

The meeting will be preceded by a new members' induction starting at 9.30am

Date: Thursday 25th November at 10.30am

Venue: Steel Gate House Conference Room, Teesworks Site, Steel House Gate, Redcar TS10 5QW

Membership:

Chris White – (Chair - Independent member)

John Baker – (Independent Member)

Adrian Jones – (Independent Member)

Michael Lockwood – Redcar and Cleveland Borough Council (A&G Member)

Agenda

- 1. Welcome & Introductions**
- 2. Apologies for Absence**
- 3. Declarations of Interest**
- 4. Minutes of previous meeting**
- 5. Chief Exec's Report**
- 6. Internal audit progress report**
Attached
- 7. External audit progress report**
Attached
- 8. South Bank Quay update**
Attached
- 9. Demolition Deep Dive**
CONFIDENTIAL: This item is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972
- 10. Project risk registers**
CONFIDENTIAL: This item is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972
- 11. Forward Plan**

The meeting will be followed by a site tour for members between 12-1pm

Date and Time of Next Meeting:

9th March 2022

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. Given the location of this meeting access will be offered by video link. Please request access to this in advance of the meeting by contacting governance@teesvalley-ca.gov.uk

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

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & RISK COMMITTEE

This meeting was not quorate.

The following is a note of discussion.

Date: Wednesday 28th July 2021

Time: 2 pm

Venue: Cavendish House

Attendees:		Apologies:
Chris White (Chair - CW)	Darlington Building Society	Cath Andrew - Mazars
John Baker (JB)	Independent Member	Cameron Waddell - Mazars
John McNicholas (JM)	STDC	Michael Gibson – RSM
Gary MacDonald (GM)	TVCA	Mike Russell - STDC
Sharon Jones (Secretariat)	TVCA	Julie Gilhespie - TVCA

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome and introductions	<p>The Chair welcomed everyone to the Meeting. It was noted that the meeting is not quorate due to a lack of Membership to the Committee.</p> <p>Cllr Chris Gallagher has been appointed to the committee as the representative from TVCA Audit & Governance Committee. There will be an advert to recruit 2 new ARC members to go out ASAP. The committee agreed that there is expertise missing in some areas and this recruitment will be a good opportunity to fill those gaps. There are weaknesses in the accountancy, risk, investment and commercial areas in a non-executive capacity.</p> <p>It was also agreed that this would be a good time to carry out a skills audit so that the results can be used as a matrix to map against in interviews with potential new members.</p>	<p>Modify job advert to include Commercial and Investment experience</p> <p>Skills matrix to be circulated for completion by members</p>	<p>SJ</p> <p>GM</p>
2.	Apologies for Absence	<p>Apologies as above.</p> <p>The Chair passed his commiserations to the family and wider community following the recent passing of Professor Jane Turner.</p>		
3.	Declarations of Conflict of Interest	There were no declarations of interest.		
4.	Minutes of previous meeting	The minutes of the meeting held on 24 th February cannot be agreed as the meeting is not quorate.		

5.	Draft Financial Statements	<p>A verbal update was given regarding the draft financial statements. The deadline for these to be published is Saturday. These will be published on our website and do not need approval. The final accounts do need approval. These will be circulated to members and a briefing session arranged to talk through the detail.</p> <p>Members were informed that Victoria Smith has recently been appointed as Group Financial Controller. She will be Introduced at the next meeting. Mike Russell will be leaving the organisation mid-August.</p>	Arrange briefing session before publication of final accounts.	GM/SJ.
6.	Offshore Wind Deep dive	<p>A presentation was delivered on Offshore Wind.</p> <p>Members commented that the deep dive has demonstrated that risk is well documented and there is a good risk management process within the organisation. Future Deep dives:</p> <ul style="list-style-type: none"> • Demolition • Energy recovery facility • NZT • Freeport <p>These deep dives will then allow the committee to say if they are comfortable with risk management.</p> <p>Deep dives that have already been provided to committee can be included as part of new member induction.</p> <p>Presentation slides to be shared with Committee members</p>	Circulate slides to members	SJ
14.	Forward Programme & Action Register	Noted		

15.	Date and Time of Next Meeting	<p>Date of next Meeting – 1st September 2021.</p> <p>It was agreed that 1st September meeting time will be used for an informal briefing session to cover the financial statements and the next deep dive topic.</p> <p>A formal meeting will be arranged for later in September following next Board and when new members have been appointed and inducted. Date to be arranged.</p>	Meeting to schedule	SJ

AGENDA ITEM 5

REPORT TO THE AUDIT AND RISK COMMITTEE

25TH NOVEMBER 2021

REPORT OF THE GROUP CHIEF EXECUTIVE

GROUP CHIEF EXECUTIVE UPDATE

SUMMARY

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

RECOMMENDATIONS

It is recommended that the Committee notes the content of this update report.

ORGANISATIONAL DEVELOPMENTS

1. Since the Last update to the Committee the Tees Valley has been announced as one of the successful bidders for Freeport Status. As a large area of the proposed Freeport sits within the Teesworks Site Boundary, work is ongoing to reflect the impacts of freeports on the wider regeneration programme to ensure best advantage is taken of freeport incentives. In particular, tax zones, which offer a range of time limited tax incentives to eligible businesses
2. In addition to confirmation of Freeport status STDC has continued to develop a business case for additional funding linked to development of the Tees Valley Offshore Wind Hub on the South Bank area of the site. This business case is expected to secure a further £20m of funding to support site preparation works and ensure that the site is ready to accommodate offshore wind manufacturers at the earliest opportunity. A large part of the Offshore Wind hub also forms part of the Teesside Freeport and is expected to have tax zone status.
3. As part of the plans for the proposed offshore wind hub, in March LM Wind (a subsidiary of GE Renewable Energy) announced plans to open and operate plant for the production of offshore wind turbine blades on the Teesworks Site and Heads of terms have been agreed. The plant is currently in the detailed design phase and is expected to open and start production in 2023 alongside the completion of the Teesworks Quay at South Bank
4. Further developments by operational area are provided below.

