

Date: Wednesday 16th December at 9 am

Venue: Microsoft Teams meeting

Membership:

Chris White – (Chair - Independent member)

Paul Booth - (STDC Board)

Professor Jane Turner – (Teesside University)

John Baker – (Independent Member)

Cllr Peter Berry (TVCA A&G Representative)

Agenda

1. Welcome & Introductions

2. Apologies for Absence

3. Declarations of Interest

4. Minutes of previous meeting

Attached

5. Chief Executive's Update

Attached

6. External Audit – Progress report

Verbal

7. External Audit – Annual Audit letter (STDL)

Attached

8. ARC Induction training proposal

Attached

9. Internal Audit progress report

Attached

10. Internal Audit Actions Update

Attached

11. Resource levels update

Attached

12. Decontamination Project Update

Attached

13. Risk Register Update

This item is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

Attached

14. Forward Programme & Action Register

Attached

15. Date and Time of Next Meeting:

16th December 2020

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: Sharon Jones, Governance & Scrutiny Officer, Sharon.jones@teesvalley-ca.gov.uk. 01642524580.

South Tees Development Corporation Declaration of Interests Procedure

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

Personal Interests

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

Declarations of interest relating to the Councils' commercial role

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

Procedures for Declaring Interests

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

Register of Interests

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

Declaration of Interests at Meetings

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

9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

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

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & RISK COMMITTEE

These minutes are in draft form until approved at the next Committee meeting and are therefore subject to amendments.

Date: Thursday 19th November 2020

Time: 3 pm

Venue: Microsoft Teams Meeting

Attendees:		Apologies:
Chris White (Chair - CW)	Darlington Building Society	Professor Jane Turner – Teesside University
Paul Booth (PB)	STDC Board Member	Julie Gilhespie – Group CEO
Cllr Peter Berry (CPB) (TVCA Representative)	Redcar & Cleveland Borough Council	
John Baker (JB)	Independent Member	
Gary MacDonald (GM)	STDC	
John McNicholas (JM)	STDC	
Mike Russell (MR)	STDC	
Natalie Robinson (NR)	STDC	
Nolan Gray (NG)	STDC	
Gareth Roberts (GR)	Mazars	
Sharon Jones (Secretariat)	TVCA	
Nicola Dean (Secretariat)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome and introductions	The Chair welcomed everyone to the Meeting.		
2.	Apologies for Absence	Apologies as above. The Meeting was noted as being quorate.		
3.	Declarations of Conflict of Interest	There were no declarations of interest		
4.	Minutes of previous meeting	<p>The minutes of the meeting held on 21st October 2020 were agreed as a true record.</p> <p>The Actions brought forward from the October meeting will be addressed for the December 16th meeting.</p>		
5.	Annual Financial Statements	<p>An update letter on the Audit completion was circulated in advance of the meeting. It was circulated as close to the meeting as possible to allow for the latest position to be shared with members.</p> <p>GR went through the outstanding matters as detailed in the letter.</p> <p>GM advised the Committee that the emphasis of matter statement that has been added to the final report is something that is appearing in other company accounts and is not specific just to STDC. Due to the impact of Covid we would expect to see this in accounts, and we are not experiencing this in isolation.</p> <p>The Chair agreed that it is helpful to understand the context of the Emphasis of Matter and that this is affecting a wide group of organisations. It was suggested to give the same context when presenting the material to the Board, so they understand the situation.</p>		

		<p>The final letter from Mazars will be circulated to Committee members ahead of the accounts being signed off</p> <p>A paper was circulated to provide members with the latest draft annual statements.</p> <p>MR provided a presentation to the Committee to detail the key aspects of the statements.</p> <p>The Chair asked for agreement from the Committee that they are comfortable with the wording around the emphasis of matter. This was agreed.</p> <p>It was questioned when HMRC are expected to conclude their decision regarding Corporation tax. It was hoped this would have been concluded by now, but it is still ongoing. GR advised that there are several Combined Authority's that are having the same discussion with HMRC, it is not just Tees Valley Combined Authority.</p> <p>It was confirmed that the deadline for the 2-year retention period for Tata is February 2021 and a resolution is required by this time.</p> <p>It was agreed that the final letter will be circulated to Members once complete. The final Statements will also be issued to Board in advance of their meeting on 25th November providing all necessary information is received in advance of Board.</p> <p>The Committee agreed that John Baker should be nominated as Vice Chair of the Committee. This is to be ratified at Board on 25th November.</p>		
13.	Date and Time of Next Meeting	Date of next Meeting – 16 th December 2020 at 9am.		

AGENDA ITEM 5

REPORT TO THE AUDIT & RISK COMMITTEE

16TH DECEMBER 2020

REPORT OF THE GROUP CHIEF EXECUTIVE

GROUP CHIEF EXECUTIVE UPDATE

SUMMARY

The purpose of this paper is to provide an update to 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. During October, the STDC group passed several significant milestones including:
 - **STSC Transition** - On 8th October STDC successfully completed the transition of South Tees Site Company into local ownership;
 - **CPO/Vesting of land** - Simultaneously the Group completed the acquisition of the outstanding land on the former SSI steelworks site through CPO following execution of the first general vesting declaration. A second GVD was also made; and
 - **Business Case** - In line with transition the first tranche of funding was received by STDC from BEIS/ MHCLG under the Business Case to government for regeneration of the STDC site.
2. Following transition, management focus has shifted to integration of STSC and its activities as well as operationalising the delivery program underlying the Business Case as access has been secured to the former SSI land assets.
3. Further emphasis has also been given to the developing proposals for a new Quay on the South Bank area of the site and a separate confidential business case in relation to the development of the Quay was approved by STDC Board on 25th November
4. Key developments by business area are provided below

COMMERCIAL

5. Teesworks was represented at the Offshore Wind North East virtual conference with a number of meetings held with prospective customers. Feedback on the planned development of Teesworks was well received.

