

South Tees Development Corporation Board

Date: Monday 30 March 2026 at 3:30pm

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 15 January 2026.
- 4. Chair's Update**
To receive a verbal update from the Chair of the Board on key activities.
- 5. STDC CEX Update Report**
To receive a report from the STDC Chief Executive providing the STDC Board with an activity update since the last meeting.

- 6. Governance & Appointments**
To receive a report from the Head of Legal STDC presenting the updated Terms of Reference for the STDC Board.
- 7. Q3 Forecast of Revenue and Capital Outturn 2025/2026 and 2025/2026 - 2028/2029 Capital Programme**
To receive a report from the Interim Group xDirector of Finance and Resources providing details of the 2025/2026 revenue and capital forecast outturn position for South Tees Development Corporation.
- 8. Capital & Revenue Budgets 2026/2027 Updated Medium Term Financial Plan and Capital Programme 2026/2027 – 2030/2031**
To receive a report from the Interim Group Director of Finance and Resources presenting the draft revenue budget for the South Tees Development Corporation Group for 2026/2027 together with the Medium Term Financial Plan to 2030/31.
- 9. Treasury Management Strategy 2026/2027**
To receive a report from the Interim Group Director of Finance and Resources ensuring compliance with the requirement of the Corporation's Treasury Management Policy in reporting to the STDC Board the proposed strategy for the forthcoming year, and the Local Government Act 2003 with the reporting of the Prudential Indicators.
- 10. 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.
- 11. 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.

- 12. 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 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.

SOUTH TEES DEVELOPMENT CORPORATION

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.

13. Date and Time of Next Meeting

11 June 2026 @ 11:00

Members of the Public – Rights to Attend Meeting

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

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

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 15 January 2026 **Time:** 11:00

Venue: Teesworks Skills Academy

Attendees:		Apologies:
Members		
David Smith	Chair	Lyndsay Hogg, Independent Member
Cllr Alec Brown, Leader, RCBC	Elected Member and Vice Chair	
Carolyn Curr	Independent Member	
Carole Morgan	Independent Member	
John Baker	Independent Member	
Allan Armstrong	Independent Member	
Jason Faulkner	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	
Victoria Pescod	Head of Legal, South Tese Development Corporation	
Becky Hellard	Finance Contractor	
Elaine Braham	Governance Officer	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
ANNUAL GENERAL MEETING				
STDC 016/2025/26	Apologies for Absence	Apologies were received from Lyndsay Hogg, Independent Member.		
STDC 017/2025/26	Declarations of Interest	<p>John Baker, Independent Member, declared a non-pecuniary interest as a member of South Tees Site Company Board (STSC).</p> <p>David Smith, Independent Chair, declared a non-pecuniary interest as a member of the Freeport Board.</p> <p>Cllr Alec Brown, Leader Redcar and Cleveland Borough Council (RCBC) declared a non-pecuniary interest as a member of both the Freeport Board and the South Tees Site Company Board.</p>		
STDC 18/2025/26	Minutes of Previous Meetings	RESOLVED – That the minutes of the meeting held on 11 September 2025 were approved as a true and accurate record.		
STDC 019/2025/26	CEX Update	<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, providing the following updates and responding to the Board’s questions.</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • The Development Consent Order (DCO) had now dropped away from the site, and it was noted that this had been BP's decision. In dropping away this cleared away the uncertainty that was causing some delays in inward investment. • The ISPS Zone is being kept under review • STDC continue to work with DfT and TVCA with the hope of identifying monies through the additional CRST2 funding, and working with TVCA colleagues to ensure all agreements are in place. • The Leader, RCBC noted recent reports stating that PD Ports would like the roundabout moving. The CEX STDC advised that it is clear what is supported by the judgement and STDC's view is that this does not need to be moved. The Head of Legal, STDC explained that the boundaries are clear in the judgement, it is a strong judgement and STDC will comply with it. • An Independent Member asked if there was anything the Board needed to be aware of in respect of the strategic options for the Private Water Network. The CEX STDC noted that Board had previously received a paper pertaining to this, it would be tenant led, and STDC were keen to ensure that there would be no further funding put in place by the public sector, whilst simultaneously ensuring that this is the right approach. A strategy is to be developed in relation to the divesting of the water infrastructure, and will consider any future role options for STDC. • An Independent Member asked if there was a statement or summary that would give the Board confidence that there was not something that should be flagged for their attention. The CEX STDC advised that each entity has its own risk register which could be shared with the Board if they wished. Further the Risk Team could be asked to give a presentation to Board. • The Leader RCBC asked following recent press pertaining to the proposed AI Data Centre for an update in respect of the land remediation. The CEX STDC advised that any further land remediation was now being undertaken by Teesworks as and when required. • An Independent Member noted that the status of remediation at Dorman Point had been at 60% for some time, the CEX STDC explained that all responsibility for remediation had passed to the private sector. • An Independent Members asked about the percentage of utilisation of South Bank Quay. The CEX STDC reported that it is at around 92% effectiveness, this is equivalent to saying it is running at full capacity, it is utilised well and they are looking to potentially extend it. 	<p>Risk Presentation to be given to Board members</p>	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • The Leader RCBC asked when EOS had moved to the Lackenby site, the CEX STDC believed it had always been on this site but would confirm. • The CEX RCBC asked about TEMCo, the CEX STDC explained that this is currently set up as a shell company, but will ultimately take over from STDL, <p>RESOLVED: the Board noted the content of the report.</p>	To be confirmed	CEX STDC
STDC 020/2025/26	Governance & Appointments	<p>The Board received a report from the Head of Legal, STDC, detailing various appointments to be agreed by the South Tees Development Corporation Board.</p> <p>It recommended that the STDC Board:</p> <ol style="list-style-type: none"> i. Appoints one of its members as Vice Chair of the South Tees Development Corporation. 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. <p>The Head of Legal, STDC, advised that they would take the paper as read and responded to the Boards question.</p> <ul style="list-style-type: none"> • Cllr Alec Brown advised that he wished to nominate himself for the role of Vice Chair, this was agreed by Carolyn Curr and was seconded by John Baker. • The Board were advised of the changes to the chair of the STDC Audit and Governance Committee. Geoff Westmoreland had been a member of this committee for some time and had recently stepped up to this role. <p>RESOLVED: the Board</p> <ol style="list-style-type: none"> i. Appointed Cllr Alec Brown, Leader RCBC as Vice Chair of the South Tees Development Corporation. ii. Noted the appointment by the Mayor of the Chair of the South Tees Development Corporation Audit and Governance Committee. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		iii. Approved the appointment of an Independent Member to the STDC Audit and Governance Committee.		
STDC 21/2025/26	Q2 Forecast of Revenue and Capital Outturn 2025/26 and 2025/26-2028/29 Capital Programme	<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 September 2025.</p> <p>It recommended that the STDC Board:</p> <ol style="list-style-type: none"> 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 2025/2026. iv. Note the key variance in the capital budget of £6.200m Quarter 2 forecast gross capital expenditure of £27.798m. <p>The Interim Group Director of Finance & Resources provided the following update and responded to the Board's questions:</p> <ul style="list-style-type: none"> • Becky Hellard, Finance Contractor, was introduced and it was explained that she had been tasked with looking in detail at the STDC finance position. • The Q2 position is improved on Q1, and the CEX STDC highlighted to Board the in depth work that had been undertaken, and that prudence in Q1 had influenced positive changes in Q2. The Chair reported that in December he had undertaken work with the CEX STDC and the Finance Team and was keen to note the positive work that is being done. • The Leader RCBC noted that he had historically provided challenge and explained that it is his understanding that the retained business rates would be reinvested in the borough. The CEX, STDC explained that as it is the only income the site generates, it was always intended to finance the loans. The Leader expressed his concerns in respect of best value. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • The CEX noted the ‘unbudgeted’ reference and explained that these elements had been identified due to the diligence of STDC and the Finance Team when separating the STDC and TVCA finances, with some of the historical issues that were identified pertaining to difficulties around impartiality. • The Leader RCBC noted the Best Value Notice, and the CEX STDC clarified that South Tees Development Corporation is not under a Best Value Notice. The Interim Director of Finance and Resources explained that prior to separation in June 2025, TVCA’s Best Value Notice in part impacted STDC. This is no longer the case and it was explained that STDC will require a different set of finance skills moving forward. • The Board were advised that the report sets out the financial position as of September 2025, and reflects the position discussed with budget holders. This will feed into the 2026/2027 budget and the Medium Term Financial Plan. • The approved budget for 2025/26 utilised £6m of reserves, and whilst in Q1 was projecting a loss, it is now anticipated to have £3,5m of the £6m in reserves by the end of the 2025/26 financial year. Unbudgeted permanent costs at £7,238m had been identified and work had been undertaken around mitigations to ensure that the budget for 2025/26 remains balanced. • Table 1 gave a composite overview for the STDC group. In work with RCBC, the billing authority for the site, mitigations in relation to business rate forecasts were identified with the £4,8m in the approved budget for 2025/26 increasing to a forecast of £9,557m. Currently this increase is awaiting final valuation by the Valuation Office Agency, who had previously given an interim valuation based on the construction costs at that time. It was hoped to receive a final valuation by the end of January 2026. • Works agreement income pertains to income STDC can charge over and above contractual agreements. The approved 25/26 budget forecast two projected charges, however was actually one works agreement resulting in the variance. • The Cost of Borrowing, Minimum Revenue Provision (MRP) pertains to monies set aside for the repayment of principle. In order to meet our policy on the calculation, it had resulted in a need to increase the amount set aside against the budget. The interest being described as an overspend, as it is above that projected in the approved budget. This relates to the interest due on the loans from TVCA to facilitate site preparation and infrastructure works needed to enable draw down of land for investors coming on to site and is part of the agreement with Government. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • The Board were advised that the current practice is for the repayment of loans and interest to start 1 year and 1 day from the loan, and work is ongoing re the forecasting of interest. • Further there are some third-party interest payments in respect of agreements that were approved by Board. The example of the quay was used, monies coming in are currently lower than initially forecast due to a delay in its becoming operational, however this corrects itself in future years in accordance with the operating agreement. • The Q1 Capital Forecast Outturn 2025/2026 was budgeted at £34.998m, with an underspend resulting in an outturn figure of £28,798m, with key variances detailed in para 2.6. The CEX STDC explained that until business rates come online, a decision had been taken to restrict works whilst continuing to meet obligations. • An Independent Member asked if the £9m projected business rates was STDC's proportion and it was confirmed that it was. • It was noted that the business rates income is the single biggest risk as confirmation was still awaited from the Valuation Office in respect of the final valuations. An Independent Member noted that no monies had been received and asked what this meant for STDC. It was explained that monies are paid from central government to RCBC who in turn pass STDC element to them. Whilst the income can be accrued, this has an impact on cashflow. • It was explained to the Board that the billing authority completes a billing forecast which can be reviewed throughout the year. From the NNDR1 return submitted by the billing authority to government in January preceding the financial year and the monies from government start flowing in May of the ensuing financial year, meetings continue throughout the year between STDC and RCBC in relation to the recovery of the business rates, with the NNDR3 being submitted after the end year which sets out the outturn for that financial year. The Leader RCBC reported that he had been kept apprised of the increase in work and commended STDC. • The Leader RCBC asked if SeAH is 100% operational, the CEX STDC explained that from a business rates perspective it is not about whether a business is operational it is the fact that they can be operational. • An Independent Member asked if the £4.68m had been confirmed by the Valuation Office and was advised that it had not. The Leader, RCBC, asked what would happen if they do not confirm by the end of January and it was explained that Redcar as the billing authority would be better placed to engage with Valuation Office Agency 		