FREEPORT

5. At the Autumn Budget on 27th October, Teesside Freeport was confirmed.
6. The following day, Teesside Freeport branding was launched, and the website went live.
7. The budget confirmation resulted in the Statutory Instrument for the Tax Land being laid on 29th October and following a 3-week review period, these will pass into law on 19th November.
8. The Primary Custom Zone was delivered by the end of the month and has been audited by HMRC / UKBF on 9th November.
9. Teesworks must review the remaining custom zone land in accordance with the issued guidance and confirm the areas to be included as customs sites by 15th December.

UTILITIES

10. A Network Protection Study has been undertaken to confirm the appropriateness of the protection settings for the Teesworks electrical distribution network. The work was contracted in May 2021 and a draft report was received in Oct 2021. Finalisation of the report will be completed by end November 2021.
11. In September 2021, STDC executed a Bilateral Connection Agreement with National Grid. The contract is a standard form agreement that describes the technical parameters of the dual connection to the grid. This BCA is a mandatory requirement for all connections to the National Grid network and its absence was a non-compliance for both STDC and National Grid. The execution of the agreement will now allow STDC to progress connection applications for the 100MW Battery and the Energy from Waste facility.

PROGRAMME DEVELOPMENT

12. Dorman Point (150-acre site)

Eston Road Highway Access Scheme

- (a) Construction progress: 35% complete.
- (b) Principal activities undertaken to date relate to Holme Beck watercourse diversion.
- (c) Programmed completion: 31-Mar-22, on target.

Site Preparation and Ground Remediation Works

- (a) Phase 1a (ERF Site, 25 acres): 100% complete.
- (b) Phase 1b (15 acres): 30% complete, further work temporarily on hold.
- (c) Phase 2 (50 acres, eastern zone of site): 75% complete, completes 28-Feb-21.
- (d) Phase 3 (30 acres, central zone of site): dates to be confirmed.
- (e) Phase 4 (30 acres – former SSI land): dates to be confirmed.

13. South Bank

South Bank Quay Phase1 (450 linear metres of usable quay)

- (a) Construction works commenced 06-Sep-21 and are well underway, with the focus being on the preparatory major earthworks phase of the project.

- (b) Primary construction materials (tubular piles, sheet piles, etc) that are impacted by long lead-in times are all now under order.
- (c) Phase 1a completion (250m of quay): 31-Dec-22.
- (d) Phase 1b completion (200m of quay): 31-Mar-23.
- (e) Project is on programme.

Site Preparation and Ground Remediation Works

Area C (GE Blade Manufacturing Facility site – 45 acres main site plus 20 acres storage)

- (a) Advance major site clearance and demolition works: 100% complete.
- (b) Ground remediation works: 70% complete, on programme.
- (c) Target completion:
 - Area 1 (main factory site): revised to 30-Nov-21.
 - Area 2 (factory site north): revised to 31-Dec-21.
 - Area 3 (factory site south): 28-Feb-22.

Area B1 (Land immediately behind South Bank Quay Phase 1 – 12 acres)

- (d) Construction progress: 100% complete.

14. Demolition Works Programme

Heavy Fuel Oil (HFO) Tank Farm and Buildings at South Bank

- (a) HFO Tank Farm: 100% complete.
- (b) Buildings at South Bank: 100% complete.

Advance Demolitions, Redcar (the Foundry and NZT sites)

- (a) Coal Handling Facility, Redcar: 100% complete.
- (b) RDL Stores, Tube City, various conveyors: 100% complete.
- (c) Raw Materials Handling Facility: 75% complete, completes 30-Nov-21. The major demolitions completed in the past two months.
- (d) Sinter Yard Conveyors: 100% complete.
- (e) Completion: 30-Nov-21.

Primary Demolition Programme

- (a) The primary demolition projects are all now awarded, progress is as follows:
 - Stock Houses and Area Workshops: 75% complete. Major blow down of stock houses successfully completed 01-Nov-21. Project is on programme.
 - South Bank Coke Ovens By-Products Plant: 10% complete. Progress has required further work. Interventions are being made to resolve this.
 - South Bank Coke Ovens Battery Facility: 100% complete. Project completed on time, inclusive of the blow down of Dorman Long Tower.
 - BOS Plant: 20% complete. Project progressing on programme.
 - BOS Plant COGM Cleaning/Decontamination: 100% complete.
 - Redcar Blast Furnace: 8% complete. Project progressing on programme.
 - Redcar Coke Ovens Battery Facility: 15% complete. progress has required further work. Interventions are being made to resolve this.

- Redcar Coke Ovens By-Products Plant: 5% complete. Progress has required further work. Interventions are being made to resolve this.
- Redcar Sinter Plant: 25% complete. Project progressing on programme.
- Redcar Power Station: 0% complete. Project on hold pending execution of asbestos survey works, which are imminent, and vacation of the premises by Keep Safe personnel.

15. Net Zero Teesside Site (125 acres)

- (a) Agreement is close to being reached on ground remediation and site preparation requirements with BP.
- (b) Planning application for ground remediation scheduled for submission on 19-Nov-21.
- (c) Planned start date for ground remediation works is 07-Mar-22.

16. GE Blade Manufacturing Facility, South Bank

- (a) The appointed design team continues to develop the detailed design in consultation with Teesworks and LM Wind.
- (b) The procurement of the Design and Build contractor is nearing a conclusion, with two bidders in the running.
- (c) Construction programme: Dec-21 to Mar-23.
- (d) Commercial negotiations with GE continue.

17. Key Risks to Delivery

(a) South Bank Quay Phase 1

- Long lead times for primary materials impacting delivery to programme.
- Steel price volatility.

(b) Ground Remediation Works

- Suspensions in mudstone deliveries from Anglo American tunnel boring operations impacting earthworks material availability. Suspensions are due to a recent major H&S incident in the tunnel amounting to several weeks' duration (ongoing), and a planned, construction-related requirement in the early part of 2022, lasting 3 to 4 months.

(c) Demolition Programme

- HV infrastructure diversion projects – long lead-in times for 66kV equipment.

(d) Delivering the GE site facility

- Securing a design freeze with LM Wind in order that the detailed design can be completed on time.
- Long lead-in times for major construction materials such as primary and secondary steelwork, and cladding systems.
- Finalising the commercial and related legal agreements.