6. Several significant projects are continuing through commercial negotiation with Teesworks facilitating site inspections and ground investigation work.
 - Teesworks continues to support the Local Authorities' waste project team in its preparation for the latter stages of its procurement processes. Discussions are ongoing regarding utilities connections, design standards, ecology off-set and ground remediation;
 - Short term licenses have been provided to an incumbent business to facilitate their growth following a change of ownership earlier in 2020 and to a rolling stock provider; and
 - Discussions continue in respect of the South Bank and a cluster for offshore wind.
7. Preparation work has continued to make best use and maximise the value of existing infrastructure.
 - **Electrical Infrastructure JV Procurement Process** - STDC has continued to progress the appointment of a Joint Venture partner to develop, operate and maintain the electrical network for the Teesworks site. The procurement process has hit all procurement milestones and bids have been received on 6th November. A confidential paper detailing progress on the procurement to date and recommending a preferred bidder was submitted to Board on 25th November. Authority was delegated to the Mayor in consultation with STDC's Chief Officers to finalise the appointment subject to presentation of final terms for approval by STDSC Board

PROGRAMME DEVELOPMENT

8. Dorman Point (150-acre site)

8.1 **Eston Road Highway Access Scheme (new roundabout)**

- (a) Preliminary construction activities have commenced.
- (b) Construction completion is now scheduled for June 2021.

8.2 **Site Preparation and Ground Remediation Works – Phase 1 (40 acres – western end of site)**

- (a) Advance works complete.
- (b) Main works construction has commenced.
- (c) Construction completion is scheduled for April 21.

8.3 **Site Preparation and Ground Remediation Works – Phase 2 (50 acres – eastern end of site)**

- (a) Preliminary construction works ongoing.
- (b) Construction completion is scheduled for May 21.

8.4 **Site Preparation and Ground Remediation Works – Phase 3 (30 acres – central zone of site)**

- (a) Works are scheduled to commence in January and complete by June 21.

9. Metals Recovery Area (50-acre site) – Site Preparation and Ground Remediation Works

- (a) Advance earthworks and site clearance continuing.
- (b) Planning permission due by this month.
- (c) Construction completion is scheduled for March 21.

10. South Bank

10.1 South Bank Quay

- (a) The overwater ground investigations are continuing.
- (b) The Environmental Impact Assessment is complete
- (c) The application to the Marine Management Organisation for the necessary Marine Works Licence for the project was submitted this month.
- (d) The planning application for the scheme was submitted this month.
- (e) Phase 1 of the project (a 450m long quay and related river dredging works) is scheduled to commence in August 21 and complete by December 22.
- (f) The procurement process for the provision of a Design & Build contractor for Phase 1 will commence shortly.

10.2 Landside Works

- (a) The first phase of the landside site preparation and ground remediations works (Phase 1), to around 100 acres of land, is scheduled to commence 18 January 21. Advance construction works to this area, including building demolitions, are continuing.

11. Demolition Works

- **Package 1 – Various Buildings, Prairie Site**

- (a) Demolition works on the Prairie Site will commence in late November, once the STSC Coke Ovens Gas Main decontamination works in the locale are complete.

- **Package 2 – Heavy Fuel Oil (HFO) Tank Farm and Buildings at South Bank**

- (a) This decontamination and demolition project is continuing and will be complete by before Christmas, two months ahead of schedule.

- **Package 3 – Various SSI Assets, Advance Demolitions**

- (a) Key demolitions within this package include certain facilities on the proposed NZT site, the coal handling facilities at Redcar, and the gas holder structure at South Bank Coke Ovens.
- (b) The procurement process is ongoing, and we expect to have a contractor appointed in January.
- (c) Demolition works will now commence in January and complete in August 2021.

- **Package 4 – Demolition Contractors Framework**

- (a) Procurement of the Framework is ongoing and will conclude in Feb-21.
- (b) The Framework will address the majority of the demolition projects across the site, including all of the large-scale, complex facilities, such as: Redcar Blast Furnace; Redcar Coke Ovens; the Sinter Plant; Lackenby Steelmaking Complex; and South Bank Coke Ovens.
- (c) The overall programme duration is estimated at 4 to 5 years.