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		<ul style="list-style-type: none"> • An Independent Member noted that the £9.55m is cited as being a cautious view, and asked what this could potentially be. It was explained that the figure was based on the contractors' cost model, and that there had been a significant shift in the outturn costs. The valuation office agency will be the ultimate decision maker in respect of the final valuation that is entered into the valuation list. The Leader RCBC asked if SeAH had pushed back against this, and it was noted that there was no scope on which to push back other than the formal business rates appeals process. A provision is being built into the medium-term financial plan to offset this risk. • The CEX RCBC asked about the status in respect of TVCA loan agreements and whether, if business rates were delayed, there was scope to renegotiate these. The CEX STDC explained that agreements are currently unsigned, these would be brought to Board prior to signing, and he would not approve or sign them until happy from an STDC perspective. The Interim Director of Finance and Resources advised that the loan agreements were drafted some time ago but were never signed. However, as long as both parties are mirroring the approach of 1 year and 1 day the auditors are not overly concerned. In the first year, 24/25, this was exactly how it had been accounted for; it was only in the budget setting that it had inadvertently been omitted. STDC are setting aside monies to repay these. • An Independent Member asked what the term of the draft loan agreements are and was advised that they vary between 25 and 50 year periods. The Leader RCBC asked if they were signed and the CEX STDC stated that STDC Board had never approved any loan agreements • An Independent Member asked if following separation they will reach an optimum situation for both entities. The Interim Director of Finance and Resources reported that the indicative advice they had received stated that there is no obligation on the Combined Authority to provide financial support, with any changes needing to be approved by the TVCA Cabinet. Delegated authority is to be reviewed in respect of each of the loans to ascertain whether this sits with the Director of Finance and Resources. • The CEX RCBC asked why, if borrowing is going down, is interest going up. It was explained that this is because not all of the capital budget is being spent, the practice being that at the end of March STDC go to TVCA for the loan, this is projected to be lower than originally envisaged resulting in the reduction in projected borrowing. The interest would always have gone up as this is increased borrowing albeit at a lower level than originally approved in the budget, 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • It was explained that capital spend should continue to tail off as most of the major capital work in support of anchor tenants is nearing completion, and it is now for the site to mature on its own without further investment by the public sector. • Appendix 1, STDL Q2 Position forecasts one off lease income of £4.5m. • Appendix 2, STSC Q2 Position shows that whilst the figures differ the margins remain similar with it being simple in / out transactions. • The Interim Director of Finance and Resources explained that historically this had been presented as one budget, however this report looks to differentiate them as the separate legal entities that they are. • An Independent Member noted that STSC always reports a deficit, and the CEX STDC explained that this pertains to three members of staff that currently sit under STSC and some historic licences e.g. Sage accounting software. • An Independent Member asked if the £8.7m of remediation works to be undertaken within the financial year had to happen, and was advised that they were contractual obligations for areas such as NZT. • An Independent Member asked how the STDC borrowing statement related to the original intent. It was explained that whilst officers could not speak to the original intent the following Treasury Management Strategy may answer this. <p>RESOLVED: the Board</p> <ol style="list-style-type: none"> i. Noted the Q2 revenue net surplus of £2.384m for year ending 31 March 2026 which is a movement of £1.795m from the Quarter reported position of a surplus of £0.589m. ii. Noted the key income drivers for this net surplus and actions being taken to enable the Corporation to achieve a balanced position. iii. Noted the financial risks for 2025/2026. iv. Noted the key variance in the capital budget of £6.200m Quarter 2 forecast gross capital expenditure of £27.798m. 		
STDC 22/2025/26	Treasury Management Mid-Year Review	The Board received a report from the Interim Group Director of Finance and Resources providing an update on treasury management activities for the first six months of the 2025/2026 financial year, together with the Corporation's performance against the Treasury Management Strategy and prudential indicators, approved by South Tees Development Corporation on 10 June 2025.		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>It recommended that the STDC Board:</p> <ol style="list-style-type: none"> 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 was 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. <p>The Interim Group Director of Finance & Resources highlighted the following :</p> <ul style="list-style-type: none"> • The CIPFA Code requires that the Treasury Management Strategy (TMS) be brought to Board for a mid-year review. This had highlighted a couple of matters where the original TMS in June '25 was not wholly compliant. • Whilst STDC does have a bank account, because of the shared services agreement all of the creditor payments currently go out through the TVCA bank account. This report asked that the Board delegate authority to the S73 Officer to open a bank deposit account to enable surplus funds to be invested overnight. • A review of the finance team structure is ongoing to determine what is required and will consider activities might be provided via a robust service level agreement with agreed performance levels. • It was explained that under the CIPFA Code the TMS is required to set an authorised limit in relation to how much monies can legally be borrowed and a boundary which is set for management purposes. The report sought to address these two omissions from the Treasury Management strategy approved by the STDC Board in June 2025. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • The capital financing requirement is the accumulated unfinanced level of accumulated capital expenditure which had been corrected in this report. Capital expenditure is principally funded by borrowing, you then consider how this will be funded, and beneath that would be the underlying need to borrow. However the total borrowing could differ dependent on other elements of the budget. • Overnight banking had not been happening under the informal arrangements with TVCA and the intention is to put this in place. <p>The Board had the opportunity to ask questions:</p> <ul style="list-style-type: none"> • An Independent Member noted that the Board had been asked in June 2025 to approve a strategy that did not comply with the CIPFA Code and stated that the Board needed assurance that this would not happen again. The Board were advised that as part of the decoupling STDC will have their own external treasury advisors to ensure that they remain compliant with the code. • The Leader RCBC asked if STDC were projected to borrow over £400m, and it was confirmed that the current borrowing sat at £397m, with a proposed authorisation limit of £464m. In setting a £464m limit it is a safeguarding mechanism meaning officers cannot borrow beyond that limit without the Board's approval. • The Leader asked what STDC's borrowing capacity was and was advised that there is a further £90m available in the £350m TVCA facility over and above the projected borrowing requirement for capital expenditure in 2025/26. • The capital strategy will be brought to Board in March 2026 and will underpin the new Treasury Management Strategy. • The Leader RCBC asked if in forthcoming years there will be additional business rates monies to finance additional borrowing. Noting that the CEX STDC had done well to meet the current shortfall, but expressed concerns that if STDC were to fail then some of the liabilities may fall to RCBC. • The CEX STDC advised that with the businesses currently on site, once live in 2029/2030 a prudent estimation on business rates is around £40m for each of the entities. • An Independent Member asked if the external auditors would be coming on the journey with STDC. The Interim Group Director of Finance and Resources advised that they have a good working relationship with the auditors, they meet weekly and are proactive with taking items to them ensuring that they are always informed. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>Whilst there will always be items where they may have conflicting views it was felt that they work well together.</p> <ul style="list-style-type: none"> • An Independent Member felt that there were elements that could be put in place to ensure that the budget was closely managed, and this was to be considered as part of a workshop. • The Leader RCBC asked if as a voting member of TVCA Cabinet it was considered that he was conflicted in respect of recommendation (vii). The Interim Director of Finance and Resources confirmed that it was not a conflict. <p>RESOLVED: the Board</p> <ul style="list-style-type: none"> i. Noted mid-year performance against the Treasury Management Strategy approved by Corporation in June 2025. ii. Noted that the Treasury Management Strategy approved by the Board on 10 June 2025 was not compliant with the CIPFA code of practice and the work being carried out to address this. iii. Authorised 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. Noted that TVCA will be charging to STDC an amount equivalent to interest earned by STDC to offset interest lost making STDC creditor payments. v. Delegated 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. Approved the authorisation limit and operational boundary required by the CIPFA code 2021. vii. Formalised the treasury management arrangements between STDC and TVCA. 		
STDC 23/2025/26	Information Governance Report	<p>The Board received a report from the Head of Legal Services 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. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>The Head of Legal, STDC, advised that the report provided an overview of the requests received and would be taken read.</p> <p>The Board had the opportunity to ask questions:</p> <ul style="list-style-type: none"> An Independent Member asked for details in respect of the two Information Commissioner Complaints upheld in the complainants favour and an overview was provided. <p>RESOLVED: the Board noted the content of the report.</p>		
STDC 24/2025/26	Delegated and Urgent Decisions	<p>The Board received a report from the Head of Legal, STDC, providing details of all Urgent and Delegated Decisions taken since the last Board meeting.</p> <p>It recommended that the STDC Board:</p> <ol style="list-style-type: none"> Notes that no Urgent Decisions or Delegated Decisions had been taken since the last Board meeting. <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
<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> <p>The Chair sought approval from the Board to exclude members of the press and public and this was agreed.</p>				
STDC 25/2025/26	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>RESOLVED: the Board noted the content of the report.</p>		
STDC 26/2025/26	Date and Time of Next Meeting	26 March 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

GENERAL

1. This quarter has seen a significant focus on the preparatory work required to set the next financial year's budget and the publication of the Medium-Term Financial Plan (MTFP). While detailed discussions on these matters are addressed elsewhere on the agenda, I would like to acknowledge the substantial effort and coordination across our teams to ensure that a balanced budget and robust MTFP framework can be presented to the Board. This process has been supported by the introduction of informal budget-setting sessions, providing a forum for early discussion, challenge of assumptions, and cross-departmental collaboration. This work has involved careful planning, cross-departmental collaboration, and rigorous assessment of both operational and strategic priorities, laying the foundation for a sustainable financial position in the coming years.
2. Over this period, a significant amount of work has been undertaken to develop and validate the underlying information and data that supports the budget, working closely with TVCA colleagues, external advisors on business rates forecasting, and local authority colleagues in Redcar and Cleveland Council. Attention has been focused on the capital works programme, which is now naturally tapering following the successful delivery of contractual commitments to anchor tenants, the management of ongoing overheads and day-to-day spend at South Tees Developments Ltd (STDL), and a continued emphasis on commercial income. As site

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maintenance transitions to the management company TEMCO, there will be an increasing reliance on recovery through service charge mechanisms and the delivery of commercial services to both new and existing tenants.

3. It is worth noting that our financial model has always been based on borrowing upfront to prepare the site for redevelopment, with subsequent recovery of income through retained business rates from tenants on site, which is then used to repay those loans. As such, there is inevitably a timing gap between the initial borrowing and the realisation of income, which continues to be carefully managed as part of our overall financial planning and risk oversight.
4. Significant effort has been undertaken by STDC, supported by TVCA colleagues under the shared service arrangements, to achieve these outcomes. Looking ahead, and subject to the Board's approval of the budget later in the agenda, STDC will continue to chart its own course of leadership and strategic direction as a distinct entity. This approach provides further assurance to the Board that STDC is firmly in control of its own future and well-positioned to deliver its objectives independently.

TENANT UPDATE

An update on major tenant activity is provided below: -

5. South Bank:
 - SeAH – The majority of SeAH's construction activities on site are now complete. The tenant is progressing towards operational readiness to support its order book.
 - Land Adjacent to SeAH – Discussions continue with several potential tenants, primarily linked to offshore wind projects.
 - Freeport 'Entrance/Zone' – The planning application has been submitted and determined. Progress is now being made through the funding approval process for the entrance.
 - Quay Facilities Building – Construction is complete.
 - 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, and the garden is now open.
 - Severfield (A) – Construction of Phase I is nearing completion, with the site due to become fully operational in Q2.

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- Ørsted – The tenant is now in occupation, with monopiles being stored on the plot.
- Remaining Land – Active discussions continue with multiple potential tenants for the remaining available plots.

6. Dorman Point:

- Energy Recovery Facility (ERF) – Work continues to secure the necessary licences, and the final points of the lease are being finalised, with an expectation that the land will be drawn down in Q2. STDC continues to work closely with Hartlepool Borough Council and Viridor to support the delivery of the scheme in line with their respective requirements.
- Node A (Super Substation) – Plans are progressing with National Grid, in collaboration with Steel River Power, regarding development of the Node A plot. Discussions are ongoing, and further updates will be provided in due course.
- Remaining Land – Further interest is being progressed with potential tenants for the remaining plots.

7. Lackenby:

- British Steel – Development of the Electric Arc Furnace is currently on hold.
- Ashcourt – Land has been drawn down, and the facility is now operational.
- EOS – Legal agreements are in the final stages, with planning permission granted.
- Tees Dock Roundabout & HGV Park – Planning submissions for both the new entrance and associated HGV parking facility have been submitted and approved. Progress is now being made through the funding approval process for the entrance.
- Remaining Land – Further interest is being progressed with potential tenants for the remaining plots.

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

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- Remaining Land – Further interest is being progressed with potential tenants for the remaining plots.

9. Long Acres:

- Hanson – Planning application has been approved, and legal agreements are now progressing.
- Remaining Land – Further interest is being progressed with potential tenants for the remaining plots.

10. NZT:

- NZT – Land has been drawn down, works are progressing on site with BP's main contractor, Balfour Beatty, including both enablement and construction activities.

11. 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 – Further interest is being progressed with potential tenants for the remaining plots.

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

12. As previously reported, on-site bridge structures have been assessed, and a comprehensive maintenance plan has been developed to address identified repairs and required interventions.
13. 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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14. 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.
15. TEMCo will be 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
16. Professional services from Knight Frank have been engaged through a competitive procurement process to assist with the implementation of the service charge structure and mechanism across the estate.
17. 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

18. Responsibility for electricity supply continues to rest with South Tees Site Company (STSC).
19. Officers maintain ongoing liaison with JV partners to monitor and mitigate any potential financial or commercial risks to STSC arising from its supply obligations.
20. Supply agreements remain in place for tenants, with credit checks undertaken for both existing and prospective off-takers to continue managing credit risk effectively.
21. Engagement with Drax, Elexon, Ofgem, and Steel River Power regarding the installation of market-facing meters continues. SeAH has submitted the first meter application, which forms part of the longer-term plan to transition supply responsibilities away from STSC; progress remains incremental with no significant change since the last reporting period.

UTILITIES

22. Work to upgrade the Redcar High Voltage (HV) system to support the Park & Ride scheme continues and remains on track with the agreed programme. Oversight remains under close management control. Once finalised, the HV system will be adopted by the Power JV, at which point STDC will no longer have ongoing maintenance responsibilities.

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23. The medium- to long-term strategy for the Private Water Network, fully funded by private sector investment, remains unchanged. Initial offers of water supply have been issued to tenants and accepted, though there has been limited operational movement during this period. The potential development and eventual divestment of the network continues to be a strategic consideration for the Board.
24. Ownership of the Private Water Network continues to present both potential benefits and risks. Opportunities include supporting tenant requirements, maintaining strategic control over key infrastructure, and generating ongoing revenue. Key risks relate to operational complexity, regulatory obligations under NWL and Ofwat, and dependency on tenant volumes for financial viability. Officers maintain ongoing monitoring and will provide advice on strategic options as appropriate.
25. The Board is encouraged to maintain oversight of strategic options regarding the network's development and potential divestment. Officers will continue to assess operational and financial considerations, with recommendations to be presented for Board review at a suitable future date.

PROGRAMME DEVELOPMENT

26. Dorman Point

- The status of land remediation remains unchanged, with approximately 60% of the site complete.
- Proposed works adjacent to the Skills Academy, including the vehicle turnaround loop, remain on hold. This is pending confirmation of the final development layout at Dorman Point, which may require adjustments to the location of these works.
- Dialogue with National Grid on their proposed Super Substation development has continued positively. Following completion of their development fit analysis, Dorman Point has been confirmed as the preferred location, enabling decisions regarding the vehicle turnaround loop to be taken in due course.
- Progress on agreements between Teesworks Ltd, Steel River Power, and National Grid may enable further remediation works to commence once final arrangements are confirmed.
- Dialogue with Hartlepool Borough Council (HBC) and the operator Viridor continues regarding the proposed TV ERF site. Progress is being made toward financial close, with construction expected to commence once all arrangements are finalised.

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27. South Bank

- The installation of onshore utilities at South Bank Quay is nearing completion, with final commissioning expected shortly.
- Activity at the Quay continues to show strong growth. Much of Orsted's 32-acre lease behind the quay is now occupied by large monopiles, imported for subsequent export and installation on North Sea wind farm projects.
- Elsewhere at South Bank, Severfield is nearing completion of their 3.5-acre facility for wind turbine secondary steelwork assembly, supporting Orsted's operations. The facility is expected to become operational in the near term.

28. Demolition Works Programme

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

29. Net Zero Teesside

- Construction operations on the NZT project continue to progress across multiple fronts, including major utilities works throughout the wider Teesworks estate.
- STDC and Teesworks Ltd remain actively engaged with the BP team on planning and delivering enabling works for the project. This includes coordinating utilities requirements and managing the abnormal load route from RBT to the project site, where enabling construction activities are underway and progressing well.
- Additional elements of enabling works are scheduled to commence in the near term, in line with the overall project programme.

30. Teesworks Park and Ride Facility

- Work on Phases 1 and 2, including the new access junction and internal roads, is progressing well. Improvement works on the A1085 Trunk Road have experienced minor delays due to adverse weather during overnight closures, which affected surfacing works sensitive to temperature and rainfall. These delays are contractor risks under the contract. All works are on track to be completed shortly, with traffic management measures fully in place and no adverse feedback received regarding disruption to the wider road network.
- Phase 3, involving construction of the 1,500-space car park in two stages, is progressing in line with programme. The first stage is substantially complete, and the second stage is planned to deliver the remaining spaces in the near term.
- Alongside the ongoing use of two of the four existing Steel House car parks,

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sufficient parking spaces will be available to meet BP's phased requirements for the NZT project, ensuring STDC continues to fulfil its contractual obligations.

31. 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 roundabouts, and has completed the design for the A66/Tees Dock Road roundabout improvement scheme. These works respond to conditions attached to the outline planning permissions secured for developments across the Teesworks site.
- Tenders for the A66/Tees Dock Road roundabout improvements have been evaluated. Appointment of the preferred contractor is expected once highways grant funding is confirmed and alignment with the Medium-Term Financial Plan (MTFP) is assured. Quotations for the required statutory utility diversions have been secured, with confirmed start dates from utility providers needed before finalising the overall construction programme, helping to mitigate the risk of delays.

RISK ASSESSMENT

32. As previously reported, STDC is overseeing a number of major projects, each with distinct delivery risks. These risks continue to be actively managed through robust project management and established project control processes.

33. Each project is supported by a detailed plan, with regular progress reviews undertaken. Where required, corrective actions are implemented to mitigate potential impacts on cost and schedule, helping to ensure projects remain on track for timely delivery.

CONSULTATION & COMMUNICATION

34. There are no specific consultation or communication requirements arising from the content of this report.

EQUALITY & DIVERSITY

35. No specific impacts on individuals or groups with protected characteristics have been identified in relation to the content of this report.