STDC is working actively in mitigation of all of the above risks, with plans in place and measures being taken to address potential impacts to programme.

EQUALITY & DIVERSITY

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

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SOUTH TEES DEVELOPMENT CORPORATION

Scrap and Disposal of Assets

Internal audit report 1.21/22

Revised Final

19 November 2021

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit / assignment and provide you with the assurances you require. It is these exceptional circumstances which mean that the majority of this audit has been conducted remotely. Based on the information provided by you, we have been able to sample test the control framework.

Why we completed this audit

The South Tees Development Corporation (STDC) is a 100% subsidiary of the Tees Valley Combined Authority (TVCA). TVCA's purpose is to drive economic growth and job creation across Teesside in order to improve the local economy. A key element in achieving this is to clear and redevelop the old SSI Steelworks site. A joint venture, Teesworks Limited ("Teesworks"), has been set up between STDC (50%), Northern Land Management (25%) and JC Musgrave Capital Limited (25%) for this purpose. Teesworks are currently in the process of managing the demolition and remediation of the SSI Steelworks site, which is resulting in scrap metal and other assets being generated.

Our review was undertaken to determine whether the control framework in place surrounding the sale of scrap and other assets is robust and being applied consistently. This included a review of the documentary framework (policies, procedures and delegated authorities), checks performed on new buyers, determining sale price of the scrap and assets, ensuring all income due from the sales is received timely and complete, and the reporting undertaken.

We also undertook a short-notice site visit to review the physical security arrangements and the records maintained.

To date, 67,607 tonnes of scrap metals have been sold to buyers. Since all contracts for the demolition works have now been awarded, Teesworks is now under pressure to ensure that the demolition timetable is adhered to, and all scrap produced is sold and removed from site, to avoid adversely affecting the progress of the demolition. When deciding on sales of the various grades of scrap, the prime consideration is price, however another important factor is the buyer's ability to move the scrap purchased in order to ensure there is little or no adverse impact on demolition projects. As a result, sales are frequently made to buyers who have not submitted the highest bid for that particular lot of scrap.

Conclusion

As a result of sample testing, walkthroughs, review of documentation and interviews with staff, we have agreed **four low** priority actions with management. These relate to the need to enhance the existing procedure notes to reflect the full end to end process, update the delegations document to explicitly state that there are no monetary limits on the Teesworks Operations Director when making sales of scrap or assets, inadequate tracking of actions designed to reduce the risk score on the risks related to scrap on the TVCA risk register, and the need to enhance the reporting to TVCA to include the sale of assets.






Internal audit opinion:

Taking account of the issues identified, the Board can take **substantial assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



Key findings

Our audit review identified that the following controls are suitably designed, consistently applied and are operating effectively:

-  Teesworks have documented the Safe Working Procedure for removing scrap and assets from site, and the paperwork required at each stage to enable this to take place. These have been updated to reflect precautions following Covid-19. Testing confirmed that this information is provided to all buyers during the onboarding process.
-  We established that the Teesworks Operations Director is assisted by the Site Development Manager to limit the risk of single point of failure or knowledge retention. All emails agreeing prices with buyers, and all spreadsheets recording sales requiring an invoice and tonnages sold to date are held centrally on the Teesworks network.
-  Security measures in place across the site are appropriate and proportionate to the risk and value of assets at risk of being taken. A visit to the site on 27 August 2021 confirmed that there are two points of ingress / egress – Lakenby Gate and Redcar Gate. Both are security controlled and require a site induction to be carried out before entry is permitted. A further site visit on 20 September 2021 also confirmed that visitors are required to show identification, should their vehicle not be registered with the Automatic Numberplate Recognition service, and therefore the barrier needs opening manually by security staff at the gatehouse. We also confirmed that ad hoc spot checks are undertaken on vehicles leaving the site on an approximately weekly basis, with records maintained of the outcomes.
-  During our site visit on 20 September 2021, we saw that access to locations undergoing demolition are manned by security staff for both safety and security. All demolition sites are controlled under CDM 2015 Regulations and therefore they are all cordoned off with fencing and entry is controlled. We were also advised that all demolition sites are also CCTV controlled.
-  The Teesworks Finance Director undertakes a check of Companies House, the latest filed accounts and determines the credit terms for all new buyers of scrap. Once these have been satisfactorily returned, an open Sales Order Request is completed for each buyer. Testing confirmed this had taken place for the four buyers within our sample. Buyers who do not pass these checks, or who have no trading history with Teesworks are required to pay cash up front. Testing of two assets sold confirmed both buyers were required to pay in cash up front, prior to collection of the asset.



The Operations Director subscribes to Metals Bulletin, which provides the market price for each type of scrap metal. This is checked every week to identify any material variances between the current agreed price per customer per metal, and the market rate. Buyers are then asked to provide new quotes should their prices be less than the market rate, or the buyer had only guaranteed a price for a set period. Testing found that for each of the 15 weighbridge tickets sampled, the sale price per tonne was as per the agreed price with the buyer. We noted that in six of the 15 cases, the price agreed was not the highest received at that point in time. The Operations Director advised that there are a number of reasons why this may happen, primarily because the smaller customers are able to offer a slightly higher price but do not have the capacity to deal with the larger volumes required to keep the site clear from demolished scrap material. This is especially pertinent now that all demolition contracts have been awarded, and volumes are expected to increase significantly.



We also identified in our sample an example where the sales price per tonne charged to a customer on 5 July 2021 for 'Demolition Scrap' varied. When investigated, it was evidenced that this was an example of where the previously agreed tonnage price had been exhausted, and the new price was therefore charged for the scrap in excess of the agreed volume, as per a subsequent price agreement. This is monitored on a rolling basis by the Operations Director using his sales spreadsheet, which breaks down the type of scrap and the weekly and cumulative weights sold per customer.



