

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & RISK COMMITTEE

Date: Thursday 25th November 2021

Time: 10.30am

Venue: Teesworks Steel Gate House

| Attendees: | | Apologies: |
|-----------------------------------|-------------------------------------------------|-----------------------------|
| Chris White (Chair - CW) | Darlington Building Society | John McNicholas (JM) - STDC |
| John Baker (JB) | Independent Member | Julie Gilhespie - TVCA |
| Adrian Jones (AJ) | Independent Member | |
| Michael Lockwood (ML) | A&G link (Redcar and Cleveland Borough Council) | |
| Gary MacDonald (GM) | TVCA | |
| Natalie Robinson | Teesworks | |
| Ruth Callaghan (RC) (Secretariat) | TVCA | |
| Michael Gibson (MG) | RSM | |
| Cath Andrew (CA) | Mazars | |

| No. | Agenda Item | Summary of Discussion | Actions Required | Responsibility |
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| 1. | Welcome and introductions | <p>The Chair welcomed everyone to the Meeting. AJ was welcomed to his first meeting and ML introduced as the new TVCA Audit and Governance Committee representative.</p> <p>It was noted that the Declarations of Interest forms had been sent to AJ and ML and agreed that they would complete and return to the governance team asap.</p> | Complete and return Dol Forms to RC | AJ, ML |
| 2. | Apologies for Absence | Apologies as above. | | |
| 3. | Declarations of Conflict of Interest | There were no declarations of interest. | | |
| 4. | Minutes of previous meeting | The minutes of the meeting held on 28 th July were an informal note as the meeting was not quorate. The minutes were agreed. | | |
| 5. | Chief Executive's update | <p>Noted that TVCA was the first to access borrowing from the UK Investment Bank. This option had been chosen as the rates were lower and terms more flexible than the Public Loans Board to meet STDC needs. It allows for a delay on repayment over the first two years when the money will be spent on remediation of the site and there will be no income until the Quay is operational.</p> <p>GM noted that TVCA was working through the legal aspects of the transaction with GE contract which will go into the new calendar year.</p> | | |

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| | | <p>GE have a need for high levels of assurance regarding the preparation of the site. A number of measures such as environmental certification, indemnities and removal of COMAH status were being considered within the contracts. Other requested measures include a soil vapour barrier.</p> <p>The Teesside Freeport was now live. The Primary Customs Zones had been approved following extensive efforts from the STDC team and partners. The governance structure was set-up and operational.</p> <p>The complexities of tax and business rates relief within the Freeport were discussed. It was agreed that it would be helpful to have a presentation on the Freeport at a future meeting.</p> <p>GM explained that there were currently 300 live commercial enquiries and different ends of the development spectrum. The HMRC rules were discussed which are designed to ensure added value and growth rather than displacement of existing businesses in the area. Any businesses moving onto these need to be a new investment or growth of existing businesses.</p> <p>GM explained that there was bilateral connection agreement now in place with National Grid. This now allows TVCA to progress connection agreements for prospective tenants.</p> <p>CW noted that in previous Chief Exec’s reports there had been a summary at the back to indicate what impact each new piece of progress/delay had had on the risk profile. It was agreed that this would be reinstated.</p> <p>The current long-lead times for materials and hyper-inflation of building materials was discussed. NR indicated that these were being factored into the risk analysis and the probability and impact would be more clearly reported in future risk documentation.</p> | <p>Nolan Gray, Freeport Director to be asked to present to ARC on the Freeport</p> <p>GM/NR to add risk summary to the back of the Chief Exec’s paper at future meetings</p> | <p>RC</p> <p>GM/NR</p> |
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| | | The relationship between investment in new business coming on site and the skills and training needs in the local workforce were discussed. GM noted that there was a close relationship within TVCA between the inward investment and skills teams. | | |
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| 5. | Internal Audit update | <p>MG presented the scrap internal audit report. The overall aim was to establish whether value for money was being obtained through the sale of scrap from demolished assets on the site and that appropriate processes were in place for the management and security of scrap. The exercise had concluded that there were substantial assurances around the process to recover, manage and sell scrap. They examined the whole process ‘cradle to grave’.</p> <p>Members asked what proportion of the transactions were sampled. MG agreed to provide the percentage figure in terms of tonnage and monetary value.</p> <p>Members asked what reassurances were in place regarding the incidents where transaction numbers had not been issued sequentially. It was agreed that further information would be provided to demonstrate the robustness of the accounting of the sale transactions for scrap. It was agreed that this could be circulated ahead of the next meeting.</p> <p>Members asked RSM to provide the action tracking paper at future meetings and to add audit plan update to the agenda in March</p> | <p>Report back on % sample for scrap audit</p> <p>Provide further details on the measures in place to assure the process for scrap sales.</p> <p>Action tracker to be circulated a future meetings.</p> <p>Audit Plan update to be covered at March meeting</p> | <p>MG</p> <p>NR</p> <p>MG</p> <p>MG</p> |
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| 6. | External audit update | CA provided an update on the external audit process. It was noted that there had been delays which were being experienced generally across the audit sector. | | |

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| | | Members asked for the Audit Strategy Memorandum to be updated and circulated to the group. | Audit Strategy Memorandum to be updated and circulated to the group. | CA |
| 10. | Date and Time of Next Meeting | Date of next Meeting – 9 March 2022. | | |