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AGENDA ITEM 6
REPORT TO THE STDC BOARD
30 MARCH 2026
REPORT OF HEAD OF LEGAL, STDC

GOVERNANCE & APPOINTMENTS

SUMMARY

The Board are asked to review its Terms of Reference, to ensure that they accurately reflect the work of the STDC Board and remain fit for purpose and in line with best practice.

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. **Propose** amendments to the Board's Terms of Reference for consideration; and
- ii. **Note** the proposal to update the Board's Terms of Reference as part of the Organisational Improvement Plan whereupon it will be brought back to this Board for consideration and approval.

DETAIL

1. This Board carries out its work in accordance with its Terms of Reference. The Terms of Reference is a living document, and it is good practice to review them at least annually, to ensure that they reflect any changes to the Board's objectives, delegations, or the external environment.
2. The proposed updated Terms of Reference are attached at Appendix 1.
3. To assist Members of the Board when considering the amended Terms of Reference the following should be considered:
 - a. Ensuring that the Terms of Reference clearly defines the Board's purpose, scope, and specific responsibilities of its members.
 - b. The Terms of Reference should cover all Statutory responsibilities of the Board.
 - c. The Terms of Reference should outline how the Board will take decisions.

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4. A full review of all Terms of Reference is currently being undertaken as part of the wider Organisational Improvement Plan once completed they will be brought back to this Board for consideration and approval.

FINANCIAL IMPLICATIONS

5. There are no direct financial implications which result from the content of this report.

LEGAL IMPLICATIONS

6. It is good practice for the Board to review its Terms of Reference at least annually.
7. There are no other legal implications arising from the content of this report.

RISK ASSESSMENT

8. The updated Terms of Reference are categorised as low risk.

CONSULTATION & COMMUNICATION

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

EQUALITY & DIVERSITY

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

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**AGENDA ITEM 6, APPENDIX 1
REPORT TO THE STDC BOARD
30 MARCH 2026
REPORT OF HEAD OF LEGAL, STDC**

SOUTH TEES DEVELOPMENT CORPORATION

STDC BOARD : TERMS OF REFERENCE

January 2026

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Version Control			
Issue No	Version	Date	Approved for issue
01	Draft	17-Aug-17	24-Aug-17
02	Draft	17-Jul-19	24-Jul-19
03	Revised Draft	07-Jul-20	
04	Revised	08-Jan-26	

South Tees Development Corporation

Terms of Reference for the Board

1. Introduction

- 1.1. The primary purpose of the STDC Board is to guide and oversee delivery of the key objectives of the STDC as defined within the STDC Constitution:
 - 1.1.1. To further the economic development and regeneration of the South Tees area, so that it becomes a major contributor to the Tees Valley economy and the delivery of the Tees Valley's Strategic Economic Plan;
 - 1.1.2. To attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;
 - 1.1.3. To transform and improve the working environment of the South Tees Corporation area, providing good quality, safe conditions for the workforce and wider community; and
 - 1.1.4. To contribute to the delivery of the UK Industrial Strategy, by supporting the growth of internationally competitive industries with access to global markets, taking a comprehensive approach to redevelopment at a scale that enables the realisation of an international-level investment opportunity.
- 1.2. In performing its duties, the Board will maintain effective working relationships with the organisation's management, STDC Committee's and Groups and Government .
- 1.3. To perform his or her role effectively, each member of the Board must be familiar with these Terms of Reference as well as the organisation's business operations and risk.

2. Membership

- 2.1. The appointment of the Chair and Members of the Board of the South Tees Development Corporation are a Mayoral appointment and are reported to Tees Valley Combined Authority for transparency.

3. Secretary of the Committee

- 3.1. The secretary of the Board shall be appointed from the Governance Team of TVCA.

4. Quorum

- 4.1. The quorum of the Board is determined in Clause 5.3 of the STDC Constitution – the quorum shall be one-third of the members in office, rounded up in the event of an uneven number.

5. Frequency of Meetings

- 5.1. The Board shall meet quarterly or as further proposed by the Members and/or business requirements.

6. Papers for Meetings

- 6.1. Unless otherwise agreed, notice of each meeting (confirming the venue, time, and date, together with an agenda of items to be discussed) shall be forwarded to each member of the Board and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Board members and to other attendees, as appropriate at the same time.

7. Responsibilities

- 7.1. Leading the development of the future vision for the 4,500 acre South Tees area with a strong focus on economic growth, securing buy-in from the local public, businesses and delivery partners;

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- 7.2. Maximise the potential for regeneration, inward investment and economic growth in South Tees, aligning the vision within the wider strategic context for Tees Valley as a whole;
- 7.3. Work alongside the Mayor and Chief Executive, to establish the strategic vision and plans to deliver the objectives (see above) and staffing of the South Tees Development Corporation.
- 7.4. Making a robust case for funding and inward investment support from central Government for the South Tees Development Corporation;
- 7.5. Working with the South Tees Site Company Ltd (STSC), advise on site investigations, asset retention or purchase and any remediation required to attract new investment in line with the overall vision;
- 7.6. To take advice and receive reports from the Chief Executive and senior operational staff ensuring decisions are scrutinised by those with relevant expertise, and that financial implications have been fully considered;
- 7.7. Ensure responsive and genuine engagement with communities, businesses, stakeholders and parties;
- 7.8. Ensure effective communications and promotion of the South Tees area to potential investors and to local and national media.

8. Accountability

- 8.1. All decisions of the Corporation, unless otherwise delegated, shall be taken by the Board in accordance with the arrangements set out in the Constitution. The Board shall seek consensus on all matters, but where consensus cannot be achieved decisions shall be made by majority vote.
- 8.2. Subject to relevant legislation the Corporation may decide on its own procedure, and the procedure of any of its committees or sub-committees.

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8.3. The Board shall be responsible for identifying any decisions or issues which may result in a significant risk of:

- A financial liability; or
- A statutory liability; or
- An environmental or criminal liability

8.4. The Corporation must comply with any direction detailed within the relevant legislation (including but not limited to s220 Localism Act 2011), and must have regard to any guidance issues (s219 Localism Act 2011).

**AGENDA ITEM 7
REPORT TO THE STDC BOARD
30 MARCH 2026
REPORT OF INTERIM GROUP DIRECTOR OF FINANCE & RESOURCES**

**Q3 FORECAST OF REVENUE AND CAPITAL OUTTURN 2025/2026 AND
2025/2026-2028/2029 CAPITAL PROGRAMME**

SUMMARY

1 PURPOSE OF THE REPORT

- 1.1 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 December 2025.
- 1.2 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 STDC Q3 revenue deficit of £1.733m for year ending 31 March 2026 which is a negative movement of £2.228m from revenue budget to be funded from reserves;
- ii. Note the reduced subsidiary contribution requirement of £0.384m compared to £6.807m assumed within the budget.
- iii. Note the key drivers for this improved position;
- iv. Approve the revised treatment for subsidiary funding as shareholder equity contributions rather than revenue grant funding, noting that this will add £0.384m to the capital forecast outturn for 2025/26;
- v. Note the financial risks for 2025/26;
- vi. Note the forecast variance in the capital budget of £6.2m at Q3 against a capital budget for 2025/26 of £34.998m.

2 EXECUTIVE SUMMARY

- 2.1 The 2025/26 Budget was presented and approved by the Board on 27 March 2025 which set the overall deficit revenue budget of £6.312m, across the STDC Group, to be funded from the use of reserves and a capital budget for 2025/26 of £34.998m.
- 2.2 The Quarter 2 report to the STDC Board on 15 January 2025 forecasted a revenue outturn for the STDC group for 2025/26 of a surplus for the group position of £2.384m this compares to the Q3 group position of £2.177m, an improvement of £0.207m.
- 2.3 The budget approved by the STDC Board for 2025/26 set a surplus budget of £0.495m after contributions from reserves of £6.115m, the Q3 forecast for 2025/26 is a deficit of £1.733m, a negative movement of £2.228m. This is due to an increase in interest payable to TVCA.
- 2.4 For STDL the budget for 2025/26 approved a revenue grant contribution from STDC of £6.357m and the forecast year end contribution at Q3 is now nil due to a surplus forecast of £0.861m within STDL, a positive variance of £7.263m against the budget. The surplus of £0.861m will be held within STDL reserves to reduce further contributions required from STDC.
- 2.5 For STSC the budget for 2025/26 approved a revenue grant contribution from STDC of £0.450m, the forecast year end contribution at Q3 is £0.384m, a positive variance of £0.066m.
- 2.6 Historically, financial contributions to STDC's 100% owned limited companies have been treated as either revenue grant funding or equity injections depending on circumstances at the time. The S73 Officer has taken some additional advice in respect of these contributions and preliminary advice has indicated that they should be treated as shareholder equity contributions. Therefore, for 2025/26 these contributions have been treated in accordance with this preliminary advice but formal approval by the Board is now being sought for this change in treatment.
- 2.7 Shareholder equity injections are treated as capital expenditure and not a revenue cost. If approved then, based on the Q3 forecast outturn, £0.384m will be added to the capital budget for 2025/26 to be funded by borrowing.
- 2.8 The Q3 forecast capital outturn is £28.798m against a budget of £34.998m and no movement from Q2. The underspend against the budget is due to £6.200m of capital projects being deferred until 2026/27.
- 2.9 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

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and cost drivers. The STDC management team has been fully involved in the review to ensure ownership and accuracy.

- 2.10 It should be noted that for the Q3 forecast outturn position, all forecasts to year end are based upon the actual position at 31 December 2025 and a revised forecast for the final 3 months of the year which has been based on trends and discussed with the budget holders.
- 2.11 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 removed from the forecast as the Corporation is not now required to annually set aside revenue funds for the prudential repayment of outstanding capital borrowing. This is in accordance with provisions set out in CIPFA's Prudential Code and the Statutory Guidance on Minimum Revenue Provision (MRP) issued by the Government which was updated and issued on 1 April 2024 and first applies to the 2025/26 financial year. This exemption cannot be applied retrospectively.
- 2.12 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.
- 2.13 For Quarter 3, the forecast assumes that total interest payable of £11.274m, against a budget of £4.367m will be paid to TVCA based on the achievement of management mitigating actions
- 2.14 The STDC Board should note that the STDC management team has achieved mitigations totalling £10.139m in 2025/26 across the group of which £5.015m are attributable to STDC as a single entity, the remainder being held in STDL. A review of the business rates income, supported by external advisors has identified a further £5.015m business rates income that is awaiting Valuation Office formal confirmation. This confirmation is now expected by the end of Quarter 1 in 2026/27. This additional business rate forecast income has been included in the Q3 forecast income.
- 2.15 The STDC group budget approved by the Board in March 2026, 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 which required adjustments impacting on revenue reserves. Following these adjustments, opening reserves have been revised to £17.558m.
- 2.16 With the proposed change in treatment of the cash injections into the subsidiary companies, the forecast reserves at the end of 2026/27 will be £15.825m after reserve drawdown for the forecast deficit at Q3 of £1.733m.

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3 QUARTER 3 – REVENUE FORECAST OUTTURN 2025/26

3.1 At the end of Quarter 3 (31 December 2025), the Corporation is forecasting a net revenue deficit of £1.733m for 2025/26, which is a negative movement of £2.228m from the approved revenue budget as set out in **Table 1** below.

Table 1 – STDC Q3 Forecast Outturn

	Represented Approved Budget 2025/26 £'000	YTD £'000	Q3 Forecast 2025/26 £'000	Variance £'000
Other Income	-	(15)	(15)	(15)
Works Agreement	(567)	-	(205)	362
Business rates	(4,868)	(7,412)	(9,883)	(5,015)
Scrap sales	-	(389)	(400)	(400)
Total Income	(5,435)	(7,816)	(10,503)	(5,068)
Operating Expenditure				
Employees	730	525	730	-
Premises	84	-	84	-
Transport	-	-	-	-
Supplies and Services	1,024	915	1,125	101
Third Party payments	-	-	363	363
RCCO	-	-	-	-
Total Operating Expenditure	1,838	1,440	2,302	464
Net operating (surplus) / deficit	(3,597)	(6,376)	(8,201)	(4,604)
Central Overheads				
Cost of borrowing - MRP	1,435	-	-	(1,435)
Cost of borrowing - Interest	4,367	8,456	11,274	6,907

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	Represented Approved Budget 2025/26 £'000	YTD £'000	Q3 Forecast 2025/26 £'000	Variance £'000
Third Party - Interest	(2,700)	(1,047)	(1,340)	1,360
Net cost of borrowing	3,102	7,409	9,934	6,832
Net (surplus)/deficit revenue position	(495)	1,033	1,733	2,228

3.2 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 is now forecast.
- **Business rates additional income of £5.015m**
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 which is anticipated by the end of Quarter 1 in 2026/27.
- **Cost of borrowing – MRP underspend of £1.435m**
The budget of £1.435m was based upon a calculation which has now been written back due to guidance issued in 2024 that exempts development corporations from MRP, applicable from 2025 onwards.
- **Cost of borrowing – interest overspend of £6.907m**
The interest budget of £4.367m 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. The loans are set out in **Appendix 3**.
- **Third party interest under achievement of income by £1.360m**
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

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income. The deficit has been partially mitigated by interest earned on the forward funding agreements.

Q3 Capital Forecast Outturn 2025/26

3.3 At the end of Quarter 3 (31 December 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 £6.2m as set out in **Table 2** below.

Table 2 – STDC Q3 Capital Forecast Outturn 2025/26

	Budget 2025/26 £'000	YTD Actual £'000	Forecast Outturn £'000	Variance £'000
Capital Budget				
Park & Ride	17,869	11,383	17,869	-
Demolition	1,145	502	1,145	-
Site Preparation and Infrastructure	14,929	3,884	8,729	(6,200)
Enabling Studies and Other	1,055	288	1,055	-
Total Capital Expenditure	34,998	16,057	28,798	(6,200)

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Funded By:				
Capital Receipt - Land Sale	5,000	5,000	5,000	-
Borrowing	29,998	11,057	23,798	(6,200)
Total Funding	34,998	16,057	28,798	(6,200)

3.4 The key variances are due to deferrals of non-critical capital projects from 2025/26 to 2026/27.

3.5 The capital borrowing in 2025/26 of £23.798m above will be deemed to be drawn down on 31 March 2026. This is compared to the Q1 forecast borrowing requirement of £29.998m. Interest and principal repayments will become due in 2027/28.

Q3 Forward Funding Agreements 2025/26

3.6 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'. 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 Q3 forecast position is set out in **Table 3** below.

Table 3 – Forward Funding Agreements

	Prior years' £'000	Budget 2025/26 £'000	YTD £'000	Forecast 2025/26 £'000
NZT Project	27,700	3,800	3,502	3,352
Osted Project	1,499	3,310	4,032	4,032
Total Capital Expenditure	29,199	7,110	7,534	7,384
Funded by				
Private Sector Contributions Received	15,000	-	8,883	8,883
Private sector funding owed	14,199	7,110	6,726	7,061
Total Funding	29,199	7,110	15,609	15,944

3.7 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 Q3 forecast interest of £1.140m has been included in third party interest in **Table 1** above.

It should be noted that the capital budget above was not included in the overall capital programme as was shown separately in the approved budget report.