- (d) The first projects will commence in April 21.
12. SLEMS Area (60-acre site)
- (a) Laboratory trials on the potential for implementing soil treatment methodologies for 1.0M tonnes of BOS oxide stored on the SLEMS have now concluded, and it is pleasing to note that we have viable solutions to addressing the problem in situ, avoiding the need for costly off-site disposal.
13. Net Zero Teesside Site
- (a) Our dialogue with the NZT team on project development activities, related technical requirements and their Development Consent Order continues.
- (b) Site preparation and ground remediation works are currently scheduled to start in November 21, in line with progress on related demolition works.
14. Hydrogen Rail Project
- (a) We are continuing our consultations with Northern Trains Ltd (NTL) on the potential for realising this project on Teesworks.
15. Materials Handling – Sirius Material Supply Agreement
- (a) Agreement has now been reached with Sirius/Anglo American on the revised terms of the Material Supply Agreement.
16. Ground Investigations
- (a) In the period since the last Board meeting the following ground investigations have been completed:
- Long Acres site area
 - Metals Recovery Area Phase 2 (deep soils investigation)
 - SLEMS Phase 2 (deep soils investigation)
 - Redcar Gate Entrance Improvements Project.
- (b) The following ground investigations are planned over the coming two months:
- South Bank Quay
 - South Bank Hinterland Phase 2.
17. Redcar Gate Entrance Improvements
- (a) Construction works are well underway, and the project is scheduled to be substantially complete before Christmas.

FINANCE AND RESOURCE

18. The financial accounts for the year ended 31 March 2020 and a financial performance update for the six months to 30 September 2020 are presented as separate papers

FINANCIAL IMPLICATIONS

19. The financial implications of programme activity are captured in the STDC Delivery Group meetings throughout the year. The Group received regular financial updates linked to programme milestones and a procurement pipeline has been produced to integrate with the programme plan. This will ensure spending profiles are monitored and key critical expenditure path items are identified.

LEGAL IMPLICATIONS

20. Whilst matters with legal implications are discussed in this report, this update report has no specific legal implications

RISK ASSESSMENT

21. Specific identified areas of risk are highlighted following each section of the detailed report. These risks will be discussed at the next STDC SMT meeting to ensure additions/ updates are made to the appropriate risk registers.

CONSULTATION & COMMUNICATION

22. This paper has been prepared directly from separate reports prepared by the Senior Management team of STDC. As the purpose of this report is to provide updates/ information no further consultation has been undertaken/ is necessary.

EQUALITY & DIVERSITY

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

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AGENDA ITEM 10**REPORT TO THE STDC BOARD****25th NOVEMBER 2020****REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES****FINANCE AND MEDIUM-TERM PLAN UPDATE****SUMMARY**

The purpose of this paper is to provide a finance update to the Board and to review the STDC Group budget for 2020/21 and medium-term plan for the three-year period to 31 March 2023. The review is undertaken considering developments in the delivery programme and land acquisition activities since the last update provided to September Board.

At the last update, the STDC Group comprised South Tees Development Corporation and its wholly owned subsidiary company South Tees Developments Limited ("STDL") (which holds and manages the former TATA land assets). On 8th October 2020 STDC acquired South Tees Site Company Limited ("STSC") for a nominal sum and the company joined the group. Accordingly, the medium-term financial plan has been updated to include anticipated costs and funding arising from transition

This financial update excludes any activity linked to construction of the proposed Quay at South Bank Wharf, which is the subject of a separate paper and agenda item

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. Notes the finance update provided in this report
- ii. Endorses the updated medium-term plan for the three years to 31 March 2023,
- iii. Approves deployment of the c£79m of funding transitioned from government to support the activities of STSC in line with the MTFP update enclosed, and delegates authority to the Group Chief Executive and Group Director of Finance and Resources to allow budgets virement of budgets transitioned with STSC across projects and time periods within the overall £70.9m available funding envelope.
- iv. Approves the proposed change to STDC's scheme of delegation "GD2" in order to facilitate the activities of realising value from surplus site assets as part of STDC's delivery programme
- v. Delegates authority to the Group Chief Executive and Group Director of Finance and Resources to transfer land assets acquired by STDC as a result of enacting

- the first General Vesting Declaration from STDC to STDL, subject to an appropriate valuation and taxation advice
- vi. Delegates authority to the Group Chief Executive and Group Director of Finance and Resources to authorise the transfer of any future land or related interests acquired by STDC to STDL, subject to an appropriate transfer valuation and any necessary legal and taxation support

FINANCIAL PERFORMANCE UPDATE – SEPTEMBER 2020

1. The following update relates to the financial performance of STDC group to 30 September 2020 prior to the transition of STSC into local ownership. Budget variances are compared to the September MTFP update.

	Year to	Year to	Year to	Year to
	Date	Date	Date	Mar-21
	Actual	Budget	Var	Budget
Expenditure overview	£'000	£'000	£'000	£'000
Core operations and running costs	964	870	(94)	2,713
STDL site management costs	452	617	165	1,153
Enabling expenditure and projects	3,253	5,615	2,362	6,234
Capital works projects	3,313	4,446	1,133	31,410
Land purchase projects	15,000	15,000	-	17,970
Net Expenditure	22,982	26,548	3,566	59,480
HV Capital expenditure (end user funded)	-	-	-	940
Gross expenditure	22,982	26,548	3,566	60,420

