained in the main body of the report.

LEGAL IMPLICATIONS

58. There are no legal implications associated with the recommendations within this report.

RISK ASSESSMENT

59. The interest rate risk is classified as Medium in the corporate risk register. The risk is managed through regular reviews of forecasts and scenario analysis with our Treasury management advisors.

CONSULTATION & COMMUNICATION

60. None

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Schedule 1 – Annual Minimum Revenue Provision Statement 2025/26

Where STDC finances capital expenditure by debt, the Capital Financing Requirement (CFR), it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Grants, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- The nature of the majority of STDC capital expenditure is Predominantly Capital investment on the Tees work site. Some of the Borrowing incurred can be linked directly with specific investments and initiatives, other borrowing is more generally linked to broader investment across the site. Where STDC s borrowing cannot be indirectly linked to an individual asset the number of years used for MRP calculations will be 25. In Instances where the borrowing is linked to an identifiable specific investment the MRP will be linked to the estimated service life of the asset. The MRP will be determined by charging the expenditure over these periods on an annuity method.
- MRP will commence from the 1st April of the year following the asset becoming operational.
- Finance Lease principal repayments are used to reduce the CFR on the leased asset on an annual basis.

INFORMATION GOVERNANCE REPORT

SUMMARY

This report provides the Audit and Governance Committee with an update on a number of regulatory matters for South Tees Development Corporation (STDC).

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance Committee:

- i. **Notes** the content of this report

DETAIL

1. It is proposed that the Committee receives an update on a number of regulatory matters to ensure member oversight of matters of interest.
2. This report includes an update on the following matters:
 - a. Freedom of Information
 - b. Complaints
 - c. Data Protection Matters

Freedom of Information

3. The Development Corporation publishes Freedom of Information (Fol) statistics on its website. The information can be found here [Freedom of Information Requests - About](#) and the data is updated every quarter.
4. For the period July 2025 to September 2025, STDC can report the following statistics in relation to Freedom of Information Requests:

Freedom of Information Requests Received: 12

Number of Questions involved in above Freedom of Information Requests: 20

SOUTH TEES DEVELOPMENT CORPORATION

Freedom of Information Requests responded to within 20 working days: 7
Freedom of Information Requests not responded to within 20 working days: 5
Freedom of Information extended deadlines: 5
Internal Review Requests Received: 5
Information Commissioner Complaints Received: 2
Information Commissioner Complaints upheld (in the complainant's favour): 2
Information Commissioner Complaints upheld (in the Authority's favour): 0

It should be noted that questions are often complex and time consuming to respond to, requiring extensive document searches, and a thorough review of numerous highly intricate and sometimes commercially sensitive documents prior to providing a full response to the questions(s) raised.

Complaints

5. For the period July 2025 to September 2025, STDC have received 2 written complaints which were responded to within the required time requirements.

Code of Conduct Complaints

6. The Monitoring Officer is presently reviewing no member Code of Conduct Complaints.

Data Protection

7. Since the Development Corporation was established, there has been no notifications of any personal data breaches.
8. For the period July 2025 to September 2025, STDC has received no Subject Access Requests (SAR).

FINANCIAL IMPLICATIONS

9. There are no financial implications in respect of the content of this Report.

LEGAL IMPLICATIONS

10. As a public authority, STDC must comply with the requirements of the Data Protection Act 2018 in relation to the protection of personal data and the Freedom of Information Act 2000 and the Environmental Information Regulations.
11. Failure to comply with the above mentioned legislation can lead to enforcement action by the Information Commissioner. Repeat enforcement by the Information Commissioner may also identify weaknesses with the Development Corporation's approach to Freedom of Information and Data Protection matters.

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RISK ASSESSMENT

12. The subject matter of this report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

13. No consultation has taken place in respect of the information contained within this report.

EQUALITY & DIVERSITY

14. It is not expected that the content of this report will have an adverse effect on any individual with protected characteristics.

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**AGENDA ITEM 9
REPORT TO THE STDC BOARD
15 JANUARY 2026
REPORT OF HEAD OF LEGAL SERVICES**

DELEGATED AND URGENT DECISIONS

SUMMARY

This report provides detail to the board of all Urgent and Delegated Decisions taken since the last Board meeting.

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. **Notes** that no Urgent or Delegated Decisions have been taken since the last Board meeting.

FINANCIAL IMPLICATIONS

1. There are no direct financial implications which arise as a result of reporting Delegated and Urgent Decisions to the Board. Each Delegated or Urgent Decision report will include its own specific financial implications.

LEGAL IMPLICATIONS

2. Paragraph 19 of the STDC Constitution makes provision for the taking of Urgent Decisions when it is impracticable to arrange a quorate meeting of the Board.

RISK ASSESSMENT

3. The subject matters of this report, reporting to the Board on Urgent and Delegated Decisions is expected to be low risk.

CONSULTATION & COMMUNICATION

4. Save for where provided in a Decision Record, no consultation is required in relation to reporting to the Board, the exercise of Urgent and Delegated Decision making.

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EQUALITY & DIVERSITY

5. It is not expected that the content of this report will have an adverse effect on any individual with protected characteristics.

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