Risks – Q3 Summary of Key Financial Risks for 2025/26

3.8 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 Q3 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 £0.200m 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 £2.787m as set out in **Appendix 1**. STSC collect income for power and water totalling £9.218m as set out in **Appendix 2**.
- (d) **Cash position** – As highlighted in this report, the single biggest source of income for STDC is business rates income. Due to the nature of the operation of the national business rate system, there is a time lag of more than one year for business rates due to be captured on formal government returns and for the resulting cashflows to flow through to relevant recipient authorities. Therefore, whilst business rates income is accrued, it is some time before STDC receives the cash. In addition, cash injections into the subsidiaries are proposed to be treated as equity injections. This increases the Corporation's CFR and, now that MRP is not required to be provided for, the MTFP is currently not setting aside "cash" to fund these cash payments that are being made to the subsidiaries. Similarly, loan agreements for borrowing from TVCA will be finalised early in 2026/27 which will set principal repayment schedules. Again, not setting aside MRP (or VRP) will mean that cash is not being built up to make those principal repayments. The reliability of the cashflow modelling in the new financial year will be a crucial tool to manage these risks.
- (e) **Financial sustainability** of the financial model for STDC - This is based upon raising business rates from inward investment on the Teesworks site as the heraditaments occupied by businesses become fitted out for operations. There is inevitably a lag between the investment (and borrowing to fund this) by STDC in the regeneration of the site and the business rates income inflow.

4 FINANCIAL IMPLICATIONS

- 4.1 As this is a finance report, the financial implications are contained therein.

5. LEGAL IMPLICATIONS

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

6. RISK ASSESSMENT

6.1 There are key risks for STDC as follows:

6.2 Business rates income forecasts are subject to confirmation of valuations by the Valuation Office. Forecasts have been based upon valuations from external advisors. .

6.3 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.

7. CONSULTATION & COMMUNICATION

7.1 No consultation has taken place.

8. EQUALITY & DIVERSITY

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

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Appendix 1 – STDL Q3 Position

The overall Q2 forecast outturn for 2025/26 of a surplus of £0.861m for STDL for 2025/26 is set out in **table 4** below.

Table 4 – Q3 forecast outturn 2025/26

	Approved Budget 2025/26 £'000	Q3 Outturn £'000	Forecast 2025/26 £'000	Variance £'000
Lease Income – One Off	-	(3,000)	(4,500)	(4,500)
Commercial Services External	(344)	(515)	(965)	(621)
Service Charge & Rent	(702)	(1,368)	(1,822)	(1,120)
Release of provision	-	-	(1,000)	(1,000)
Total Income	(1,046)	(4,883)	(8,287)	(7,241)
Operating Expenditure				
Employees	720	476	743	23
Retained Estates	1,964	1,547	1,964	-
Communal Estates	4,110	2,755	4,110	-
Commercial Services	609	437	609	-
	-	-	-	-
Total Operating Expenditure	7,403	5,215	7,426	23
Net operating (surplus) / deficit	6,357	331	(861)	(7,217)

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

- Forecast one off lease income of £4.500m
- Commercial services income including £0.624m license income

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- Service charges & rent income forecast outturn of £1.880m against the approved budget of £0.702m. This is due to a prudent approach being adopted in the setting of service charge income budgets, developed in January 2025.

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Appendix 2 – STSC Q3 Position

The overall forecast outturn for STSC for 2025/26 is a deficit of £0.384m against a budgeted deficit of £0.450m as set out in **Table 5** below.

Table 5 – Q3 forecast outturn 2025/26

	Approved Budget 2025/26 £'000	Q3 Outturn £'000	Forecast 2025/26 £'000	Variance £'000
Power Income	(37,087)	(6,428)	(9,109)	(27,978)
Water Income	(1,005)	(78)	(109)	(896)
Water Use of Systems Income	(84)	-	-	(84)
Intercompany Recharges	(257)	(97)	(107)	(150)
Total Income	(38,433)	(6,603)	(9,325)	(29,108)
Operating Expenditure				
Operating costs	88	-	-	88
Power Consumption and services	37,193	6,486	9,175	28,018
Water Consumption and services	1,274	297	394	880
Keep Safe Activities	328	104	140	188
				-
Total Operating Expenditure	38,883	6,887	9,709	29,174
Net operating (surplus) / deficit	450	285	384	66

The electricity and water forecast outturn spend and recharge of £9.709m is substantially less than the respective budgets of circa £38.434m due the delayed start, and slower ramp up, of 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 income which is forecast as £0.384m against the approved budget of £0.450m deficit.

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 have been based on the loan schedule contained in the table.

Table 1 – STDC Forecast borrowings as at 31 March 2026

Loan Title	Drawn Down Date	Loan Amount		Interest Rate
		2024/25	2025/26	
		£	£	
TVCA Investment Programme	31/03/2019	11,214,500		3.50%
TVCA Investment Programme	31/03/2021	10,451,471		3.50%
TVCA Investment Programme	31/03/2022	24,807,760		3.50%
TVCA Investment Programme			46,865,383	
STDC GENERAL 1	31/03/2023	79,450,094	79,450,094	4.00%
STDC GENERAL 2	31/03/2024	73,593,327	73,593,327	4.67%
STDC GENERAL 3 (Heavy Lift)	31/03/2024	6,800,000	6,800,000	4.63%
STDC NZT 1	01/11/2024	14,295,753	14,295,753	5%
STDC NZT 2	31/03/2025	12,340,823	12,340,823	4.75%
STDC 24/25 loan	31/03/2025	49,496,067	49,496,067	5%
STDC 25/26 loan	31/03/2026		23,398,000	5%
STDC 26/27 loan	31/03/2027			5%
TVCA Facility Total			259,374,064	
Quay (UKIB)	01/04/2021	26,702,222	-	1.99%
Quay (UKIB)	01/04/2022	61,512,185	-	1.99%
Quay (UKIB)	02/03/2024	17,908,337	-	1.99%
Quay (UKIB) Rolled up Interest	31/03/2024	4,926,587	-	1.99%
Quay (UKIB)			108,222,418	
TOTAL		393,499,126	414,461,865	

**AGENDA ITEM 8
REPORT TO THE STDC BOARD
30 MARCH 2026
REPORT OF INTERIM GROUP DIRECTOR OF FINANCE AND RESOURCES**

**CAPITAL & REVENUE BUDGETS 2026/27, UPDATED MTFP AND CAPITAL
PROGRAMME 2026/27 – 2030/31**

SUMMARY

This report presents the draft revenue budget for the South Tees Development Corporation Group for 2026/27 together with the Medium-Term Financial Plan to 2030/31.

Key assumptions and risks in setting the final budgets for the forthcoming financial year and future years are also highlighted.

The Board is also presented with the revised five-year Capital Programme to 2030/31 for approval, together with the Corporation's proposed Capital Budget for 2026/27.

This report also presents the forecast usable revenue reserves as of 31 March 2027 incorporating the financial implications of the proposed draft revenue and capital budget impacts.

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. Approve the South Tees Development Corporation Budget for the Corporation for 2026/27
- ii. Approve the Capital Strategy for 2026/27
- iii. Approve the updated Medium Term Financial Plan 2026/27 to 2030/31
- iv. Approve the Capital Budget for 2026/27 and revised capital programme to 2030/31
- v. Approve the transfers to/from reserves as set out in Table 9

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- vi. Note the forecast revenue reserves on 31 March 2027
- vii. Note the key financial risks for the MTFP period
- viii. Approve equity contributions to STDL of £5.278m for 2026/27 and STSC of £0.492m

DETAIL

EXECUTIVE SUMMARY

1. As set out in the South Tees Development Corporation's (STDC) Constitution and as required by law, each financial year. Annual revenue and capital budget proposals are developed for consideration by the Development Corporation's Board.
2. Under local authority accounting rules, the Corporation is required by law to set a balanced revenue budget for the forthcoming financial year and the budget proposed for 2026/27 complies with this requirement.
3. The proposed budget includes a planned drawdown of £4.762m from the Corporation's reserves. This drawdown represents the use of unspent revenue funds from previous years.
4. This report sets out the latest assumptions and estimates underpinning the budget proposals for consideration and the Board should consider whether those assumptions are reasonable in approving the draft budget.
5. To underpin its financial sustainability, the Corporation is also required to consider the financial forecasts for the following years and approve a Medium-Term Financial Plan (MTFP). This report presents the updated Medium Term Financial Plan covering the period to 2030/31 as set out in Table 1. The Board should note that the MTFP currently assumes that a balanced budget can be set for each of the MTFP financial years.
6. As highlighted in the Reserves section of this report, the Corporation is forecast to have usable revenue reserves of £11.062m at 31 March 2027 as set out in Table 1.
7. The Capital Strategy is a legal requirement and sets out the Corporation's strategic approach to capital investment over the MTFP period.
8. It is a requirement for the Board to approve a Capital Strategy to ensure that capital expenditure aligns with the Corporation's business case, approved by MHCLG for the regeneration of the Teesworks site in July 2020, is affordable and sustainable,

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particularly regarding the impact of borrowing on the revenue budget, and is supported by robust plans for delivery. This is appended in Appendix 1.

9. There is a further requirement for the Board to approve a Treasury Management Strategy, this sets out a structured framework designed to manage cashflows, investments, borrowings and financial risks to support long term sustainability and strategic, capital projects. This is separate report on this agenda for Board approval.
10. This report presents the proposed Capital Budget for 2026/27 and latest Capital Programme to 2030/31 as set out in Table 6. The Board should note that the proposals are currently based upon the contractual requirements of the Corporation being delivered. Transport specific projects are excluded from the capital programme reported to this March Board as these will only go ahead should the CRSTS transport grant allocation be approved by the TVCA Cabinet, which is scheduled to be considered in June 2026. The financing of the non-transport projects are to be funded entirely from borrowing from TVCA.
11. Based on the latest capital programme, the Corporation's capital financing requirement (CFR) - underlying need to borrow - is forecast to be £594.4m at the end of March 2027, which is an increase of (£8.1m) from the forecast closing position at 31 March 2026.
12. Historically, the Corporation's CFR would increase by new capital expenditure funded by borrowing but decrease by Minimum Revenue Provision (MRP) provided within the revenue budget. However, updated MRP guidance issued on 1 April 2024 and applicable from 2025/26, now specifically excludes development corporations from the statutory requirement to provide MRP. From 2025/26 onwards, MRP will no longer be provided in the Corporation's revenue budgets and, whilst this releases revenue budget, the Corporation's CFR will not reduce. This matter is being discussed with CIPFA.
13. Therefore, the increase of £8.1m represents the capital budget for 2026/27. Currently, there is a further requirement for capital spend of £63.2m to be funded from additional borrowing by STDC to fund the latest capital programme over the MTFP period to 2030/31 and, therefore, the CFR will continue to increase.
14. The capital budget for 2026/27 as proposed does not currently include any funding from CRSTS capital transport grant. The Department for Transport has approved, subject to formal business case, a change control request for a £100m of CRSTS grant to be allocated to STDC for transport related capital projects. Since this is an

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allocation from TVCA's existing allocation, TVCA Cabinet will need to formally approve this allocation. A report is currently scheduled to be presented to the TVCA Cabinet in June 2026 and should this allocation of funding be approved, a report will be brought to a future Board for approval of the relevant transport projects and the grant funding and this will lead to the STDC existing borrowing requirement reducing and allow for transport projects to be considered by the Board for inclusion in the STDC capital programme.

15. The STDC total borrowing gives rise to £14.6m of interest payable for 2026/27.
16. This report also presents to the Board the key assumptions underpinning the budget proposals including any estimates for inflation, pay awards and any other known increases or decreases in expenditure or income as set out in Table 2.
17. The Board is also presented with the key financial risks that the Corporation is facing over the medium term. The key significant risk being the level of business rates income as this is the primary source of revenue income for the Corporation. The estimated income for 2026/27 of £9.7m is included in the revenue budget, pending final confirmation of this amount from the Valuation Office. The estimates have been based upon discussions with the billing authority and our technical advisors. A provision of £0.972m has been set up to help mitigate the estimation risk, being 10% of the total estimated income for each year of the MTFP as set out in Table 1.

BACKGROUND

18. As set out in the South Tees Development Corporation (STDC) Constitution, the Group, in consultation with the STDC Head of Finance & Resources, will develop annual revenue and capital budget proposals for consideration and approval by the Development Corporation's Board.
19. The Corporation is required to follow local authority accounting rules in setting its annual budgets with the overarching requirement to set a balanced budget for the forthcoming financial year.
20. To accompany the proposed revenue and capital budgets and the Medium-Term Financial Plan (MTFP), the Corporation is required to approve other supporting strategies.

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21. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 included a requirement for local authorities to produce a Capital Strategy to demonstrate that capital expenditure and investment decisions are taken in line with strategic objectives and take account of stewardship, value for money, prudence, sustainability and affordability. A Capital Strategy has been developed and is set out in Appendix 1 for approval.
22. The Local Government Act 2003 requires Councils to have regard to the CIPFA Prudential Code on Treasury Management (the Code). Not only is there a requirement for an Authority to set a balanced revenue budget but also a capital programme that is prudent, affordable and sustainable. Underpinning this is the requirement to have sufficient funds available at the appropriate time to meet those requirements. It is the remit of the Treasury Management function to ensure this happens. The treasury management function is currently provided by TVCA finance team.
23. The CIPFA Treasury Management Code 2021 requires the Authority to approve a Treasury Management Strategy annually and this will be presented to the Board for approval in March. This is set out in a separate report on the agenda for Board approval.

CONTEXT

24. The work of the Development Corporation is funded through retained business rates or by revenues raised directly for rents, service charges and commercial income.
25. The Corporation receives a 50% share of retained business rates for all growth in the special designated area as approved by MHCLG for a period of 25 years from commencement. This period ends in 2046.
26. It should be noted that STDC has previously 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 (GSPWA). Under both arrangements STDC forward fund capital redevelopment works, which are fully repayable under the terms of the advanced agreements. These arrangements are nearing completion and no further forward funding agreements are forecast, any requests will be considered in line with the GSWPA.

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MEDIUM TERM FINANCIAL PLAN

27. The Medium-Term Financial Plan (MTFP) sets out the Corporation’s high-level approach to financial planning and the management of its financial resources to underpin its continued financial sustainability. This also ensures that financial resources are aligned with the Corporation’s Strategic plans for site preparation and infrastructure on the regeneration site.
28. The MTFP should highlight all matters affecting its financial position and sustainability over the medium term as well as consider strategic objectives and constraints in finances which may impact on decision making.
29. Annual budgets, by definition, are short-term in nature and so the MTFP provides financial forecasts over the medium term. but the further out these forecasts project, the greater the uncertainty with the financial estimates due to the number of factors which are beyond the Corporation’s direct control.
30. Due to the inherent risk and uncertainty, the Corporation’s financial strategy, assumptions have been made regarding income and expenditure and provisions/contingencies have been included to reflect levels of risk.
31. Table 1 below presents the Corporation’s proposed 2026/27 revenue budget and Revenue MTFP.

