

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & GOVERNANCE COMMITTEE

Date: Friday 17th March 2023

Time: 1.00pm

Venue: Teesside Airport Business Suite, Teesside International Airport

Attendees:		Apologies:
John Baker (JB) Chair	Independent Member	John McNicholas – Teesworks
Allan Armstrong (AA)	Independent Member	Cameron Waddell - Mazars
Mike Sharp (MS)	Independent Member	Natalie Robinson - Teesworks
Cllr Anne Watts (AW)	RCBC Representative from TVCA Audit & Governance Committee	
Gary Macdonald (GM)	TVCA	
Victoria Smith (VS)	TVCA (Via Teams)	
Derek Weatherill (DW)	Teesworks	
Emma Simson (ES)	TVCA (via Teams)	
Cath Andrew (CA)	Mazars	
Nicola Dean (ND) (Governance)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome & introductions	Gary Macdonald, (GM) Group Director of Finance & Resources welcomed everyone to the Meeting.		
2.	Apologies for Absence	Apologies for absence were noted and submitted as above.		
3.	Nominations and Appointment of Interim Chair	Gary Macdonald, (GM), Group Director of Finance & Resources advised there was a requirement for an Interim Chair since the previous Committee Chair had stepped down at the last meeting and that there was a nomination for John Baker, seconded by Cllr Anne Watts. This was unanimously agreed.		
4.	Declarations of Interest	For transparency, Mike Sharp (MS) noted an interest in the Freeport via his position at Caspers and John Baker (JB) noted an interest in the South Tees Site Company (STSC) as a member of that Board. No other declarations of interest were raised.		
5.	STDC Group Financial Statements 2021-22	<p>The South Tees Development Corporation (STDC) Group Financial Statements 2021-22 were shared with the Committee in advance of the meeting and the Committee was advised that it was being asked for authorisation for the Directors to sign the financial statements.</p> <p>Victoria Smith (VS), Group Financial Controller, gave a summary of what was covered at the previous meeting. Covering the following:</p> <ul style="list-style-type: none"> • STDL and STSC accounts had been signed and were filed on Companies House. VS covered that Azets issued unqualified opinions on the accounts, stating the accounts give a true and fair view. The numbers from these two companies are consolidated into the STDC group accounts presented today. Azets raised no issues at the previous committee regarding the two entities. • STDC single entity accounts and audit update report were discussed. VS explained that the areas outstanding from the audit update report had now been completed. <p>Vs informed Members that although we were taking the accounts as read, she would talk through the key points. The following were key areas in the Accounts detailing up to March 2022 were discussed:</p>		

		<ul style="list-style-type: none"> • Funding incurred on site remediation, decontamination and demolition during the period had been impaired - it was explained this was known when the site was taken on and this is why public funding was provided via government grants. VS highlighted the section of the narrative report that covers this. • Provision for the Site Company running down in relation to staff numbers and redundancies; • Contingent liability note was discussed covering the HMRC corporation tax discussions occurring nationally and stating this had been disclosed as a potential liability if required to pay CT. • Contingent liability to SSI when staff TUPE'd over, and payments will be made as they leave. • Accounts – VS highlighted the income from Teesworks from the sale of scrap and explained that this had been fully reinvested in the site. <p>Picking up on the actions highlighted at the last meeting, VS informed the Committee that Mazars had asked for a valuation on the land that sits in South Tees Development Limited (STDL). It was confirmed an independent valuation had been carried out by George F White and was in line with what had been estimated and Mazars had now agreed on this. CA confirmed to the Committee that there would be an unadjusted misstatement to the report as the valuation came in lower, but this was explained not to be material. It was explained that this was categorised as surplus assets because the piece of land was being sold and development had commenced with a tenant.</p> <p>The Committee was advised that Mazars had asked if there should be a value for the 10% shareholding in Teesworks and whether there is any value in those shares currently. VS explained it was felt to be difficult to put an estimate on a cost and value of the shares at this stage and therefore the value included in the accounts was 0. A DCF had been prepared by STDC and Mazars valuation team were reviewing this. MS highlighted he had reviewed the Teesworks accounts at the balance sheet date and that an estimate of the value due to share of net assets would be c£17k, immaterial.</p> <p>Members were informed that since the statements had been provided there were some minor typographical errors/amendments identified in the Accounts and these were summarised and issued to members to accompany the Accounts.</p> <p>MS sought clarification on a number of points which were satisfactorily responded to by VS and GM. VS undertook to circulate to the committee a summary clarifying the points raised.</p>		
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6.	<p>External Audit Completion Report Update 2021/22</p>	<p>Cath Andrew (CA) provided a verbal update to the Committee that there were 6 areas of work outstanding on the External Audit Completion Report and explained progress against those as detailed below:</p> <ul style="list-style-type: none"> • All information requested by Mazars, had been provided by the SDTC audit team. • Fraud, Laws & Regulations – It was explained that Mazars had been awaiting a response from the Chair of Audit & Governance Committee and this had now been received with no concerns. • Party Related Transactions – The Committee was informed that Mazars had not received all Declarations of Interest so it was noted detailed testing couldn't be done. It was noted there were 2 missing Declarations that were linked to previous Directors who were no longer in post and a control recommendation was raised. • Group consolidation – CA explained Mazars had been awaiting STDL accounts to be signed and received those now. STSC was noted as now having been signed but Mazars had not received anything so will chase Azets, although it was noted the file had been reviewed and there was nothing material to raise. • Teesworks – Mazars' internal experts were explained to have been involved in this area and the valuation of assets had now been concluded with no issues. The Mazars share valuation team were reviewing the valuation of shares held by STDC in Teesworks, but this was not concluded yet and may take a while to review and for a decision to be made. VS highlighted that no value had been included in the accounts to be prudent at this stage. • Investments in Associates / subsidiaries, Mazars stated the potential requirement for further disclosure information regarding investments. Particularly expanding on the accounting entries made and explaining why they have no value. It was clarified that disclosure won't have an impact on the numbers. GM advised that this is a disclosure on what information was provided on those entities. • PPE – £1.94m difference between £15m and £13m. Reclassification and valuation movements and an error in capital commitments but not material, with no plans to amend that. 		