2. **Core operations/ STDL Site management costs** – Are running broadly in line with expectations, combined costs are c£70k lower than the phased budget levels at this point in the year. The underspend is largely resource related and linked to new staff hires coming on stream later than initially budgeted. Accordingly, this saving is likely to be carried forward
3. **Enabling expenditure and projects** – Shows an underspend v's budget to September of £2.3m at September compared to a corresponding underspend of £3.1m at July. The majority of spend is committed in this area and is expected to accelerate through the remainder of the year as activity increases and billing from professional advisors and consultants matches pace with their delivery. Factors contributing to the variance are the existence of unbilled professional fees costed in the September budget linked to transition and South Bank Quay costs tracking behind the budget phasing. These costs have accelerated in October with commencement of marine side investigations.
4. **Capital works projects** – Continue to track c £1.1m behind budget profile at September (July underspend £1.17m). £0.3m of this underspend relates to the Bravo 10 project which has been removed from the programme since July (See revised MTFP below). The remainder of the underspend relates to projects that are underway and committed and is considered that the remaining variance is due to the timing of billing and certification of works rather than delivery behind profile. From October the pace of

capital works is expected to accelerate as the land acquired under STDC's first general vesting declaration is brought on stream

5. **Land purchase costs** – Are tracking in line with expectations at this stage of the year. Further land purchases are anticipated later in the year because of GVD2 and other land purchases.

MEDIUM TERM PLAN REFRESH – THREE YEARS ENDED 31 MARCH 2023

6. Following a “deep dive” medium term plan update at September, which included a project by project review of expenditure by management, this update has been considered at a higher level adjusting by exception on key known planned expenditure and activity updates.
7. The revised plan position (including new entries for STSC coloured green) is presented below:

	Year	Year	Year	2020-
	Mar-21	Mar-22	Mar-23	2023
	Forecast	Plan	Plan	Plan
November MTFP Update	£'000	£'000	£'000	£'000
Operations and running costs	2,843	4,761	5,873	13,477
STDL site management costs	1,173	1,147	1,181	3,501
STSC Keepsafe and decotamination	14,519	43,424	13,010	70,953
Enabling expenditure and projects	6,478	4,508	3,074	14,060
Capital projects	29,986	68,167	54,710	152,863
Land purchase costs	18,390	1,250	-	19,640
Capital investment - HV JV	1,550	1,550	1,550	4,650
Net expenditure	74,939	124,807	79,397	279,144
MHCLG operations funding	207	-	-	207
MHCLG Prairie Grant	10,017	1,340	-	11,357
TVCA ringfenced funding	253	-	-	253
TVCA site operations funding	7,874	2,226	-	10,100
TVCA other funding	30,286	3,000	-	33,286
BEIS redirected STSC funding	14,519	43,424	13,010	70,953
New Ask BEIS	2,308	2,576	8,809	13,694
New Ask MHCLG	4,435	35,475	-	39,910
End user contributions/ advance rentals	940	13,734	15,291	29,965
MHCLG Site entrance funding	4,100	-	-	4,100
External borrowing/funding	0	23,031	42,287	65,318
	74,939	124,807	79,397	279,144
Being				
STDC programme delivery	60,420	81,383	66,387	208,191
STSC transitioned activity	14,519	43,424	13,010	70,953

8. **STDC programme delivery** – Overall planned medium term activity levels have been held at the levels presented to Board in July with appropriate virements between expenditure categories in line with current operational plans (see paragraph 12 below).

9. **STSC Transitioned delivery** - At this stage STSC is included on the assumed basis that costs match the available income transitioned through the business case over the MTFP period
10. **Overall impact** – Revisions to the plan do not change anticipated borrowing and funding levels across the review period. As underlying STDC programme delivery sits within the funding and delivery parameters set in the September update, no further Board approval is necessary (Chief Officers having delegated authority to manage budget virements within the overall funding envelope of £208.2m which was approved at September)
11. However, Board’s approval is sought to deploy the c£70.9m of funding transitioned from government to support the activities of STSC in line with the MTFP update above, subject to a further delegation to Chief Officers to allow virement of budgets across projects and time periods within the available funding envelope.

Key changes to planned STDC programme delivery

12. A summary of key planned changes in planned STDC programme delivery are presented below (Note this excludes proposed STSC transitioned delivery costs):

MTFP November update - Analysis of plan movements		Year	Year	Year	Total
		Mar-21	Mar-22	Mar-23	MTFP
Cost Category	Cost item	£'000	£'000	£'000	£'000
September MTFP - STDC Programme delivery		60,420	81,383	66,387	208,191
Operations and running costs	Tax advisory costs	100	-	-	100
Operations and running costs	Additional Marketing and communications	30	30	30	90
		130	30	30	190
STDL site management costs	Consumable equipment costs	20	20	20	60
Enabling expenditure and projects	Strategic planning and consultancy	270	1,436	-	1,706
Enabling expenditure and projects	Procurement software license fees	(26)	72	74	120
		244	1,508	74	1,826
Capital projects	Procurement support costs	(60)	-	-	(60)
Capital projects	Offshore wind - Bravo 10 Pipebridge	(1,300)	(4,700)	(2,000)	(8,000)
Capital projects	HV infrastructure investment	(883)	(2,620)	-	(3,503)
Capital projects	Capital projects - Other	(121)	9,992	326	10,197
		(2,364)	2,672	(1,674)	(1,366)
Land purchase costs	Land purchase costs	420	(5,780)	-	(5,360)
Capital investment - HV JV	Capital investment - HV JV	1,550	1,550	1,550	4,650
Net adjustments		-	-	-	-
Updated STDC programme delivery		60,420	81,383	66,387	208,191