Table 1 STDC MTFP 2026/27 to 2030/31

	Annual Budget	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£
	2026/27	2027/28	2028/29	2029/30	2030/31
Income					
Business Rates	(9,718,330)	(9,718,330)	(16,318,330)	(37,174,330)	(40,342,330)
Quay Operating Income	(3,447,500)	(3,447,500)	(3,447,500)	(3,447,500)	(3,447,500)

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	Annual Budget	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£
	2026/27	2027/28	2028/29	2029/30	2030/31
Total Income	(13,165,830)	(13,165,830)	(19,765,830)	(40,621,830)	(43,789,830)
Operating Costs					
Employees	805,471	825,607	846,248	867,404	889,089
Premises	86,520	89,116	91,789	94,543	97,379
Supplies and services	1,158,750	1,193,513	1,229,318	1,266,197	1,304,183
TVCA SLA charge	350,000	350,000	350,000	350,000	350,000
Business Rates provision (10%)	971,833	971,833	1,631,833	3,717,433	4,034,233
Total Operating Costs	3,372,574	3,430,068	4,149,187	6,295,577	6,674,884
Net Operating Position	(9,793,256)	(9,735,761)	(15,616,642)	(34,326,253)	(37,114,945)
Cost of borrowing					
Interest	14,555,655	15,090,089	15,540,631	16,150,819	16,722,802
Interest STDC capital loans 26 onwards	-	1,193,160	1,646,198	2,161,590	3,532,338
Total cost of borrowing	14,555,655	16,283,249	17,186,829	18,312,410	20,255,140
Net Deficit/(Surplus) before contributions	4,762,399	6,547,488	1,570,187	(16,013,843)	(16,859,805)
RESERVES:					

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	Annual Budget	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£
	2026/27	2027/28	2028/29	2029/30	2030/31
Opening Reserves	(15,824,883)	(11,062,484)	(4,514,996)	(2,944,809)	(18,958,652)
Net position Deficit (Surplus)	4,762,399	6,547,488	1,570,187	(16,013,843)	(16,859,805)
Closing Reserves deficit/(surplus)	(11,062,484)	(4,514,996)	(2,944,809)	(18,958,652)	(35,818,457)

32. For the purposes of the MTFP business rates income forecasts have been based upon estimates of rateable values as well as forecast dates for when the business could be deemed operational in the future for those that are not as yet already operative. The estimated rateable values will be confirmed as a final valuation by the Valuation office in accordance with their timeframes and estimates will then be updated. Any updates will be reported to the Board in the usual quarterly reporting cycle. However, the estimates included are deemed to be prudent based on external advice.
33. As can be seen from the MTFP table above, the full costs of interest payable to TVCA on all loans to the Corporation are factored into the MTFP. The estimates over the MTFP include all existing borrowings from TVCA as well as borrowings for future estimated capital spend. The interest calculations are based upon interest becoming due 1 year and 1 day post drawdown of loans by STDC. The borrowing being undertaken are on an annuity basis. It should be noted that repayments of principal for loans against the £350m TVCA facility will be made on a stepped basis to reflect affordability of the Corporation to make these repayments which directly reflects increasing levels of business rates income within STDC. Interest calculations will reflect these stepped payments.
34. The Corporation will continue to make annual principal and interest repayments for the following loans which are outside of the TVCA £350m main facility:
- The Quay Loan
 - The IP Loan
 - NZT 1 Loan
 - NZT 2 Loan

MTFP ASSUMPTIONS AND ESTIMATES

- 35. As set out above, a set of assumptions have been used for the calculation of estimated business rate income forecasts, as set out in Table 2.
- 36. Further to the income assumptions, the Corporation’s expenditure increases every year for inflationary items such as the pay award and contract indexation with other expenditure such as Employers’ NI and Employers’ pension contributions also potentially increasing. The following expenditure assumptions that have been included in the MTFP are also set out in table 3 below.

Table 2: MTFP Assumptions

Budget Area	Assumption
Pay Award	3%
Employed Staff	Budgeted on actual 2026/27
Establishment Vacancies	Budgeted on highest Incremental point within grade
Contract Price Inflation	3% Inflation in STDC
Employers NI Contribution	2025/26 contribution rate
Employers Pension Contribution	2025/26 contribution rate
Borrowing Costs	Budgeted on borrowing full CFR (not actual borrowing undertaken to date)
Borrowing Interest Rates	The interest rates are those agreed with TVCA on fixed rate loans

DRAFT CORPORATION REVENUE BUDGET 2026/27

- 37. In setting their annual budgets, it is common practice for organisations to adopt an incremental approach to budget setting. This approach takes the current year base budget, rolls that budget forward and then adjustments are made to take account of known changes. These changes could be the removal of one-off expenditure and income budgets, adjustments for indexation and inflation e.g. pay award and the inclusion of additional income streams and/or corresponding expenditure streams.

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38. Another approach that can be adopted is a zero-based methodology whereby budgets are built from scratch with close working between the services and Finance.
39. A significant amount of work has been undertaken during 2025/26 to build upon the existing knowledge of the business rates system, both as a corporation as well as jointly with the billing authority. This has been a particular focus for the Corporation as this is the single most significant income budget. The Corporation has commissioned external advice from to support this ongoing work.
40. For 2026/27, budget setting for expenditure has built on the work carried out in 2025/26 and a hybrid approach has been adopted in setting the budget with a mixture of rolled forward budget where available and re-based approach where circumstances have changed.
41. In terms of the capital programme, for 2026/27 a programme has been out together that focusses on the delivery of the Corporation's contractual requirements. Subject to transport grant funding being made available to the Corporation, transport projects will be put forward to a future Board for approval.
42. The existing draft Service Level Agreement (SLA) between TVCA and STDC for support services is currently being reviewed and discussed and a new agreement for the forthcoming financial year will be agreed. This may impact on the final cost but, from a budgeting perspective, the budget position for both is aligned for 2026/27. The review of the SLA is being undertaken in line with a review of the finance structure within the Corporation as well as moving STDL to the Sage financial system such that both limited companies are managed locally within the Sage financial system, more appropriate for limited company accounting and budget management. This will be a significant project for 2026/27.

STDC BUDGET 2026/27

The table below sets out the STDC budget for 2026/27.

Table 3 – STDC Budget 2026/27

	Annual Budget 2026/27
Income	
Business Rates	(9,718,330)
Quay Operating Income	(3,447,500)
Total Income	(13,165,830)
Operating Costs	
Employees	805,471
Premises	86,520
Supplies and services	1,158,750
TVCA SLA charge	350,000
Business Rates provision (10%)	971,833
Total Operating Costs	3,372,574
Net Operating Position	(9,793,256)
Cost of borrowing	
Interest	14,555,655
Total cost of borrowing	14,555,655
Net Deficit/(Surplus) before contributions	4,762,399
RESERVES:	
Opening Reserves	(15,824,883)
Net position Deficit (Surplus)	4,762,399
Closing Reserves deficit/(surplus)	(11,062,484)

Revenue budget changes from 2025/26 to 2026/27

43. The draft budget for 2026/27, together with the changes from the 2025/26 base budget, are set out in the table below together with detailed explanations on the budget movements.

Table 4 – Budget changes from 2025/26 to 2026/27

	Approved Budget 2025/26 £'000	Draft Budget 2026/27 £'000	Variance £'000
Works Agreement	(567)	-	567
Business rates	(4,868)	(9,718)	(4,850)
Quay Operating Income	(2,700)	(3,448)	(748)
Total Income	(8,135)	(13,166)	(5,031)
Operating Expenditure			
Employees	730	805	75
Premises	84	87	3
Supplies and Services	1,024	1,159	135
TVCA SLA charge	-	350	350
Business Rates provision (10%)	-	972	972
Total Operating Expenditure	1,838	3,373	1,535
Net operating (surplus) / deficit	(6,297)	(9,793)	(3,496)
Central Overheads			
Cost of borrowing - MRP	1,435	-	(1,435)
Cost of borrowing - Interest	4,367	14,556	10,189
Net cost of borrowing	5,802	14,556	8,754
Net (surplus)/deficit revenue position	(495)	4,762	5,258

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44. The table above sets out the key changes from the budget set in 2025/26 to the budget for 2026/27.

Business Rates Income

45. The business rates income estimates for 2025/26 of £9.883m has been estimated to be £9.718m for 2026/27. This is due to changing estimates in rateable values and assumptions regarding the deemed operative dates for the relevant businesses on sites and revised valuations.

Quay Operating Income

46. STDC receive income from Steel River Quay Ltd for the tonnage of cargo out of the Quay in accordance with the Quay Operating Agreement approved in 2022. The budget set in 2025/26 of £2.700m was based upon full operation of the Quay during 2025/26. However the Quay has experienced a slower than anticipated level of demand r than expected during the 2025/26 financial year. Budget was based on full-year operation whereas the actual was mid-year and demand increased at a slower rate than expected. The 2026/27 budget of £3.448m has been derived from reforecasted demand for tonnage out of the Quay in discussions with Steel River Quay Ltd.

Interest payable

47. The interest payable budget has increased by £6.907m to £14.556m in 2026/27. As has been reported through the 2025/26 Quarterly budget monitoring reports, the Corporation's costs of borrowing are forecast to increase due to loans previously drawn down becoming eligible for interest repayments in accordance with the 1 year and 1 day principal for interest repayments.

Provisions

48. A budget provision of £0.972m has been created to provide for variations to the business rates estimates for 2026/27. This helps to mitigate the risk that the Valuation Office's final valuations differ to the estimates set within the budget for 2026/27. This is a new provision for the Corporation, the previous treatment in the budget was to include 90% of the income rather than the full estimate, this gives greater transparency.

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2025/26 QUARTER 3 REVENUE FORECAST

49. The Quarter 3 forecast is a separate report on this agenda and indicates a net underspend against the budget for 2025/26 of £3.334m. The underspend is primarily due to one off income which has been applied to a budget difference regarding interest repayments that were due to TVCA but omitted from the STDC budget for 2025/26. A summary of the Q3 2025/26 forecasts are included in Table 3 below for ease of reference.

Table 5 – Q3 Forecast

	Approved Budget 2025/26 £'000	Q3 Outturn £'000	Forecast 2025/26 £'000	Variance £'000
Other Income	-	(19)	(15)	(15)
Works Agreement	(567)	-	(205)	362
Business rates	(4,868)	(7,412)	(9,883)	(5,015)
Scrap sales	-	(389)	(400)	(400)
Total Income	(5,435)	(7,821)	(10,503)	(5,068)
Operating Expenditure				
Employees	730	525	730	-
Premises	84	-	84	-
Transport	-	-	-	-
Supplies and Services	1,024	915	1,125	101
Third Party Payments	-	-	363	363
RCCO	-	-	-	-
Total Operating Expenditure	1,838	1,440	2,302	464

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	Approved Budget 2025/26 £'000	Q3 Outturn £'000	Forecast 2025/26 £'000	Variance £'000
Net operating (surplus) / deficit	(3,597)	(6,381)	(8,201)	(4,604)
Central Overheads				
Cost of borrowing - MRP	1,435	-	-	(1,435)
Cost of borrowing - Interest	4,367	8,456	11,274	6,907
Third Party - Interest	(2,700)	(1,047)	(1,340)	1,360
Net cost of borrowing	3,102	7,409	9,934	6,832
Net (surplus)/deficit revenue position	(495)	1,028	1,733	2,228

Year-end accounts – External audit process

50. As the Board will be aware, the external audit for 2023/24 and 2024/25 have still not been concluded historically, financial contributions to STDC's 100% owned limited companies have been treated as either revenue grant funding or equity injections. The limited company auditors have raised a query in respect of the change in treatment
51. Historically, financial contributions to STDC's 100% owned limited companies have been treated as either revenue grant funding or equity injections depending on circumstances at the time. The S73 Officer has taken some additional advice in respect of these contributions and preliminary advice has indicated that they should be treated as shareholder equity contributions. Therefore, for 2025/26 and for 2026/27, these contributions have been treated in accordance within this preliminary advice.
52. The financial accounts for STDL (and STSC) were due to be submitted to Companies House by 31 December 2025 and an extension was granted to 31 March 2026 to

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allow for the external audit queries to be satisfactorily involved and to ensure consistent treatment in intercompany group transactions.

53. STDL’s external auditor has raised a query in respect of the change in treatment from revenue grant funding to equity injection and this matter has not been concluded at the time of writing this report.
54. Therefore, there remains a risk that matters raised through the conclusion of the external audit may have an impact on the financial position of the Corporation.

CAPITAL PROGRAMME

55. The Corporation holds the contractual obligation for site preparation and infrastructure for anchor tenants. The capital programme has been developed to ensure that the Corporation meets these specific contractual commitments. The proposed capital programme is set out in Table 6 below.

Table 6 – STDC Core Capital Programme

	Budget 2026/27	Estimate 2027/28	Estimate 2028/29	Estimate 2029/30	Estimate 2030/31
	£'000	£'000	£'000	£'000	£'000
Park and Ride	-	-	-	-	-
Demolition	-	1,440	528	528	528
Site Preparation and Infrastructure	2,362	763	5,916	5,916	5,916
Enabling Fees	631	488	65	65	65
Transport	-	-	-	-	-
Quay	81	-	-	-	-
Remediation	2,546	2,841	767	767	767
NZT	1,035	-	-	-	-

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	Budget 2026/27	Estimate 2027/28	Estimate 2028/29	Estimate 2029/30	Estimate 2030/31
	£'000	£'000	£'000	£'000	£'000
Capitalised revenue costs	200	175	-	-	-
Capital contribution in subsidiaries	5,770	5,729	5,749	5,769	5,789
Total	12,625	11,436	13,025	13,045	13,065

56. Further to this TVCA have completed a change request with DfT for the virement of £100m of Transport Grant, allocated to Tees Valley Combined Authority, to STDC to support capital transport infrastructure projects. As TVCA Cabinet is the Accountable Body for this grant, this allocation will need to be formally approved for transfer. This matter is currently the subject of a report to TVCA Cabinet scheduled for June 2026. If this is approved, then the capital budget will not change but the funding source for the capital expenditure will change. This will have the impact of reducing borrowing for 2026/27 which will reduce the MTFP interest payable estimate in 2028/29 under the 1 year + 1 day loan interest arrangements with TVCA.

TREASURY MANAGEMENT

57. STDC undertakes borrowing to fund capital expenditure across the regeneration site for the purposes of remediation, site preparation and infrastructure. As the Board is aware, the original business case for the Teesworks site was based upon borrowing upfront for the remediation of land with this borrowing being repaid in later years from business rates raised from growth derived from inward investment. The Treasury Management Strategy is presented to Board for approval under agenda item.