On a daily basis, the weighbridge operators send the Operations Director a system generated report of all weighbridge activity. This is used to consolidate the weight of disposals of each type of scrap, on to a sales sheet per customer. Testing of a sample of 15 weighbridge activities found that:

- the weighbridge system had correctly calculated the weight of the scrap in the vehicle, based on the weight before and after loading;
- the records from the weighbridge corresponded to those entered on the Authority to Load and Authority to Remove tickets;
- all Authority to Load and Authority to Remove tickets had been signed by the weighbridge operator;
- all 15 removals from site were accurately recorded on the corresponding sales sheet for the customer based on the information recorded on the weighbridge ticket and the Authority to Remove ticket; and
- all 15 sales had been included within the consolidated weight for that type of scrap and invoiced at the correct price based on the latest price agreed with the buyer.



We noted examples where there were gaps in the sequential numbering of the weighbridge tickets. Using the manually completed, sequentially numbered Authority to Load ticket books, we reconciled these tickets to the corresponding weighbridge tickets, and the sequentially numbered Authority to Remove tickets. We confirmed that the sequential numbering of the Authority to Load and Authority to Remove tickets continued as expected, which meant there was no missing weighbridge activity. The Operations Director advised that he is aware of this issue and has previously raised it with the TVCA IT team, however no solution could be found, and the existing mitigations of the sequentially numbered Authority to Load and Remove tickets is deemed proportionate.



Invoices are raised by the Finance Director each week, and payments are monitored to ensure that they are received within the 7 days terms specified. From our testing of 15 weighbridge tickets, we confirmed that each had been included within a consolidated figure which had then been invoiced to the relevant buyer in a complete, timely and accurate manner based on the agreed sales price and quantity at the time of sale. We also confirmed to the bank statement that all payments had been received in full in a timely manner, in line with the terms set out on the invoice and the Sales Order Request form.



The Operations Director advised that informal catch ups have been held consistently with the TVCA Group Director of Finance and Resources since the first sales were undertaken at the start of 2021, however it is only since mid-August 2021 that these have been formalised, due to the increasing quantities and values of the scrap being sold and the need to better report and estimate the income due. The weekly reports contain information on;

- the history and status of prices;
- the current selling prices per type of scrap;
- the quantity and value of sales that week and cumulatively;
- planned and future sales in the pipeline;
- estimated stock remaining on site and;
- progress of the demolition against the agreed timescale.

We also confirmed that alongside the weekly reports, the Operations Director sends the latest Disposal Options and Comparison spreadsheet to TVCA, to allow full transparency over the bids received for each lot of scrap.







The Operations Director maintains a list of all assets sold to date and the price realised. 16 assets have been sold to date and two are in negotiation. This equates to income of £141k, with a further £216k due. The Operations Director advised that identifying a value for the asset is difficult as there is a very limited market for the assets, and they are generally relatively old. As a minimum he would look to make the scrap value of the asset at prevailing prices.



The TVCA risk register includes a section specific to risks related to demolition and scrap. On a monthly basis, the Operations Director meets with a representative from the TVCA Risk Team, to review the risks to which he is assigned owner. We confirmed this had taken place in July and August 2021, and saw the diary invitation for the September meeting, to be held on 23 September. A snapshot of the risks above target or tolerance and which have moved since the previous month is then sent out to the Operations Director.

We identified the following weaknesses / findings:

-  The existing procedure notes do not include details of how prices are identified and agreed with buyers, a detailed walkthrough of the process for recording weighbridge tickets and the associated records required for invoicing, and the reporting mechanism. **(Low)**
-  We were provided with a document produced by the TVCA Group Director of Finance and Resources which shows the flows of authority between TVCA, Teesworks and the Buyer. This shows that the TVCA Group Director of Finance and Resources retains overall control over scrap and demolition operations, delegated to the Teesworks Operations Director, with involvement from the Teesworks Finance Director. The Teesworks Operations Director advised that there are no limits or set criteria imposed as to what he is authorised to dispose of and at what price. Whilst we recognise the overall authority delegated to the Teesworks Operations Director, there is no mention of what authorisation is required where sales values are below the maximum possible achievable (although we recognise such a decision is often required for practical purposes as noted above). Such a control would enhance current measures to ensure full transparency over public funds. **(Low)**
-  We noted that since the weekly reports to the TVCA Group Director of Finance and Resources have begun, three assets have been disposed of, equating to c £22,000. Whilst we note these values are immaterial in the scale of the wider demolition and disposal sale, they have not been referred to within the weekly reports. **(Low)**
-  The Operations Director confirmed that discussions are held with the TVCA Risk Team on future actions which may impact on the residual risk score, however this is not documented, or dates and owners recorded. **(Low)**

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

GSR-R036: Fraud – management of scrap metals				
Control	Teesworks has documented the Safe Working Procedure for delivering and removing scrap and assets from site, and the paperwork required at each stage to enable this to take place. This is provided to all customers upon sign up.		Assessment:	
			Design	✓
			Compliance	x
Findings / Implications	<p>One of the first jobs of the Operations Director when he took up post in October 2020 was to document the Safe Working Procedure for the demolition and sale of scrap, in order to comply with CDM Regulations. Upon review we confirmed that these include:</p> <ul style="list-style-type: none"> • PPE; • Site access; • Safety instructions; • Documentary requirements; and • Templates of the Authority to Load and Authority to Remove tickets. <p>We also found these had been updated to take in to account Covid-19 precautions.</p> <p>We confirmed through review of evidence that these Standard Operating Procedures and a map of the directions to the gatehouse, weighbridge and key demolition locations is sent to all new buyers upon sign up.</p> <p>We noted that the procedures do not include details of how prices are identified and agreed with buyers, a detailed walkthrough of the process for recording weighbridge tickets and the associated records required for invoicing, and the reporting mechanism. This creates a risk that should the role be undertaken by another employee in future, inconsistent practices may develop.</p>			
Management Action 1	Documented procedures will be enhanced to include detailed walkthroughs on how prices with buyers are agreed on an ongoing basis, how the documentary audit trail throughout the process results in the invoices being raised, and the reporting mechanism to TVCA.	Responsible Owner: Teesworks Operations Director	Date: 30 November 2021	Priority: Low