		<ul style="list-style-type: none"> • Pensions – It was noted that the net liability in the accounts is not material to the group but almost is to the single entity. CA advised Mazars was waiting for pension fund auditors’ assurance but had informally heard they’re reporting a small error which would be a trivial difference to the STDC accounts. The national issue raised regarding the pension fund wouldn’t have a material adjustment but was advised it may need to be a reportable error. CA advised they had been told they may have pension fund auditor assurance by the end of next week but there was an argument this could be signed off, depending on the risk Mazars wants to take. <p>Members further discussed the valuation of the shares and GM explained to the Committee it was felt it was too early to make assumptions on their value and so had therefore been prudent on valuation as it is difficult to assess. At some point it was agreed there may be more intelligence in terms of revenue streams to say the shares would have a positive value, but it was uncertain at this point. MS suggested that, from looking at the balance sheet, the value could be around £17k and not material, so agreed with the view it was too early to evaluate it. There was a query around what the private partners were showing regarding their shareholding and if they were taking a similar view. GM explained he had not looked at their accounts but if Members wanted to do so, they could look at Companies House.</p> <p>GM requested clarification for Members in an event where the pension assurance is not received next week but everything else has been concluded, whether this other national issue is something that stops Mazars completing. CA advised that it was not clear as it was a national issue but dependent on the personal judgement of the Partner and so would need to speak to Cameron Waddell, (CW), Partner at Mazars on this. VS informed the Committee that she had recently spoken to CW and he had advised that for it to be materially wrong, it would be required to be 150% wrong, which is highly unlikely to happen. CA advised that part of the issue is that 22/23 assumptions are putting a lot of people into an asset position – still materially correct, even if reduced to nil. GM suggested there would be a need to consider how late the accounts are but that he would speak to CW and if there is the opportunity to close it out, rather than waiting to be signed and audited, it would make sense to do so. CA confirmed all the Local Government opinions are late but assured the Committee there was nothing to impact on the prime statements and what was looking to be approved today.</p> <p>The VFM statement was discussed regarding the disclosure elements and CA suggested to put something in the related party transaction note and that it may be useful to look at Gateshead Council’s related party transaction note as an example. VS advised the Committee that CW had queried</p>	<p>GM to speak to CW of Mazars on national issue</p> <p>Review Gateshead Council related party transaction note</p>	<p>GM/Mazars</p> <p>VS</p>
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7.	Date and Time of Next Meeting	<p>It was confirmed that civic year meeting dates would be arranged.</p> <p>GM explained that JB was acting in the capacity of interim Chair for this meeting and that he would be looking to have conversations with members to seek a permanent chair and would look at getting a May meeting of the Committee arranged with proposed dates for the civic year, withstanding the upcoming local elections.</p> <p>It was agreed that a detailed Briefing would be arranged for all members invited with GM to include detailed discussion on the function of STDC A&G and the cycle of the STDC Group. GM agreed it would be useful to have one before May and then another after any new members are appointed.</p>	<p>Propose 23/24 meeting dates conferring with Members on availability</p> <p>Briefing with Members TBA & booked in with GM</p>	<p>Governance</p> <p>GM/Governance</p>