Table 7 - STDC MTFP Capital Financing Requirement

	31/03/25	31/03/26	31/03/27	31/03/28	31/03/29	31/03/30	31/03/31
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CFR	562,502	586,300	594,406	603,001	615,260	627,538	639,836
TVCA borrowing	(393,499)	(414,462)	(421,112)	(427,635)	(436,225)	(444,718)	(439,630)
Under Borrowed Position	169,003	171,838	173,295	175,366	179,035	182,820	200,206

Table 8 - Summary of Forecast Borrowing Costs 2026/27

Loan Title	Drawn Down Date	Loan Amount			Interest Rate
		2024/25	2025/26	2026/27	
		£	£	£	
TVCA Investment Programme	31/03/2019	11,214,500			3.50%
TVCA Investment Programme	31/03/2021	10,451,471			3.50%
TVCA Investment Programme	31/03/2022	24,807,760			3.50%
TVCA Investment Programme			46,865,383	46,865,383	
STDC GENERAL 1	31/03/2023	79,450,094	79,450,094	79,450,094	4.00%
STDC GENERAL 2	31/03/2024	73,593,327	73,593,327	73,593,327	4.67%
STDC GENERAL 3 (Heavy Lift)	31/03/2024	6,800,000	6,800,000	6,800,000	4.63%
STDC NZT 1	01/11/2024	14,295,753	14,295,753	14,295,753	5%
STDC NZT 2	31/03/2025	12,340,823	12,340,823	12,340,823	4.75%
STDC 24/25 loan	31/03/2025	49,496,067	49,496,067	49,496,067	5%
STDC 25/26 loan	31/03/2026		23,398,000	23,398,000	5%
STDC 26/27 loan	31/03/2027			8,106,063	5%
TVCA Facility Total			259,374,064	267,480,127	
Quay (UKIB)	01/04/2021	26,702,222 -			1.99%
Quay (UKIB)	01/04/2022	61,512,185 -			1.99%
Quay (UKIB)	02/03/2024	17,908,337 -			1.99%
Quay (UKIB) Rolled up Interest	31/03/2024	4,926,587 -			1.99%
Quay (UKIB)			108,222,418	106,766,420	
TOTAL		393,499,126	414,461,865	421,111,930	

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58. A summary of the loans from TVCA to STDC is provided in Table 8 above. This includes borrowings to fund capital expenditure for 2026/27 and future years in the MTFP. In previous years, TVCA have rolled up STDC capital expenditure, paid by TVCA on behalf of STDC during a financial year into a loan at the end of the financial year.
59. STDC will be investing surplus cash balances on an overnight basis. No budgeted income has been included for interest earned from overnight investments as 2026/27 is the first year that this practice has been adopted. Cashflow forecasts are currently being developed to ensure liquidity.

RESERVES

60. Whilst the Development Corporation is not a local authority, the Corporation currently follows the local authority accounting codes and practices. The establishment and maintenance of reserves are an integral part of the Corporation's financial strategy and medium-term financial planning to ensure long-term budget sustainability and to manage financial risks.
61. Following local authority accounting, the Corporation is required to maintain reserves and, from a statutory perspective, there is a single reserve the "General Fund Balance". However, within the General Fund revenue reserves, it is usual practice to maintain a General Fund balance reserve, which acts as a general contingency for costs not foreseen in the budget setting process or a general risk reserve. This balance would genuinely be maintained between 5-10% of the net budget requirement.
62. In addition, to this general reserve, the Corporation may also establish Earmarked Reserves which are reserves that the Board has approved to be set aside for specific purposes. However, the type and level of reserves within those broad categories is a matter of judgement based on the specific financial circumstances and outlook for an individual organisation.
63. Under local authority accounting principles, the financial statements also contain "unusable" reserves but, as the title suggests, these are not usable cash reserves and are therefore ignored for the purposes of this policy document.
64. Similarly, capital reserves can be established from time-to-time from unused capital grant funding which the Authority has been permitted to retain or unused capital receipts from the disposal of assets.

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- 65. Reserves are one-off sources of funding and should not be used to fund permanent expenditure.
- 66. It is good practice to present a Reserves Policy, alongside the main budget proposals, for the forthcoming financial year which would set out the Corporation’s strategic approach to the maintenance of reserves.
- 67. As highlighted above, significant work has been done to formulate the budget for 2026/27 and final forecast reserves have been confirmed late in the process and are still subject to impact from matters arising from the backlog of statutory accounts. It is the intention to present a Reserves Policy to the Board alongside the MTFP mid-year update ahead of the next budget setting process.
- 68. As highlighted above, the revenue budgets proposed for 2026/27 also maintain a general contingency of £0.972m (based on 10% of business rates income), predominantly for business rates income risk.
- 69. In the meantime, STDC’s reserves balances constitute the General Fund balance and specific earmarked revenue reserves have not yet been proposed. At 1 April 2026 total revenue reserves are forecast to be £15.825m and following the budgeted deficit of £4.762m these are forecast to reduce to £11.062m. This amount is in excess of the normal balance that would be maintained as a general contingency. However, as highlighted above a reserves policy will be presented to the Board for approval during 2026/27.
- 70. Table 9 below summarises the forecast Reserve position as at 1 April 2026.

Table 9 – Revenue Reserves Summary 2026/27

	Budget 2026/27 £'000
Opening Reserves 1 st April 2026	(15,824)
Net Deficit/(Surplus) for 2026/27	4,762
Closing Reserves 31 st March 2027	(11,062)

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71. South Tees Developments Ltd (STDL) is a wholly owned subsidiary of STDC. STDL holds the land for the Teesworks site. Responsibilities include site maintenance and retained and communal areas, commercial services for tenants, and management of the service charge and any rents under STDC's constitution. The primary purpose of the company is the maintenance of the Teesworks site as well as carrying out commercial services for the existing tenants on the site. STDL are also responsible for the setting and collection of service charges and rents, in accordance with the STDC constitution.

The budget for STDL for 2026/27 is set out in Table 10 below. The principal reason for the net deficit is a reflection on the proportion of the site still under STDL ownership and maintenance, not underperformance.

72. STDC fund the net deficit by way of an equity injection, this is included in the STDC budget for 2026/27 and the MTFP to 2030/31.

Table 10 – South Tees Development Ltd 2026/27 Budget

	Budget 2026/27 £'000	Estimate 2027/28 £'000	Estimate 2028/29 £'000	Estimate 2029/30 £'000	Estimate 2030/31 £'000
Service charge and rent	(1,822)	(1,822)	(1,822)	(1,822)	(1,822)
Commercial services external	(344)	(344)	(344)	(344)	(344)
Total Income	(2,166)	(2,166)	(2,166)	(2,166)	(2,166)
Communal estates	4,110	4,110	4,110	4,110	4,110
Retained estates	1,964	1,964	1,964	1,964	1,964
Commercial services external	311	311	311	311	311
Commercial services DC projects	298	298	298	298	298
Employees	761	780	800	820	840
Total Expenditure	7,444	7,463	7,483	7,503	7,523
Net Deficit/(Surplus)	5,278	5,297	5,317	5,337	5,357

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Equity Contribution from STDC	(5,278)	(5,297)	(5,317)	(5,337)	(5,357)
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SOUTH TEES SITE COMPANY LTD

73. South Tees Site Company Ltd (STSC) is a wholly owned company of STDC. The South Tees Site Company Limited (STSC) was established by the UK Government (specifically under the Department for Business, Energy & Industrial Strategy) to manage the disused and potentially hazardous former SSI steelworks site at Redcar following its liquidation in 2015. STSC's mandate was to ensure the site was kept safe and secure and managed cost-effectively on behalf of the Official Receiver, the entity in charge after the steelworks' collapse. On 8 October 2020, the government divested its sole share of STSC, transferring control fully to the South Tees Development Corporation (STDC). Financial injections have been provided to STSC from STDC.
74. Following the progress made with the removal of the COMAH status, the rundown of South Tees Site Company Limited has been taking place. The entity will continue in existence until the Electricity and Water supply licenses are able to be novated and until the HSE investigation is concluded.
75. The budget for STSC for 2026/27 is set out in Table 11 below.
76. As highlighted above, it is intended to fund the STSC fund net deficit by way of an equity injection from TVCA. This is included in the STDC capital budget for 2026/27 and the capital programme to 2030/31.

Table 11 – South Tees Site Company Ltd 2026/27 Budget

	Budget 2026/27 £'000	Estimate 2027/28 £'000	Estimate 2028/29 £'000	Estimate 2029/30 £'000	Estimate 2030/31 £'000
Power Income	(31,050)	(31,050)	(31,050)	(31,050)	(31,050)
South Tees Development Limited	(120)	(120)	(120)	(120)	(120)
Water use of systems income	-	-	-	-	-
Intercompany recharges	(88)	(88)	(88)	(88)	(88)

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	Budget 2026/27 £'000	Estimate 2027/28 £'000	Estimate 2028/29 £'000	Estimate 2029/30 £'000	Estimate 2030/31 £'000
Total Income	(31,258)	(31,258)	(31,258)	(31,258)	(31,258)
Operating costs	88	88	88	88	88
Power consumption & services	31,039	31,039	31,039	31,039	31,039
Water consumption & services	435	375	375	375	375
Keep safe activities	188	188	188	188	188
Total Operating Costs	31,750	31,690	31,690	31,690	31,690
Net Deficit/(Surplus)	492	432	432	432	432
Equity Contribution from STDC	(492)	(432)	(432)	(432)	(432)

KEY FINANCIAL RISKS

77. The Corporation continues to be 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 budget for 2026/27 is based upon hereditaments 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, confirmation of the date from which business rates became payable 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, however these monies will start to flow to the billing authority and on to STDC starting in June 2026/27.
 - (a) **Cash position** – As highlighted in this report, the single biggest source of income for STDC is business rates income. Due to the nature of the operation of

the national business rate system, there is a time lag of more than one year for business rates due to be captured on formal government returns and for the resulting cashflows to flow through to relevant recipient authorities. Therefore, whilst business rates income is accrued, it is some time before STDC receives the cash. In addition, cash injections into the subsidiaries are proposed to be treated as equity injections. This increases the Corporation's CFR and, now that MRP is not required to be provided for, the MTFP is currently not setting aside "cash" to fund these cash payments that are being made to the subsidiaries. Similarly, loan agreements for borrowing from TVCA will be finalised early in 2026/27 which will set principal repayment schedules. Again, not setting aside MRP (or VRP) will mean that cash is not being built up to make those principal repayments. The reliability of the cashflow modelling in the new financial year will be a crucial tool to manage these risks as will the adoption of a Voluntary Revenue Provision Policy. This is covered under the Treasury Management Strategy report.

- (b) **Capital expenditure** – there are always inherent financial risks in the delivery both in terms of programmed delivery timeframes and the overspends from large regeneration projects.
- (c) **Income collection** – there is always a risk with regard to the collection of income. STDC collect income for the Quay operating income, works agreement income and interest due on forward funding projects. STDL collect the income for rents, service charges and commercial services and STSC collect income for power and water.
- (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 historically investing in remediation of the land, the site preparation and infrastructure and the associated costs of borrowing for funding these, 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 but also starts to flow through.
- (e) **Interest rate risk** –The Corporation is exposed to interest rate risk for future funding as well as placing increased pressure on the revenue budgets creating an affordability risk. However, interest rate risk on historic borrowing has been mitigated by entering into fixed interest rate agreements with TVCA. The Treasury Management Strategy provided as a separate report on this agenda,

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sets out the overall borrowing position, assuming the borrowing above is undertaken.

- (f) **Statement of Accounts restatement** - The Board will be aware that both the 2023/24 and 2024/25 statutory accounts remain unsigned due to the external auditor's consideration that the draft published accounts may contain material errors. Whilst these matters remain unconcluded there remains a risk that matters arising from the conclusion of this review that may have an impact on the financial position of the Corporation.

FINANCIAL IMPLICATIONS

78. The financial implications are addressed in the body of the report.

LEGAL IMPLICATIONS

79. The Corporation is required to agree a balanced budget annually and to monitor that budget throughout the year. In addition, there is a fiduciary duty not to waste public resources, to secure value for money and ensure that good financial governance arrangements are in place. Further, Section 25 of the Local Government Act 2003 places requirements on the Chief Finance Officer (in TVCA's case, the S.73 Officer) to comment within this report on the robustness and adequacy of the reserves.

RISK ASSESSMENT

80. The key financial risks are detailed in the body of the report.

CONSULTATION & COMMUNICATION

81. Consultation with Board members has taken place

EQUALITY & DIVERSITY

82. The draft budget itself does not directly impact on groups of people with protected characteristics. However, the Corporation considers the potential impact on groups of people with protected characteristics in the development of policy, programmes and projects. Any policy, programmes and projects developed in 2026/27 will be subject to Equality Impact Assessments during the development phase.

Appendix 1 – Capital Strategy

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REPORT OF INTERIM GROUP DIRECTOR OF FINANCE AND RESOURCES

STDC GROUP DRAFT CAPITAL STRATEGY

Contents

1. Background and Scope
2. Capital Expenditure
3. Policy Context
4. Capital Investment
5. Funding Capital Investment
6. Governance of the Capital Strategy
7. Risk Management
8. Treasury Management Strategy

Background & Scope

The Prudential Code for Capital Finance in Local Authorities (2021), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), requires each Local Authority to produce a Capital Strategy on an annual basis. This Capital Strategy document is aimed at meeting those requirements.

This Capital Strategy forms part of the framework for financial planning and is integral to both the Medium-Term Financial Strategy (MTFS) and the Treasury Management Strategy (TMS). It is refreshed annually and sets out how capital investment will play its part in delivering the ambitious long term strategic objectives and priority outcomes of the Corporation, how associated risk is managed and the implications for future financial sustainability. All capital expenditure and capital investment decisions are covered by this strategy.

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The Capital Strategy is considered by the STDC Board and is one of the foundations of good financial management, reflecting the requirements under the CIPFA Financial Management Code and is grounded in legislation. In addition to the Code, CIPFA has published 'Capital Strategies and Programming' which considers in more detail the practical issues involved in capital planning and delivery. This strategy has been prepared considering the guidance in both these publications. The approval and implementation of this strategy ensures that:

- capital investment is targeted towards supporting the Corporation's objectives and priorities
- capital investment complements revenue expenditure on services
- stewardship of assets is properly considered in capital planning and projects are delivered
- on time and within budget
- there is transparency at programme level along with a clear process for board member engagement

Capital Expenditure

Capital expenditure is spending on assets that will provide a benefit beyond the current financial year and is defined as:

"Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Corporation. This includes grants or advances to third parties to assist them in acquiring or enhancing their own property, plant, and equipment."

The five aims of this Capital Strategy are:

- i. To take a long-term perspective investment and to ensure this contributes to the delivery of the business case.
- ii. To ensure investment is prudent, affordable and sustainable over the medium term and adheres and aligns to the Corporation's aims and objectives, the Prudential Code, Treasury Management Code and other regulatory conditions.
- iii. To maintain the arrangements and governance for investment decision making through the newly established governance boards.
- iv. To make the most effective and appropriate use of the funds available in long term planning and using the most optimal annual financing solutions to minimise the cost of servicing debt.
- v. To establish a clear methodology to prioritise capital proposals.

Policy Context

The Corporation was established to drive economic regeneration in the South Tees area. Its core aims focus on the continued transformation of the Teesworks site, a 4,500 acre brownfield site, into a world class industrial hub. The key strategic objectives of the STDC are:

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- **Economic Regeneration and Job Creation:** To transform the area into a major contributor to the Tees Valley economy by securing 20,000 new, high-quality, and well-paid jobs, particularly in higher-skilled sectors.
- **Attracting Private Investment:** To act as a catalyst for private sector investment, transforming the former steelworks into an international-level business park.
- **Focus on Clean Energy and Innovation:** To position the site as a premier location for clean energy, offshore, and advanced manufacturing technologies.
- **Comprehensive Site Redevelopment:** To create a cohesive, modern industrial park by remediating land, improving the working environment, and providing safe, high-quality conditions for businesses and the community.
- **Leveraging Strategic Assets:** To make maximum use of the area's deep-water access, existing port facilities, and rail infrastructure.
- **Supporting the UK Industrial Strategy:** To contribute to national goals by fostering internationally competitive industries.