GSR-R036: Fraud – management of scrap metals

Control	The Teesworks Operations Director has been delegated authority to dispose of scrap and assets.		Assessment:	
			Design	✓
			Compliance	x
Findings / Implications	<p>We were provided with a document produced by the TVCA Group Director of Finance and Resources which shows the flows of authority between TVCA, Teesworks and the Buyer. This shows that the TVCA Group Director of Finance and Resources retains overall control over scrap and demolition operations, delegated to the Teesworks Operations Director, with involvement from the Teesworks Finance Director. It is the Teesworks Operations Director and his assistant who deal with the buyers.</p> <p>The Teesworks Operations Director advised that there are no limits or set criteria imposed as to what he is authorised to dispose of and at what price. Whilst we recognise the overall authority delegated to the Teesworks Operations Director, there is no mention of what authorisation is required where sales values are below the maximum possible achievable (although we recognise such a decision is often required for practical purposes as noted above). Such a control would enhance current measures to ensure full transparency over public funds. Furthermore, there is a risk that sales substantially below market value are left to his own judgement, and as the scrap is removed from site prior to payment, the income would not be recoverable.</p>			
Management Action 2	<p>The Delegations for Scrap document will be enhanced to include authority limits for the sale of scrap so that maximum value is achieved, subject to defined caveats such as value of sale, quantity of scrap being disposed etc.</p> <p>A framework for the reporting, to the TVCA Group Director of Finance and Resources, and authorisation of scrap and other assets sold below the highest price offered will be devised, taking into account whether it is practical and desirable for this to be prior to the sale being agreed with the customer or afterwards as part of periodic reporting.</p>	Responsible Owner:	Date:	Priority:
		TVCA Group Director of Finance and Resources	30 November 2021	Low

GSR-R036: Fraud – management of scrap metals

Control	Since mid-August 2021, the Operations Director has been providing the TVCA Group Director of Finance and Resources with weekly reports on the status of prices, stock and sales, actual and estimated future income.	Assessment:		
		Design	✓	
		Compliance	x	
Findings / Implications	<p>The Operations Director advised that informal catch ups have been held consistently with the TVCA Group Director of Finance and Resources since the first sales of scrap were undertaken at the start of 2021, however it is only since mid-August 2021 that this has been formalised, due to the increasing quantities and values of the scrap being sold and the need to better report and estimate the income due, in order to service the loans provided by the UK government for the forthcoming building of the new quay on site. The weekly reports contain information on the history and status of prices, the current selling prices per type of scrap, the quantity and value of sales that week and cumulatively, and planned and future sales in the pipeline, estimates stock remaining on site and progress of the demolition against the agreed timescale.</p> <p>We also confirmed that alongside the weekly reports, the Operations Director sends the latest Disposal Options and Comparison spreadsheet to TVCA, to allow full transparency over the bids received for each lot of scrap. It is highlighted in the weekly report that "When deciding on sales of the various grades the prime consideration remains price however the buyer's ability to move the scrap purchased is also a key factor in order to ensure there is little or no adverse impact on demolition projects".</p> <p>We noted that since the weekly reports have begun, three assets have been disposed of, equating to c £22,000. Whilst we note these values are immaterial in the scale of the wider demolition and disposal sale, they have not been referred to within the weekly reports. This creates a risk that the work of the team is not recorded, and details of any assets sold above scrap value are not publicised.</p>			
Management Action 3	Details and proceeds of any sales of assets will be included within the weekly reports to TVCA.	Responsible Owner:	Date:	Priority:
		Teesworks Operations Director	1 October 2021	Low

GSR-R036: Fraud – management of scrap metals

Control	Risks relating to the demolition and sale of scrap are included on the TVCA risk register. These are updated on a monthly basis by the Teesworks Operations Director in conjunction with the TVCA Risk Team.	Assessment:		
		Design	✓	
		Compliance	x	

GSR-R036: Fraud – management of scrap metals

Findings / Implications	The TVCA risk register includes a section specific to risks related to demolition and scrap. When the risk register was first developed in January 2021, 20 threats and opportunities were identified.			
	On a monthly basis, the Operations Director meets with a representative from the TVCA Risk Team, to review the risks to which he is assigned owner. We confirmed this had taken place in July and August 2021, and saw the diary invitation for the September meeting, to be held on 23 September. A snapshot of the risks above target or tolerance and which have moved since the previous month is then sent out to the Operations Director.			
	The Operations Director confirmed that discussions are held on future actions which may impact on the residual risk score, however this is not documented, or dates and owners recorded, and as a result there is a risk that these actions are not formally tracked and therefore mitigating actions may not proactively take place to further reduce the residual risk score closer to its tolerance or target level.			
Management Action 4	Actions planned to reduce the risk score and set action target dates and owners will be recorded. These will then be tracked as part of the monthly risk meetings.	Responsible Owner: TVCA Risk Manager	Date: 31 October 2021	Priority: Low

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
GSR-R036: Fraud – management of scrap metals	0	(11)	4	(11)	4	0	0
Total					4	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Objective relevant to the scope of the review

Objective of the area under review	Risk relevant to the scope of the review	Risk source
The Group has adequate and effective systems and processes in place to ensure that best value is obtained from the disposal of scrap and other assets from the Steelworks site.	GSR-R036: Fraud – management of scrap metals	Risk Register

Scope of the review

The South Tees Development Corporation (STDC) is a 100% subsidiary of the Tees Valley Combined Authority (TVCA). TVCA's purpose is to drive economic growth and job creation across Teesside in order to improve the local economy. A key element in achieving this is to clear and redevelop the old SSI Steelworks site. A joint venture, Teesworks Limited ("Teesworks"), has been set up between STDC (50%), Northern Land Management (25%) and JC Musgrave Capital Limited (25%) for this purpose.

A considerable amount of value is tied up in the scrap and other assets on the Teesworks site. Our review will focus on the following areas:

- Whether Teesworks has established an appropriate set of controls and authorisation limits to effectively manage the disposal of scrap and other assets.
- Whether appropriate records are being maintained to control, record and report upon scrap and asset disposals.
- Whether security over site access and vehicle ingress / egress is appropriate and proportionate with due regard to risk, the value of assets concerned and cost.
- How assets on site are segregated and controlled to ensure that only those items agreed for collection are removed from site.
- How contractors are selected and appointed.
- Whether contracts are in place with all contractors.
- What controls are in place to ensure that income for the disposal of scrap and other assets is received completely and on a timely basis.
- What controls are in place to ensure that accounting entries in respect of the disposal of scrap and other assets are made completely, accurately and on a timely basis.