13. Key revisions between the September and November MTFP’s are as follows:

- **Operations and running costs** – Have been increased by £190,000 over the three-year period to accommodate c£100,000 of one-off tax advisory fees linked to land acquisition and group tax arrangements. An additional £90,000 is also included over the period to accommodate impacts of transition of STSC.
- **STDC site management costs** – A small budget is included to allow the purchase of additional consumable tools and other items to facilitate works on site

- **Enabling expenditure and projects** – has been increased by £1.8m in the updated MTFP principally in order to capture strategic costs linked to securing site wide planning for future industrial/storage and distribution uses alongside some associated professional fees linked to developing the commercial proposition underlying the development plan
- **Capital projects** – Principal changes to the capital projects planned are
 - **Offshore wind – Bravo 10 pipe bridge diversion** - £8m of costs have been removed from the programme as the access that the pipe bridge diversion would have facilitated is no longer considered necessary as part of updated planning for offshore wind activities at South Bank.
 - **HV infrastructure costs** - £3.5m of HV electrical infrastructure costs have been removed from the programme as it is assumed that they will now be borne by the new HV Joint venture entity (see below)
 - **Other projects** – In light of the above, £10.1m has been allocated to other capital projects across the review period as the operational programme is developed and new projects/ site zones come on stream
- **Land acquisition costs** – Have reduced by £5.4m in the MTFP from an estimated value of £25m to a revised position of £19.6m. This update follows completion of some key negotiations on certain landholdings which were previously forecast at a worst-case cost scenario. The £5.4m reduction releases funding in the plan to allocate to other activity.
- **High Voltage Joint Venture** – An amount of £4.65m has been included within the updated MTFP to accommodate a potential capital contribution to the High Voltage infrastructure Joint Venture (currently undergoing procurement). The amount proposed of £4.65m is to assist with supporting operations of the JV in the early years of operation prior to profitable operation. This investment eliminates the need for £3.5m of previously planned investment in HV remedial works on site and will be subject to a separate board approval in due course.

Capital project summary

14. The impact of the planned changes by delivery zone are presented below in comparison to the September MTFP update

	November update				Sept MTFP	
	Year	Year	Year	2020-	2020-	
	Mar-21	Mar-22	Mar-23	2023	2023	
	Forecast	Forecast	Forecast	Plan	Plan	Var
Capital projects	£'000	£'000	£'000	£'000	£'000	£'000
Prairie (Dorman point)	10,017	9,890	3,150	23,057	23,057	-
South Bank (Enabling of offshore wind development)	10,912	8,163	2,500	21,575	29,575	(8,000)
HV Electrical infrastructure	1,140	14,654	18,624	34,418	37,981	(3,563)
Steel House	900	750	-	1,650	1,650	-
Redcar (Including NZT)	1,033	9,724	6,420	17,177	17,177	-
Teardrop (Longacres)	985	7,641	8,159	16,785	16,785	-
Gatehouse/entrances	4,100	-	-	4,100	4,100	-
Other	900	17,344	15,857	34,101	23,904	10,197
	29,986	68,167	54,710	152,863	154,229	(1,366)

15. Adjustments reflect the removal of Bravo 10 from the South Bank plan and the transfer of certain HV infrastructure remedial works into the proposed HV joint venture investment.
16. Other capital projects increase by £10.1m to accommodate the developing operational programme and projects yet to be fully specified for delivery across 2021/22 and 2022/3
17. An overall reduction planned capital projects expenditure arises principally as a result of diverting available funds into enabling expenditure to support the commercial development of the site.

BUSINESS CASE REPORTING AND MONITORING

18. On 8th October 2020 TVCA received the first £10.6m tranche of funding as part of the successful business case to government under a memorandum of understanding with BEIS and MHCLG. Aligned to this agreement TVCA/ STDC group has agreed a formal timetable and format for performance reporting in relation to expenditure.
19. The first formal report will be provided to BEIS and MHCLG covering performance for the period to 31 December 2020 in early March 2021. Thereafter regular quarterly performance reporting will be provided in line with an agreed timetable which is included as Appendix 1 to this report.
20. Reporting will follow an agreed format, which considers financial and operational milestones outlined in STDC's business case submission to government. The agreed reporting template is included at Appendix 2 for information and it is anticipated that Board will be given an opportunity to consider each formal submission before circulation to government as part of STDC's forward financial reporting cycle.

SCHEME OF DELEGATION – SITE ASSET REALISATIONS

21. Realisation of Surplus assets on site including scrap, surplus machinery and waste biproducts from site clearance and regeneration will become a key commercial revenue stream for STDC group into the coming years.

22. In order to deliver these targets, planning is currently underway to develop the necessary operational and financial controls to deliver this activity and an initial financial workshop was held on 13th November to develop processes.
23. However, STDC's current scheme of delegation is currently not fit for purpose to allow this activity to be undertaken. In particular, the General Delegation in relation to the sale of surplus assets (GD2) only accommodates the disposal of surplus or obsolete equipment and requires board referral for any asset disposals with a value in excess of £10,000.
24. In light of the overall anticipated value of assets to be realised from site, an amendment to this delegation is sought to allow activity on site to be undertaken without the need for all sales to be referred to board, causing undue delay and unnecessary administration
25. Accordingly, it is requested that the Group's Chief Officers' delegated authority is extended to authorise disposal of surplus materials as well as equipment assets with a value of up to £1m in a single transaction. This aligns with the current delegated limit for purchasing of goods and services that was agreed at June's board.
26. The suggested revision to GD2 is provided below (amendments are shown in red text). it is recommended that this is adopted by Board delegating authority to STDC Group's Chief Officers to authorise:

GD2 The disposal of surplus or obsolete equipment or surplus materials recovered from site regeneration works to the person submitting the highest quotation or at a price reasonably benchmarked against an appropriate commodity index or published market price up to a limit of £1,000,000 in value.