To achieve these aims, the STDC follows specific Strategic Development Principles:

1. **Advanced Manufacturing:** Prioritising high-skilled sectors like new technologies and advanced manufacturing.
2. **Low Carbon Economy:** Promoting a circular economy through reduced energy costs and waste minimisation.
3. **Port Expansion:** Capitalising on the River Tees to develop new port-related infrastructure, such as the Steel River Quay.
4. **Skills and Education:** Working with regional partners to upskill the local demographic, ensuring they can access newly created roles.

Capital Investment

The original joint venture partnership between the Corporation and Teesworks Ltd was a 50/50 joint venture whereby STDC had the responsibility for remediation across the Teesworks site. In 2021/22 the ownership of the joint venture changed to 90/10 in favour of Teesworks Ltd and with this shift in ownership the ongoing responsibility for remediation of the site transferred to Teesworks Ltd. Therefore, STDC's capital investment requirements over the MTFP period have now significantly reduced.

The capital investments are now primarily site preparation and infrastructure, reflecting the contractual obligations for the Corporation. These are set out for the next 5 years in **Table 1** below.

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Table 1 – Capital Programme 2026/27 to 2030/31

	Budget 2026/27	Estimate 2027/28	Estimate 2028/29	Estimate 2029/30	Estimate 2030/31
	£'000	£'000	£'000	£'000	£'000
Park and Ride	-	-	-	-	-
Demolition	-	1,440	528	528	528
Site Preparation and Infrastructure	2,362	763	5,916	5,916	5,916
Enabling Fees	631	488	65	65	65
Transport	-	-	-	-	-
Quay	81	-	-	-	-
Remediation	2,546	2,841	767	767	767
NZT	1,035	-	-	-	-
Capitalised revenue costs	200	175	-	-	-
Capital contribution in subsidiaries	5,770	5,729	5,749	5,769	5,789
Total	12,625	11,436	13,025	13,045	13,065

As can be seen from the table above, there is currently no planned investment in transport schemes over the MTFP period. However, should TVCA Cabinet formally approve the Department for Transport change control allocating £100m to STDC then the capital programme will be adjusted for new schemes subject to business case approval by the STDC Board. Of the £100m, approximately £32m of the grant will be applied to schemes currently funded at risk pending formal agreement to the grant allocation.

Capital Investment – Subsidiary Companies

The Corporation has two wholly owned subsidiary companies that deliver services to the Teesworks site, as follows:

1. South Tees Site Company

The South Tees Site Company Limited (STSC) was established by the UK Government (specifically under the Department for Business, Energy & Industrial Strategy) to manage the disused and potentially hazardous former SSI steelworks site

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at Redcar following its liquidation in 2015. STSC's mandate was to ensure the site was kept safe and secure and managed cost-effectively on behalf of the Official Receiver, the entity in charge after the steelworks' collapse. On 8 October 2020, the government divested its sole share of STSC, transferring control fully to the South Tees Development Corporation (STDC). Financial injections have been provided to STSC from STDC. Following the COMAH status removal from the site, the rundown of the South Tees Site Company Limited has been taking place. The entity will continue in existence until the Electricity and Water supply licenses are able to be novated and until the HSE investigation is concluded.

2. South Tees Developments Ltd

On 3 January 2019 STDC formed a new 100% subsidiary company South Tees Developments Limited. South Tees Developments Ltd (STDL) was set up in 2019 to hold and develop land areas on behalf of STDC.

STDL provide the maintenance of the site, on behalf of the Corporation, and undertake any commercial services that tenants require. Financial injections have been provided to STDL from STDC.

There is a requirement to provide financial support to these subsidiaries. For STDL this is to maintain the residual estate and communal areas as the regeneration scheme progresses. Costs will reduce as sites transfer to the joint venture partner. As shareholder, based on external advice, this financial support is treated as shareholder equity injections. As such, this constitutes capital expenditure by the Corporation.

Funding Capital Investment

The Corporation's capital investment is governed by the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Code provides the Corporation with a regulatory framework within which the Corporation has discretion over the funding of capital expenditure and the level of borrowing the Corporation wishes to undertake to deliver capital plans and programmes.

The strategy is intended to manage the financial resources available for investment to meet the Corporation's contractual obligations within the medium-term financial outlook.

The funding available to the Corporation is principally from borrowings from TVCA. Where capital receipts are available these are applied to funding capital expenditure.

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Table 2: Indicative Funding from 2026/27 to 2030/31 for Capital Investment

	Budget 2026/27	Estimate 2027/28	Estimate 2028/29	Estimate 2029/30	Estimate 2030/31
	£'000	£'000	£'000	£'000	£'000
Grant funding	-	-	-	-	-
Private sector funding	(4,519)	(2,841)	(767)	(767)	(767)
Borrowing	(8,106)	(8,595)	(12,258)	(12,278)	(12,298)
Total Funding	(12,625)	(11,436)	(13,025)	(13,045)	(13,065)

Grants

£100m Transport grant from the Department of Transport and held by TVCA has been approved by the DfT on a change control request. This is subject to TVCA Cabinet approving the funding to STDC, the report is scheduled to go to the June Cabinet. This is ringfenced for capital expenditure on transport and will be prioritised initially for spend on Park & Ride schemes and will reduce existing or planned borrowing. No further transport related capital projects have been included in the STDC budget for 2026/27 and will be brought forward to the Board should the TVCA Cabinet approve the funding in June 2026.

Revenue & Reserves

The Corporation may choose to utilise revenue contributions to capital to finance its capital investment. This would be through contributions from the Corporation's revenue budget or from reserves. In the current financial climate, whereby there is a lag time of between 3-4 years between the need to invest and the receipt of business rates within the Corporation's finances, the extent to which this may be used to fund capital expenditure is significantly reduced. This is expected to remain the case for the next 5 years.

Governance of the Capital Strategy

The Capital Strategy and the Capital Programme are agreed annually, alongside the Budget and MTFs, by the STDC Board as part of the budget setting process. Variations to the Capital Programme or in-year additions – subject to delegation – will be agreed by the STDC Board.

The governance process for approving capital investments is the same as that for the wider capital programme, with the business case fully reviewed and due diligence undertaken with external and internal risks associated with the investment explored. The Corporation will

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compile a schedule setting out a summary of its existing material investment commitments and regularly update the STDC board.

There may be occasions when the nature of a particular proposal requires additional support in the production of the business case or for example in performing of a value for money or due diligence review. In these circumstances the Corporation may seek external advice.

The in-year position will be monitored quarterly from 2026/27 onwards, with periodic budget reports to the STDC Board with capital reports incorporated. Within that monitoring report minor new investment proposals will be included and variations such as slippage and need for acceleration. Major new capital investment decisions will be subject to an individual report to the Board.

The S73 officer will report explicitly on the affordability and risk associated with the Capital Strategy. Where appropriate the s73 officer will have access to specialised advice to enable them to reach their conclusions and ensure sufficiency of reserves should risk or liabilities be realised

Risk Management

One of the Corporation's key investment principles is that all investment risks should be understood with appropriate strategies to manage those risks. Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the Capital Strategy. All projects are required to maintain a risk register and align reporting to the Corporation's reporting framework.

No project or investment will be approved where the level of risk - determined by the STDC Board or S73 Officer as appropriate - is unacceptable.

Treasury Management Strategy

The Corporation follows the requirements of The Local Government Act 2003 (the Act) and supporting regulations in managing its Treasury Management activities as well the CIPFA Prudential and Treasury Management Codes of Practice. Under these codes, there is a requirement for the Board to approve, annually, a Treasury Management Strategy (TMS). Amongst other things, this strategy considers the affordability of any borrowing in respect of capital investment and therefore, the Capital Strategy should be considered in conjunction with the TMS.

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**AGENDA ITEM 9
REPORT TO THE STDC BOARD
30 MARCH 2026
REPORT OF INTERIM DIRECTOR OF FINANCE & RESOURCES**

TREASURY MANAGEMENT STRATEGY 2026/27

Purpose of this report

- 1.1 The purpose of this report is to present to the Board the proposed Treasury Management Strategy (TMSS) for 2026/27 for approval to comply with the requirements of the Local Government Act 2003 and the Chartered Institute of Public Finance Accountant (CIPFA) Treasury Management Code of Practice.
- 1.2 To comply with these regulations, the TMSS includes prudential and treasury indicators to ensure that the Authority's capital expenditure plans are affordable and sustainable.

Executive Summary

- 1.3 The Local Government Act 2003 and supporting regulations requires local authorities to 'have regard to' the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice, and to set out indicators to ensure that an authority's capital investment plans are affordable, prudent and sustainable. The Prudential Code focuses on capital finance, while the Treasury Management Code provides guidance on treasury management in the public services.
- 1.4 The Treasury Management Strategy sets out an authority's strategic approach to the management of its cashflows, investment of surplus cash and borrowing to fund its capital investment plans. The overall aim is to optimise investment returns performance and minimise costs of borrowing whilst effectively managing associated risks and safeguarding an authority's cash and liquid assets. Whilst the Development Corporation is not a local authority, it is implied that a corporation follows local authority accounting rules and codes unless specifically exempted.

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- 1.5 The Treasury Management Strategy also sets out the Corporation's approach to its external borrowing and debt portfolio together with proposed increases or decreases to those levels in line with the Corporation's capital investment plans. This activity is managed and monitored through a suite of prudential indicators and this report outlines the Corporation's proposed prudential indicators for 2026/27 and sets out the expected Treasury operations for this period. This report and associated tables fulfil the statutory requirement of the Local Government Act 2003.

RECOMMENDATIONS

It is recommended that the STDC Board:

1. **Approve** the Treasury Management Strategy for 2026/27.

Background

- 1.6 Local Authorities are required to produce a Treasury Management Strategy on an annual basis, as required by Local Government Act 2003, ensuring capital investment plans are affordable, sustainable and compliant with professional codes.

This report fulfils the requirements of the Local Government Act 2003 by:

- i. Reporting the prudential indicators as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities;
 - ii. Setting the Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management;
 - iii. Adopting the Corporation's Treasury Management Policy Statement as recommended within the CIPFA Code of Practice 2021;
- 1.7 Under the requirements of the CIPFA Code of Practice and associated Guidance Notes 2021, the following four clauses have been adopted:
- i. This Corporation will create and maintain, as the cornerstones for effective treasury a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
- 1.8 This Corporation will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.
- 1.9 This Corporation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the STDC Board, and for the execution and administration of treasury management decisions to the S73 Officer who

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will act in accordance with the organisation's policy statement and Treasury Management Practices.

- 1.10 This organisation nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

FINANCIAL IMPLICATIONS

- 1.11 All financial resource implications are detailed in the body of this report, which links to the Council's Medium Term Financial Strategy and Capital Strategy.

LEGAL IMPLICATIONS

- 1.12 Approval of the Prudential Indicators and Treasury Management Strategy is a legal requirement of the Local Government Act 2003. Board members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

RISK ASSESSMENT

- 1.13 The Treasury Management Strategy is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

- 1.14 Consultation is with this Board.

EQUALITY & DIVERSITY

- 1.15 There are no equalities implications arising from the report

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30 MARCH 2026

REPORT OF INTERIM GROUP DIRECTOR OF FINANCE & RESOURCES

**SOUTH TEES DEVELOPMENT CORPORATION
TREASURY MANAGEMENT STRATEGY STATEMENT 2026/2027**

1 Introduction

- 1.1 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice, and to set out indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.2 The Prudential Code focuses on capital finance, while the Treasury Management Code provides guidance on treasury management in the public services. The objectives of the Prudential Code are to provide a framework for local authority capital finance that will ensure for individual local authorities that:
 - capital expenditure and investment plans are affordable and proportionate
 - all external borrowing and other long-term liabilities are within prudent and sustainable levels
 - the risks associated with investments for service and commercial purposes are proportionate to their financial capacity
 - treasury management and other investment decisions are taken in accordance with professional good practice.
- 1.3 Treasury Management Activities are defined as 'The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks'.

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- 1.4 The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice are both referred to by regulations, set out good practice and are complementary to one another. The 2021 CIPFA Treasury Management Code of Practice sets out the requirements for all local authorities to set an annual Treasury Management Strategy.
- 1.5 Under the prudential system, individual local authorities are responsible for deciding the level of their affordable borrowing, having regard to the code. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities. The system is designed to encourage authorities that need and can afford to undertake capital investment to do so within a robust framework.
- 1.6 Alongside the 2021 Prudential Code, local authorities are required to comply with the 2021 Treasury Management Code. Both codes are closely linked; with the Prudential Code providing a framework for capital investment plans and the Treasury Management Code ensures treasury management practices (TMPs) are adapted and can support the capital investment plans.
- 1.7 The 2017 Prudential Code introduced the requirement for local authorities to produce a Capital Strategy. The purpose of the capital strategy is to firmly place decisions around borrowing in the context of the overall longer-term financial position of the authority and to provide improved links between the revenue and capital budgets.
- 1.8 Both strategies are closely linked with the capital programme and expenditure being a key driver for treasury management activity. They also support the Medium-Term Financial Plan.
- 1.9 The Corporation is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed.
- 1.10 The second main function of Treasury Management is the funding of the Corporation's capital plans. These capital plans provide a guide to the borrowing need of the Corporation, essentially the longer-term cash flow planning, to ensure that the Corporation can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Corporation's risk or cost objectives.

2 Regulatory Background

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective

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control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 2.1 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
- 2.2 The main objective of the 2021 Codes was to respond to the major expansion of local authority investment activity over the past few years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that:
 - it defines its risk appetite and its governance processes for managing risk.
 - it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects.
 - it adopts a liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.
 - it does not borrow to finance capital expenditure to invest primarily for commercial return.
 - increases in the CFR and borrowing are undertaken solely for purposes directly and primarily related to the functions of the Corporation. Where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose.
 - an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
 - its capital plans and investment plans are affordable and proportionate.
 - all borrowing/other long-term liabilities are within prudent and sustainable levels.
 - risks associated with commercial investments are proportionate to overall financial capacity to sustain losses.
 - treasury management decisions are in accordance with good professional practice.
 - reporting to members is done quarterly, including updates of prudential indicators.
 - it should assess the risks and rewards of significant investments over the long term, as opposed to the usual three to five years that most local authority financial planning has been conducted over, to ensure the long-term financial sustainability of the Corporation.

3 Training

- 3.1 The CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members of the Board and Members of the Audit & Governance Committee.
- 3.2 Furthermore, the Code states it is expected that all organisations have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

4 Policy on use of external service providers

- 4.1 STDC via Tees Valley Combined Authority (TVCA) are currently supported by professional advisors, in order to ensure that up to date market advice and information on the most appropriate investment / borrowing options are obtained for the TVCA group. It is the Corporation's intention to have a separate contract with external advisors going forward.