- How scrap and asset disposals are monitored in line with agreed values per contractor.
- How the disposal of scrap and other assets is reported.
- We will also review the risk register in respect of Teesworks to identify whether all mitigating actions are complete and accurately recorded.

As part of our audit, we will conduct a short-notice site visit to review physical security arrangements and records maintained in relation to disposals. Any queries or potential issues identified will be followed up during the week of our main fieldwork.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.
- We will not substantially re-perform reconciliations.
- We will not perform any physical verification of assets to / from accounting records.
- Our review will not cover any environmental or health and safety matters as these are the responsibility of a separate subsidiary entity.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	21 September 2021	Internal audit contacts	Rob Barnett, Head of Internal Audit
Draft report issued	29 September 2021		Philip Church, Client Manager
Responses received	7 October 2021		Mike Gibson, Assistant Manager
			Katy Matkin, Assistant Manager
Final report issued	8 October 2021	Client sponsor	Group Director of Finance and Resources
Revised Final report issued	19 November 2021	Distribution	Group Director of Finance and Resources
			Teesworks Operations Director

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **South Tees Development Corporation**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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Audit progress report

South Tees Development Corporation

November 2021



1. Audit progress
2. National publications

01

Section 01:

Audit progress

Audit progress

Purpose of this report

This report provides the Audit and Risk Committee meeting with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent reports and publications.

2020/21 audit

Materiality

We identified that the materiality reported for the group in the Audit Strategy Memorandum needed updating.

Threshold	£000
Overall materiality	Corporation £872 Group £1,020
Performance materiality	Corporation £697 Group £816
Specific materiality	We did not identify any areas where we considered that a specific materiality should apply
Trivial threshold for errors to be reported to Audit and Risk Committee	Corporation £26 Group £31

We are currently working on the audit and our aim is to complete the work by the end of January, subject to the component auditor’s completion of the audit of South Tees Developments Limited (STDL) We are liaising with the component auditor of STDL and have issued them with Group Instructions. We will be undertaking our own work at Group level to obtain assurance over South Tees Site Company and Teesworks Ventures Limited.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
National Audit Office (NAO)		
1.	Good practice guide: Cyber and information security	This is a guide for audit committees and includes a checklist of questions and issues.
2.	Update to supplementary guidance note 01 – going concern	Updated guidance on material uncertainty in Local Government audits.
3.	Home Office Departmental Overview	Summary of Home Office spending in 2020-21, focusing on key messages from the Department's Annual Report and Accounts, and providing insights which can be used to improve financial scrutiny.
Other Relevant Publications		
4.	PSAA news release: 2020-21 audited accounts.	News release providing a summary of the proportion of local government bodies who published audited 2020-21 accounts by 30 September 2021.
5.	Financial Reporting Council: Major local audits – Audit quality inspection	Report setting out principal findings arising from the 2020-21 inspection of the audit firms completing major local audits in England

NATIONAL PUBLICATIONS

NAO

1. NAO Good practice guide: Cyber and information security

The NAO has published a good practice guide for audit committees on cyber security arrangements.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

The NAO guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk. It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk. The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

NATIONAL PUBLICATIONS

NAO

2. Approval and publication of update to Supplementary Guidance Note 01 - Going Concern – Auditors’ responsibilities for local public bodies

The Comptroller and Auditor General (C&AG) has now approved and published an update to Supplementary Guidance Note 01 (SGN 01) - Going Concern – Auditors’ responsibilities for local public bodies - Annex 2: Additional information relevant to local government audits. The update to Annex 2 considers the principles and illustrative examples of where material uncertainty may exist in local authorities. Annex 2 now includes principles regarding the consideration of the statutory nature of a local authority and that a material uncertainty is likely to exist where a local authority identifies that it may have insufficient resources to deliver its statutory services, rather than being considered in relation to maintaining current service levels.

The annex also includes considerations of the following:

- single service bodies such as, but not limited, to national parks, waste disposal, and transport bodies;
- pension funds; and
- group audits.

3. NAO Home Office Departmental Overview

The NAO has published a summary of Home Office spending in 2020-21, focusing on key messages from the Department’s Annual Report and Accounts, and providing insights which can be used to improve financial scrutiny. The overview, along with the Department’s annual report and accounts is available on the NAO website.

<https://www.nao.org.uk/report/home-office-departmental-financial-overview-2020-21/>

NATIONAL PUBLICATIONS

Other relevant publications

4. PSAA news release: 2020-21 audited accounts

On 12 October, Public Sector Audit Appointments Ltd (PSAA) published a news release providing a summary of the proportion of local government bodies who published audited 2020-21 accounts by 30 September 2021.

- The news release states that only 9% of local authorities were able to meet their publication deadline, representing a significant decline from 2020, where 45% were able to publish audited accounts.
- PSAA acknowledges that the pandemic has had an impact on the current position, but also reflects on the wider pressures identified and highlighted through Sir Tony Redmond's review of local audit in autumn 2020. The release also includes an update on the actions being taken by The Department for Levelling Up, Housing and Communities (DLUHC – formerly MHCLG) to reform the local audit landscape more widely.

5. Financial Reporting Council: Major local audits – Audit quality inspection

The Financial Reporting Council (FRC) is the independent body responsible for monitoring the quality of major local audits, as defined by the Local Audit (Professional Qualification and Major Local Audit) Regulations 2014.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of the firms' local audits that do not meet the definition of a major local audit.

The FRC has published its report setting out principal findings arising from the 2020-21 inspection of the audit firms completing major local audits in England as well as QAD results of other audits. The report can be found here: https://www.frc.org.uk/getattachment/97b5a417-d9bf-4649-b3c3-3ae49a350fe7/FRC-AQR-Major-Local-Audits_October-2021.pdf.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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AGENDA ITEM 8

REPORT TO THE AUDIT AND RISK COMMITTEE

25TH NOVEMBER 2021

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

SOUTH BANK QUAY UPDATE

SUMMARY

The purpose of this paper is to provide an update to the Committee on the key activity in respect of the South Bank Quay project.