APPROVAL FOR LAND ASSET TRANSFERS

27. Following STDC's successful completion of the first General Vesting Declaration on 8th October 2020 STDC currently holds c959 acres of former steelworks land. A second GVD is also underway to secure several smaller plots within the STDC boundary and negotiations are underway with a number of parties linked to site easements, leases and other land rights each of which are likely to give rise to compensation payments under CPO.
28. The legal nature of CPO vesting requires STDC (the named party in the CPO) to be the principal in these land transactions. However, the STDC's group structure and planning (set up to simplify operations and group taxation) holds land assets in STDL.
29. Accordingly, it is proposed that recently vested land, and any future land and related interests vested or otherwise secured by STDC will be transferred by STDC into STDL thus creating a single entity which holds all of the Group's land interests and allows efficient onward operation, marketing and ultimate realisation of the site. However,

transfer of land assets between STDC and STDL is not accommodated by any existing Chief Officer delegations and a specific board approval is therefore necessary.

30. It is recommended therefore that STDC Board delegates authority to the Chief Executive and Director of Finance to authorise the transfer of any land or related interests acquired by STDC to STDL, subject to an appropriate transfer valuation and any necessary legal and taxation support

FINANCIAL IMPLICATIONS

29. Financial implications are discussed in the body of this report.

LEGAL IMPLICATIONS

30. There are no legal implications associated with the recommendations of this report.

RISK ASSESSMENT

31. The key risks associated with the delivery of the revised plan is failure to deliver in line with programme / a material shift (forward or backward) in programme delivery phasing. Should key planning assumptions fail to materialise. STDC would consider any changes necessary to the delivery programme and forecast forward accordingly
32. By developing a "maximum case" which requires external funding there is a risk that delivery may fall behind planned levels, particularly if commercial activity does not allow timely securitisation of income. However, in this circumstance some planned activity can be deferred whilst ensuring STDC achieves targets set in relation to its government and external income funding streams.

CONSULTATION & COMMUNICATION

33. Plans have been developed in consultation with the senior management team of STDC who have provided detailed input based on the developing programme of delivery activity.

EQUALITY & DIVERSITY

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

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TEESWORKS

Quarterly BEIS/MHCLG Report:
October-December 2020

Report no. 1:
Submitted March 2021



TEES VALLEY
COMBINED
AUTHORITY

TEES VALLEY MAYOR



South Tees
Development
Corporation

Purpose

- The Memorandum of Understanding (MoU) between Ministry for Housing, Communities & Local Government (MHCLG), Department for Business, Energy and Industrial Strategy (BEIS) and Tees Valley Combined Authority (TVCA) sets out the terms, principles and practices that will apply to the working relationship and funding arrangements between the parties in respect of the South Tees Development Corporation (STDC) and the South Tees (Teesworks) site.
- This document provides regular programme performance information to MHCLG and BEIS including, financial, milestones, benefits and risks, demonstrating that funding has been spent and outcomes are being met. This is in line with the agreed business case and the reporting metrics set out in the MoU. It has been agreed that this information will be provided on a quarterly basis.

Content

- This document provides the following information:
 - Executive Summary of key financial and milestone matters.
 - A - Previous quarter funding: including the budget; actual expenditure and amount remaining.
 - B - Planned expenditure: the budget for the next quarter and planned position against full year.
 - C - STDC project milestones and progress.
 - D – STDC project benefits and progress.
 - E - Strategic risks, and proposed mitigation.
 - F - Procurement: current contracts and planned procurements

Executive Summary

TEESWORKS

- [Headlines from the report on key financial, progress and milestone matters inc. risk]
- [Narrative to summarise progress under the following headings where relevant]
 - **Decontamination**
 - **Demolition**
 - **Keep Safe**
 - **Remediation**
 - **Inward Investment**
 - **Promotion & Support**

A – Financial Summary

TEESWORKS

	Q3	Q4	2020/21	2020/21	2020/21
	YTD	Forecast	Outturn	Buis Case	Var
Financial overview	£'000	£'000	£'000	£'000	£'000
Rental	-		-		-
Scrap	-		-		-
Other	-		-		-
Total income	-	-	-	-	-
Operating Costs	-		-		-
Demolition	-		-		-
Site preparation	-		-		-
Infrastructure - Highway	-		-		-
Infrastructure - Rail	-		-		-
Infrastructure - Utilities	-		-		-
Infrastructure - Marine	-		-		-
HV Electrical infrastructure	-		-		-
Capitaisable strategic costs	-		-		-
Project delivery costs	-		-		-
Project expenditure	-	-		-	-
Keep Safe	-		-		-
I2S	-		-		-
Tier 3	-		-		-
EX SSI Estates costs	-	-	-	-	-
Land acquisition costs	-		-		-
Net Expenditure	-	-	-	-	-
Funded by:					
BEIS RDEL	-		-		-
BEIS CDEL	-		-		-
MHCLG CDEL	-		-		-
Other (Non MOU)	-		-		-
	-	-	-	-	-