5 Economic Background

- 5.1 The most significant impacts on the Corporation's Treasury Management Strategy for 2026/27 according to the advisors are expected to include: the influence of the Government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.
- 5.2 The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 5.3 Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget

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Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.

- 5.4 CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 5.5 The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.
- 5.6 The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Fed policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
- 5.7 The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

6 Credit Outlook

- 6.1 Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly during October and November, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 6.2 Interest rate forecast (22nd December 2025): TVCA advisors currently forecast that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rates in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18th December.

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- 6.3 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

7 Local Context

- 7.1 The Corporation has to date not invested surplus funds and therefore currently is not exposed to financial risks such as the loss of invested funds and the income revenue effect of changing interest rates. If surplus funds were to be invested in the future, the successful identification, monitoring and control of financial risk would be essential to STDC's prudent financial management. STDC have accessed fixed rate loans connected with its significant capital investment programme and continued close monitoring and evaluation of future borrowing interest rates will be fundamental in ensuring STDC's ambitious future development plans are achieved.
- 7.2 As can be seen from Appendix A, the Corporation is forecast to have borrowing of £414.5m at 31 March 2026 and this is set to increase to £421.1m of borrowing at the end of March 2027, details set out at Appendix A. For Q3, the cash held at bank at 31 December 2025 was £16.01m.

8 The Corporation's Capital Expenditure Plans and Borrowing Need (the Capital Financing Requirement)

8.1 Capital Expenditure Plans

- 8.2 The Corporation undertakes capital expenditure on major site preparation and infrastructure delivery and assets to underpin the economic regeneration of the region. These activities may either be financed in-year through the application of capital or revenue resources:

- Capital receipts
- Capital grants
- Contributions from revenue and capital reserves
- Revenue budget contributions

- 8.3 Any residual amount will be funded by borrowing although this can be internal or external. Internal borrowing is the use of the internal resources of the Corporation to

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fund the cashflow requirement for its capital expenditure. External borrowing is the use of loans from TVCA to fund the cashflow requirements for the Corporation's capital expenditure.

- 8.4 Currently, STDC obtain their borrowing from TVCA. The capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' assessment of the affordability and sustainability of the proposed Capital Programme.
- 8.5 The table below sets out the capital programme for the next five years by key area. Full details of the Capital Programme can be found in the Capital Strategy and the Medium-Term Financial Plan.

Table 1 – Budgeted Capital Expenditure and Funding

	Budget 2026/27	Estimate 2027/28	Estimate 2028/29	Estimate 2029/30	Estimate 2030/31
	£'000	£'000	£'000	£'000	£'000
Park and Ride	-	-	-	-	-
Demolition	-	1,440	528	528	528
Site Preparation and Infrastructure	2,362	763	5,916	5,916	5,916
Enabling Fees	631	488	65	65	65
Transport	-	-	-	-	-
Quay	81	-	-	-	-
Remediation	2,546	2,841	767	767	767
NZT	1,035	-	-	-	-
Capitalised revenue costs	200	175	-	-	-
Capital contribution in subsidiaries	5,770	5,729	5,749	5,769	5,789
Total	12,625	11,436	13,025	13,045	13,065

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	Budget 2026/27	Estimate 2027/28	Estimate 2028/29	Estimate 2029/30	Estimate 2030/31
	£'000	£'000	£'000	£'000	£'000
Grant funding	-	-	-	-	-
Private sector funding	(4,519)	(2,841)	(767)	(767)	(767)
Borrowing	(8,106)	(8,595)	(12,258)	(12,278)	(12,298)
Total Funding	(12,625)	(11,436)	(13,025)	(13,045)	(13,065)

8.6 As set out in the Capital Strategy, STDC’s capital investment focuses on site preparation and infrastructure works for the Teesworks Site. As responsibility for remediation works has transferred to the JV partner, the investment in remediation works is fully funded by the private sector as set out in the table above.

8.7 The Corporation provides financial support to its subsidiaries, predominantly South Tees Development Ltd, by way of shareholder equity injections, which over the MTFP period are to be funded from borrowing.

9 Capital Financing Requirement

9.1 The Corporation’s Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Corporation’s indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

9.2 The CFR does not ordinarily increase indefinitely, as the Minimum Revenue Provision (MRP), a statutory annual revenue charge which broadly reduces indebtedness in line with each asset’s life, reduces the CFR as it charges the economic consumption of capital assets as they are used.

9.3 For STDC, the requirement to provide MRP was removed in updated MRP Guidance issued on 1 April 2024 and applicable from the start of the 2025/26 financial year. This means that the CFR will only reduce for capital receipts that may be applied.

9.4 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Corporation’s borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP



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lease provider and so the Corporation is not required to separately borrow for these schemes. The Corporation currently has no such schemes within the CFR. The Corporation does not currently have any such schemes in place.

9.5 CIPFA’s Prudential Code for Capital Finance in Local Authorities recommends that the STDC’s total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the STDC expects to comply with this recommendation during 2026/27.

Table 2- Capital Financing Requirement (CFR) less External Borrowing

	31/03/25	31/03/26	31/03/27	31/03/28	31/03/29	31/03/30	31/03/31
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CFR	562,502	586,300	594,406	603,001	615,260	627,538	639,836
TVCA borrowing	(393,499)	(414,462)	(421,112)	(427,635)	(436,225)	(444,718)	(439,630)
Under Borrowed Position	169,003	171,838	173,295	175,366	179,035	182,820	200,206

10 Prudential Indicators

10.1 The Corporation measures and manages its exposure to treasury management risks using the following indicators.

Liquidity: The Corporation has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without borrowing.

Table 3: Liquidity risk indicator

Liquidity risk indicator	Target
Total cash available within 3 months	£1m

10.2 Liability Benchmark

10.2.1 The Corporation is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. There are four components to the Liability Benchmark:

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1. **Existing loan debt outstanding:** the Corporation's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans Capital Financing Requirement definition in the Prudential Code, reflecting the Corporation's underlying need to borrow and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Corporation's existing gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this is a forecast of the level of gross loan debt the Corporation will require in line with its budget plans. It is based on the net loans requirement, plus a liquidity allowance for treasury management investments, which is an estimate of the level of short-term investments needed to provide an adequate level of liquidity for daily cash flow management. We have estimated our liquidity allowance at £1m.

Table 4: Prudential Indicator: Liability benchmark

	31/03/25	31/03/26	31/03/27	31/03/28	31/03/29	31/03/30	31/03/31
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m	£m	£m
Loans CFR	562.50	586.30	594.41	603.00	615.26	627.54	639.84
Less: Balance sheet resources	(17.88)	(15.96)	(10.99)	(4.29)	(2.56)	(18.48)	(35.97)
Net loans requirement	544.62	570.34	583.42	598.71	612.70	609.06	603.87
Plus: Liquidity allowance	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Liability benchmark	545.62	571.34	584.42	599.71	613.70	610.06	604.87
Existing borrowing	(393.50)	(414.46)	(421.11)	(427.64)	(436.22)	(444.72)	(439.63)

10.3 Operational Boundary

10.3.1 This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The operational boundary is based on the Corporation's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Corporation's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

10.3.2 Other long-term liabilities may comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Corporation's debt.

Table 5: Operational Boundary

	31/03/25	31/03/26	31/03/27	31/03/28	31/03/29	31/03/30	31/03/31
	Actual - Unaudited	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans CFR	562,502	586,300	594,406	603,001	615,260	627,538	639,836
Other long-term liabilities	-	-	-	-	-	-	-
Total	562,502	586,300	594,406	603,001	615,260	627,538	639,836

10.4 Authorised limit

10.4.1 This is a key prudential indicator and represents a control on the maximum level of borrowing approved by the Corporation's Board. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by Board. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

10.4.2 This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all authorities' plans, or those of a specific authority, although this power has not yet been exercised.

10.4.3 The authorised limit is the sum of the estimate of capital expenditure to be financed from borrowing and a contingency amount designed to accommodate unexpected capital payments.

10.4.4 The Corporation is asked to approve the following Authorised Limit:

Table 6: Authorised limit

	31/03/25	31/03/26	31/03/27	31/03/28	31/03/29	31/03/30	31/03/31
	Actual - Unaudited	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£,000	£,000	£,000	£,000
Loans CFR	562,502	586,300	594,406	603,001	615,260	627,538	639,836
Temporary borrowing	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Authorised Borrowing Limit	567,502	591,300	599,406	608,001	620,260	632,538	644,836

10.5 The table below sets out the overall proposed limits for approval compared to the Corporation's forecast actual borrowing.

Table 7: Overall Proposed Limits

	31/03/25	31/03/26	31/03/27	31/03/28	31/03/29	31/03/30	31/03/31
	Actual - Unaudited	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£,000	£,000	£,000	£,000
Authorised Limit	567,502	591,300	599,406	608,001	620,260	632,538	644,836
Operational Boundary	562,502	586,300	594,406	603,001	615,260	627,538	639,836
Actual Borrowing	393,499	414,462	421,112	427,635	436,225	444,718	439,630

11 Borrowing Strategy

- 11.1 The STDC is forecast to have £421.11m of loans, an increase of £6.65m on the previous year which has been undertaken to fund previous years’ capital programmes. STDC may also borrow additional sums to pre-fund future years’ requirements, providing this does not exceed the proposed authorised limit for borrowing of £599.4m for 2026/27 (see Table 6 above).
- 11.2 STDC currently only has access to borrowing through the Tees Valley Combined Authority. Therefore, the Corporation’s borrowing strategy will be dependent on TVCAs’ borrowing strategy. Short-term interest rates have fallen over the past year, and it is therefore likely to be more cost effective over the medium-term to borrow short-term loans instead. However, this needs to be balanced with the Corporation’s ability to repay over the period of the loan. The risks of this approach will be managed by keeping the STDC’s interest rate exposure within the limit set in the treasury management prudential indicators, see below.
- 11.3 STDC has previously raised its long-term borrowing from TVCA on an annuity basis however to reflect the affordability over the medium term, the timings of principal repayments will be agreed with TVCA and included in formal loan agreements to be presented to both the STDC Board and TVCA Cabinet in the first quarter of the 2026/27.

12. Maturity structure of borrowing

- 12.1 This indicator is set to control the Corporation’s exposure to refinancing risk. These gross limits are set to reduce the organisation’s exposure to large, fixed rate sum falling due for refinancing. This is not relevant to the Corporation as all borrowings are from TVCA based upon fixed rates of interest.

13 Other Options Considered

- 13.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Interim Group Director of Finance believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults,

Alternative	Impact on income and expenditure	Impact on risk management
		but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

14 Treasury Investment Strategy

- 14.1 The Corporation holds no invested funds other than monies held in the bank account which will be invested on an overnight basis. There is no intention to invest funds on long-term deposit due to its cash position over the medium term. However, should this change in the future then the Corporation will adhere to the CIPFA Code which requires the Corporation to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.
- 14.2 As demonstrated by the liability benchmark above, the Corporation expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows.
- 14.3 **Liquidity management:** Corporation will be using cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Corporation being forced to borrow on unfavourable terms to meet its financial commitments.

Appendix A – Existing & Forecast Debt Portfolio Position

Loan Title	Drawn Down Date	Loan Amount			Interest Rate
		2024/25	2025/26	2026/27	
		£	£	£	
TVCA Investment Programme	31/03/2019	11,214,500			3.50%
TVCA Investment Programme	31/03/2021	10,451,471			3.50%
TVCA Investment Programme	31/03/2022	24,807,760			3.50%
TVCA Investment Programme			46,865,383	46,865,383	
STDC GENERAL 1	31/03/2023	79,450,094	79,450,094	79,450,094	4.00%
STDC GENERAL 2	31/03/2024	73,593,327	73,593,327	73,593,327	4.67%
STDC GENERAL 3 (Heavy Lift)	31/03/2024	6,800,000	6,800,000	6,800,000	4.63%
STDC NZT 1	01/11/2024	14,295,753	14,295,753	14,295,753	5%
STDC NZT 2	31/03/2025	12,340,823	12,340,823	12,340,823	4.75%
STDC 24/25 loan	31/03/2025	49,496,067	49,496,067	49,496,067	5%
STDC 25/26 loan	31/03/2026		23,398,000	23,398,000	5%
STDC 26/27 loan	31/03/2027			8,106,063	5%
TVCA Facility Total			259,374,064	267,480,127	
Quay (UKIB)	01/04/2021	26,702,222	-		1.99%
Quay (UKIB)	01/04/2022	61,512,185	-		1.99%
Quay (UKIB)	02/03/2024	17,908,337	-		1.99%
Quay (UKIB) Rolled up Interest	31/03/2024	4,926,587	-		1.99%
Quay (UKIB)			108,222,418	106,766,420	
TOTAL		393,499,126	414,461,865	421,111,930	

INFORMATION GOVERNANCE

SUMMARY

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

RECOMMENDATIONS

It is recommended that the STDC Board:

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

DETAIL

1. It is proposed that the Board 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 information in relation to performance of Freedom of Information (FoI) on its website. The information can be found here: [Freedom of Information requests - About](#). The data is updated after completion of each quarter. The website also has a Disclosure Log where the completed requests are uploaded monthly and members can find full responses to each request received.
4. For the period of quarter 2 (October 2025 to December 2025), STDC can report the following performance in relation to Freedom of Information requests:

Freedom of Information requests received	9
Freedom of Information requests responded to within the statutory timescale (20 working days)	5
Freedom of Information extended deadlines (public interest test required)	0
Freedom of Information requests on hold (clarification required from requestor)	0
Freedom of Information requests responded to outside the statutory timescale	4
The above Freedom of Information requests comprised of 23 questions.	
Internal Review requests received	1
Information Commissioner Complaints Received	2
Information Commissioner Complaints upheld (in the complainant's favour)	0
Information Commissioner Complaints upheld (in the Authority's favour)	2

Explanatory notes

- a. There is provision to claim an extension, up to an additional 20 working days, if there is a need to consider the public interest test.
- b. Freedom of information requests are placed on hold when clarification is needed from a requestor regarding the information sought.
- c. Freedom of Information requests that have not been responded to within the statutory requirement timescale (20 working days) are reported and are monitored at the weekly Executive Leadership meetings.
- d. The purpose of an internal review is to allow a requestor to challenge the outcome, or the process of how their original information request was handled. Following an internal review if the requestor is still dissatisfied, they have a right to complain to the Information Commissioner Officer (ICO).
- e. On receiving an ICO complaint it can take up to six-nine months before a decision is issued.

Complaints

5. For the period October 2025 to December 2025, the Development Corporation has received no written complaints.

SOUTH TEES DEVELOPMENT CORPORATION

Code of Conduct Complaints

6. The Head of Legal 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 October 2025 to December 2025, the Development Corporation 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 Mayoral Development Corporation, 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.
12. A breach of the Data Protection Act 2018 has the potential to incur a fine.

RISK ASSESSMENT

13. 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

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

EQUALITY & DIVERSITY

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

**SOUTH TEES
DEVELOPMENT
CORPORATION**

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**AGENDA ITEM 11
REPORT TO THE STDC BOARD
30 MARCH 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. 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.

**SOUTH TEES
DEVELOPMENT
CORPORATION**

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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