RECOMMENDATIONS

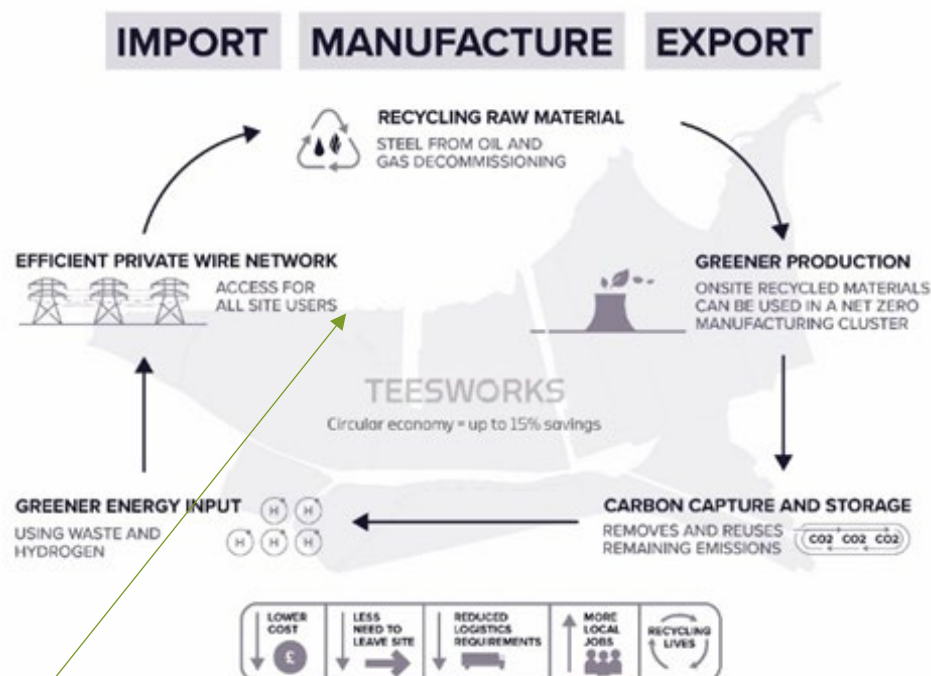
It is recommended that the Committee notes the content of this update report.

BACKGROUND

1. Teesworks is directed by the South Tees Development Corporation (STDC) . It has a vision for a world class industrial zone, heavily focussed on clean energy, the circular economy, industrial symbiosis and advanced manufacturing.
2. To deliver the clean energy element of this vision, the Teesworks Offshore Manufacturing Centre (TOMC) is being developed to attract manufacturers in the offshore wind industry, as direct access via the Tees provides a convenient location for servicing the growing market for renewable energy presented by North Sea offshore activities.
3. The South Bank Quay proposal adds to the River Tees' existing capacity through the development of a quay at Teesworks with phase 1 delivering 450m by early 2023. This was previously a quay, so STDC are reinstating existing infrastructure. Designed by leading experts, Royal Haskoning DHV, phase 1, with a berth pocket of -13.5m depth and 90m width, is capable of supporting the build out of 2 offshore wind developments at any one time.
4. The quay has direct access to more than 200 hectares (500 acres) of land which is currently being prepared for development, with a further 540 hectares (1292 acres) of expansion land available within the wider Teesworks site. The contiguous site is of a scale to accommodate the full production process for the supply of 2-3GW of turbine provision annually with the benefit of a private wire electricity network. The development

of TOMC is an essential step to the establishment of the site as a leader in serving the emerging offshore wind energy needs of the UK in the North Sea.

5. Early estimates show that the ability to manufacture and marshal on one site, the proximity of Teesworks to North Sea wind farm sites and the co-location of the wider supply chain, cumulatively could lead to significant efficiency gains of c.10-15% per wind farm . The designation of the Tees Valley as a designated Freeport will bring additional benefits for end users on this site.
6. TOMC has the potential to become a hub for innovation, new business development and high skill-level employment. The costs to deliver the first phase of 450m of quay, the remediation and development of land and the first stage commercial facilities, and how they will be funded, are set out in the table below. Future phases could extend the quay to 1,000m. In addition to confirmation of Freeport status STDC has continued to develop a business case for additional funding linked to development of the Tees Valley Offshore Wind Hub on the South Bank area of the site. This business case has secured a further £20m of funding to support site preparation works and ensure that the site is ready to accommodate offshore wind manufacturers at the earliest opportunity.
7. A large part of the Offshore Wind hub also forms part of the Teesside Freeport and is expected to have tax zone status in November 2021. The diagram below illustrates the potential benefits and flow of goods throughout the Freeport in addition to how the clean growth agenda is supported by investment (including for South Bank Quay) at Teesworks.



OFFSHORE WIND

8. As part of the plans for the proposed offshore wind hub, in March LM Wind (a subsidiary of GE Renewable Energy) announced plans to open and operate plant for the production of offshore wind turbine blades on the Teesworks Site and Heads of terms have been agreed. The plant is currently in the detailed design phase and is expected to open and start production in 2023 alongside the completion of the Teesworks Quay at South Bank
9. The manufacturing facilities proposed at TOMC comprise three facilities on the 200-hectare site, which could include a blade facility, a monopile facility, and a tower facility. The build requirements will be developed to suit the investor's needs. GE has signed heads of terms to be the first occupier of the site and is setting up a blade manufacturing facility.
10. The reinstatement of the Quay on the South Bank of the Tees is required to deliver the contract agreed with GE, to give them the access they require. The proposed deep-water quay has been designed by industry experts Royal Haskoning, following extensive liaison with the offshore wind industry, to ensure it meets their needs, both now and in future by being suitable for use by new generation installation vessels and for vessels importing components and raw materials.
11. The South Bank Quay has the potential to provide over 1km of new deep-water quay. This first phase is to create 450 m of deep quay, with a berth pocket of -13.5m depth and 90m width. Along with 75 hectares (185 acres) of hinterland suitable for use by the offshore industry and provides capacity to support the build out of two offshore wind developments at any one time. There is a further 125 ha of land in the quay's immediate hinterland. The wider Teesworks site has a further 400 ha of land available for the offshore industry to expand into. This available space is of a scale to accommodate production facilities to supply 2-3 GW per annum of turbine provision. For the purposes of this lending request, we have assumed the quay will service the equivalent of 1.23 wind farm, 1.48GW. Full details of the rationale and assumptions behind the calculations are in Appendix 1, section 11.