B – Quarterly Expenditure Analysis

TEESWORKS

	Spend by funding source Q3 2020/21							
	BEIS RDEL	BEIS CDEL	MHCL CDEL	Other	Total	Q3	Q3	
	Actual	Actual	Actual	Actual	Actual	Submission	Var	
Quarterly analysis	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Operating Costs					-		-	
Demolition					-		-	
Site preparation					-		-	
Infrastructure - Highway					-		-	
Infrastructure - Rail					-		-	
Infrastructure - Utilities					-		-	
Infrastructure - Marine					-		-	
HV Electrical infrastructure					-		-	
Capitaisable strategic costs					-		-	
Project delivery costs					-		-	
Project expenditure	-	-	-	-	-	-	-	
Keep Safe					-		-	
I2S					-		-	
Tier 3					-		-	
EX SSI Estates costs	-	-	-	-	-	-	-	
Land acquisition costs					-		-	
Gross expenditure	-	-	-	-	-	-	-	

C – Monitoring milestones

Milestones completed to date

Ref.	Milestone description	Expected Completion in Q3	Completed at Q3	Re-forecast Completion Date	Impact on Programme
M1	Accelerated the CPO and achieved savings	✓	✓		
M2	Establish a common technology platform between all parties.	✓	✓		
M3	Establish a data room to share information between all parties.	✓	✓		
M4	Finalise a reciprocal Non-Disclosure Agreement (NDA).	✓	✓		
M5	Appoint a Specialist Utilities Projects Director	✓	✓		
M6	Develop a Strategic Utilities Plan	✓	✓		
M7	Appoint a Specialist Management Consultant	✓	✓		
M8	Appoint Marketing and Brand Consultant	✓	✓		
M11	Brand Launch	✓	✓		
M19/19a	Material Handling Facility - Site Preparation: Construction	✗	✓		
M12	M12 - complete all Strategy Studies	✓	✓		
M14	Decontamination and demolition	✗			
M16	Primary HV Electrical Infrastructure	✗			
M17	Preparations for Offshore Wind Development: South Bank	✗			

C – Milestone progress

Milestones progressing in Q3 – current activity and planned activity in Q4

Ref	Milestone description	Progress in Q3	Planned progress in Q4
M12	M12 - complete all Strategy Studies	Expected to be complete by end Q3 – further work being undertaken with Natural England re: the site wide bio-diversity net gain strategy	N/A
M14	Decontamination and demolition	<p>Works to procure a Demolition contract framework have commenced.</p> <p>Advanced demolition works have commenced on the South Bank areas A and B – linked to 17D.</p> <p>Decontamination and demolition of the COGM on the Prairie site to commence – 14A</p>	<p>Demolition framework procurement to be completed in Q4.</p> <p>Demolition works ongoing across South Bank; potentially to commence on the NZT site (14D).</p> <p>Decontamination and demolition of the COGM on the Prairie site to complete.</p>
M16	Primary HV Electrical Infrastructure	Ongoing competitive dialogue procurement of a JV partner to develop, operate and maintain the HV electricity network for Teesworks.	Procurement ongoing – to complete in Q4
M17	Preparations for Offshore Wind Development: South Bank	<p>17A Site preparation – works ongoing to progress the remediation and preparation of the Metals Recovery Area.</p> <p>17C Marine Works – the submission of planning application and MMO license for the new quay wall; ongoing detailed design work, including further marine GI.</p> <p>17D Landside works – demolition and ground preparation works for Areas A and B continuing.</p>	<p>17A – works to Metals Recovery Area to complete.</p> <p>17C – Ongoing liaison with planning authority and MMO re application and license; continuation of detailed design and contract documentation.</p> <p>17D Landside works – demolition and ground preparation works for Areas A and B to complete.</p>

D – Monitoring Benefits

Metric Ref: DL = Programme Delivery and BCR = KPI within BCR

Metric Ref	Description	Rational & Source	CSR Target (if applicable)	Lifetime Target (if applicable)	Business Case Baseline	Actual Y1:Q3	Actual Y1:Q4	Cumulative Total	Direction
DL01	No. of Jobs: Programme Delivery procured/employed to deliver programme activity inc. work on site.	Employed through the direct delivery of spend in remediation / demolition / infrastructure. Total jobs secured (inc. safeguarded and new jobs). Source: STDC Contract Management & STDC HR						0	↑ 0
DL02	No. of Jobs: Private Investment to construct new buildings/facilities.	Employment to construct the new facilities/businesses on site. Total jobs secured (inc. safeguarded and new jobs). Source: STDC Commercial Director / Investors			0			0	↑ 0
DL03	Acres of Remediated Land	Moving forward will need to consider the definition of remediated and whether this is a multi-step process e.g. demolition complete, site preparation complete, split by plot etc. Source: STDC Programme Director			0			0	↑ 0
DL04	No. of Jobs: Private Investment direct jobs within new buildings/activities.	Employment to operate the new facilities/businesses on site. Total jobs secured (inc. safeguarded and new jobs). Source: STDC Commercial Director / Investors			0	Annual Review			
DL05	No. of Jobs: Supply Chain - proxy indicator based on multipliers of direct jobs (dependent on DL04).	Estimated using assumptions in line with the business case. Source: STDC			0	Annual Review			
DL06	Amount of Private Investment £	To capture investment attracted on site, unlocked by delivery of the programme. Source: STDC Commercial Director / Investors			0	Annual Review			
BCR01	All Costs £	To monitor progress in line with the financial model. Source: STDC, covered in section A - financial summary.			0	£ -	£ -	£ -	↑ 0
BCR02	Rental Income £	To monitor progress in line with the financial model. Source: STDC, covered in section A - financial summary.			0	£ -	£ -	£ -	↑ 0
BCR03	Freehold Sales Revenue £				0	£ -	£ -	£ -	↑ 0
BCR04	Scrap Income £				0	£ -	£ -	£ -	↑ 0
BCR05	Business Rate Income £				0	£ -	£ -	£ -	↑ 0
BCR06	Other Income £		0		0	£ -	£ -	£ -	↑ 0
BCR07	Occupancy on Site by Plot %	Broken down by site when relevant.			0				
We will also monitor changes to the scope and scale of commercial projects built into the business case, timing of delivery (milestones) and employment projections to feed into the annual BCR review.									