PROJECT TEAM

12. To enhance the capability of the Teesworks team and better align with the project specific requirements, the optimal service delivery plan identified for this project is to outsource in areas STDC does not have the specialist expertise. This is to aim for a 'best in class' delivery team. The following table summarises the support team currently in place.

Specialism	Responsibility
Quay design	Royal Haskoning DHV
Planning	Lichfields
Legal	Womble Bond Dickinson
Marine geology	Fugro
Land geology	AEG/Arcadis

Specialism	Responsibility
Marine movements	Marico Marine
Ecology	INCA
Sustainable transport	Arup
Noise	Arup
Air quality	Arup
Hydrology	JBA Consulting
Waste	Atkins
Landscape and Visual Impact	BDP
Archaeology	Prospect Archaeology
Climate change	Arup

The management team also decided that the specialist nature of quayside construction and the associated risk management would best be delivered through the procurement of appropriate design and construction organisations.

PROGRESS UPDATE - KEY MILESTONES

13. The South Bank Quay project milestones expected for delivery to date have all been achieved except for a planned reprogramming of the site preparation works following clarification of sequencing activity in the tender process. This reprogramming will lead to a more cost-effective solution negating the need for unnecessary rework.

	Planned Start	Actual Start	Planned Completion	Actual Completion	Duration
Procurement Phase	24-Mar-21	24-Mar-21	30-Aug-21	30-Aug-21	23 weeks
Launch Stage 1 Tender	24-Mar-21	24-Mar-21			Milestone
Tender Period	24-Mar-21	24-Mar-21	19-May-21	19-May-21	8 weeks
Tender Return Date	19-May-21	19-May-21			Milestone
Tender Assessment Period	20-May-21	20-May-21	11-Jun-21	11-Jun-21	3.5 weeks
Tender Interviews	10-Jun-21	10-Jun-21			Milestone
Preferred Bidders Awarded	11-Jun-21	14-Jun-21			Milestone
Launch Stage 2 Process	14-Jun-21	14-Jun-21			Milestone
Early Contractor Involvement	14-Jun-21	14-Jun-21	08-Aug-21	09-Aug-21	8 weeks
Site Preparation Works	02-Jul-21	02-Jul-21	26-Aug-21	28-Feb-22	
Selection of Contractor	27-Aug-21	27-Aug-21			Milestone
Award Contract	30-Aug-21	30-Aug-21			Milestone
Commencement Quay Works	06-Sep-21	06-Sep-21			Milestone
Construction Phase					
Mobilisation to site (Cabins etc)	19-Nov-21	19-Nov-21			

FORWARD LOOK – KEY MILESTONES

14. The forward plan of milestones for the project is set out in the table below: -

	Planned Start	Actual Start	Planned Completion	Actual Completion	Duration
Construction Phase					
Demolition of existing quay structure	11-Dec-21		04-Apr-22		
Heavy Lift Platform Piling	20-Sep-21		19-Jan-22		
Heavy Lift Platform Deck	10-Nov-21		25-Feb-22		
Steel Piling first delivered to site	29-Nov-21				
Dredging Activities	25-Apr-22		21-Oct-22		
Piling Works Steel Quay wall	08-Mar-22		31-May-22		
Piling Works Concrete Quay wall	21-Jan-22		06-Apr-22		
Completion first 250m (minimum)	31-Aug-21		23-Dec-22		
Completion 450m	26-Dec-22		31-Mar-21		

15. The plan represents the key milestones associated with the construction phase of works by the contractor.

16. FINANCIAL IMPLICATIONS

17. The total project cost for the implementation of South Bank Quay is £107m which includes the required remediation and preparation of land adjacent to South Bank Quay. This project has been fully funded by the UK Infrastructure Bank (UKIB).

18. The UKIB investment of £107m will enable this transformational Teesworks project and is the UKIB first ever investment, potentially unlocking thousands of jobs.

19. The Government-owned policy bank has confirmed the £107m investment into the South Bank Quay development, which will directly support around 800 jobs directly, with the potential to create thousands more across the site. The public policy bank was launched in June 2021 and has an initial £12bn to deploy, as well as £10bn of government guarantees.

20. The UKIB aim is to finance innovative infrastructure projects, tackle climate change and boost growth across the UK – and the multi-million pound loan has been hailed as a significant move to boost economic activity.

21. The repayments of the loan will be from operational tonnage revenues over the Quay with the loan facility allowing for a 24month window of construction and enabling activity prior to any repayments being required.

RISK IMPLICATIONS

22. The key risk implications associated with the South Bank Quay project are detailed below and are actively managed by the project team on a regular basis with reporting through to the STDC Delivery Group chaired by the Group CEO.
23. These strategic risks have detailed mitigation and treatment action plans in place along with lead owners accountable for delivery.
24. The project remains on track for delivery as set out earlier in this update report and progress is monitored regularly by the project team along with the necessary updates to the risk register.

Risk ID	Risk Theme	Risk Description
SBQ-R003	Key milestones - failure to achieve operations deadline.	As a result of delays to project there is a threat that initial operations deadline will not be achieved and key milestones missed which may result in financial impacts and project delays.
SBQ-R039	Work by statutory undertakers	As a result of failing to effectively plan work required by statutory undertakers there is a threat of unplanned work requirements which may cause delays to project and financial impacts
SBQ-R013	Contaminated Materials above tolerance	As a result of dredging there is a threat that the volume of contaminated materials discovered will breach tolerance levels and will need to be disposed of appropriately which may result in project delays and financial impacts.

EQUALITY & DIVERSITY

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

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