AGENDA ITEM 8

REPORT TO THE STDC BOARD

25th November 2020

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

UPDATE ON STDC GROUP GOVERNANCE ARRANGEMENTS

SUMMARY

The purpose of the paper is to update STDC Board and seek approval to the proposed Governance arrangements following (i) the inclusion of the South Tees Site Company ("STSC") into Group; (ii) a review of the STDC Scheme of Delegation; and (iii) proposed working arrangements with Teesworks partners.

RECOMMENDATIONS AND DECISION

The STDC Board approve:

- i. Proposed STDC Governance structure at (**Appendix 1**);
- ii. Proposed STDC Operational Group Terms of Reference at (**Appendix 2**);
- iii. Proposed STDC Delegation schedule (**Appendix 3**);
- iv. Proposed Operational Finance Process arrangements for Teesworks partners (**Appendix 4**);
- v. Delegated authority to the Group Chief Executive Officer in consultation with the Group Director of Finance and Resources, Monitoring Officer and the Chair to implement the above.

BACKGROUND INFORMATION

1. STDC Board received a report at its meeting on 30th September, seeking approval to the proposed Governance arrangements intended to take effect on the successful acquisition of 100% of the issued share capital of South Tees Site Company ("STSC") on the 8th October 2020.
2. That acquisition took place on the 8th October 2020 and work has been undertaken following that acquisition to review the working arrangements necessary to ensure day-day operation as a single entity, also including the roles and responsibilities of the Teesworks joint venture partners. This has also been required to ensure that STDC activity and governance meets the requirements of the STDC Assurance Framework submitted to Government alongside the STDC Business Plan.
3. This work has included:
 - A review of current internal meeting arrangements and thematic work programmes – to identify an efficient structure moving forward.

- Consideration of the current STDC Scheme of Delegation, in addition to that currently in place with the STDC Board to the Group Chief Executive and Group Director of Finance and Resources;
- Establishment of governance and procedural arrangements for the Teesworks joint venture partners, across a number of activities.

DETAIL

STDC Governance structure

4. The proposal is for a revised governance structure to sit underneath the STDC Board, as illustrated within Appendix 1. This includes:
5. The **STDC Delivery Group** – a requirement within the STDC Assurance Framework. The primary purpose of this group is for all integrated delivery partners to undertake a periodic review of performance. The group will receive and assess relevant business intelligence and the outcomes of these reviews will facilitate appropriate reporting to the overall Tees Valley Combined Authority Executive Group and the STDC Board.
6. The Delivery Group is chaired by the Group Chief Executive and includes the Group Director of Finance and Resources; Group Commercial and Delivery Director; and the senior officers that lead the five Operational Groups (see below); together with the Teesworks joint venture partner team.
7. The STDC Delivery Group is supported by **five STDC Operational Groups** that will manage the day-day operational activities of STDC – summarised below.
 - Keepsafe – responsible for managing the H&S COMAH assets and working with project teams to support their decontamination and demolition.
 - Commercial – to identify commercial opportunities and liaise with investors and funding bodies to progress transactions and land and property legal agreements. Will also lead on branding and communication matters.
 - Projects – to lead the progression of the capital programme, including letting and managing contracts and dealing with strategic planning matters. With responsibility for the STDC master programme and project spend.
 - Performance – to control budget and cashflow, and be responsible for performance monitoring, providing management information to STDC Board, TVCA and BEIS/MHCLG. Would also manage the procurement pipeline.
 - Estates – to manage the Teesworks site, the ‘Estate Management Company’, with responsibility for common services and securing/managing tenant service charges. Will also be responsible for additional services, such as quay handling and rail connections.
8. A Terms of Reference has been prepared for each Operational Group and these are attached at Appendix 2.

9. The Operational Groups would meet twice monthly, reporting into the monthly Delivery Group. A report would be prepared for each Delivery Group, setting out progress over the last month; workload for the next month and key issues for discussion and those for decision at STDC Board. The Delivery Group chair would provide a monthly progress update to the STDC Board.

STDC Scheme of Delegation

10. The STDC Board currently delegates that some decisions on Works and Services contracts can be made by the Group Chief Executive and the Group Director of Finance and Resources – specifically where Works contracts are below £10m and Services contracts are below £1m. This was agreed at STDC Board on 30th June 2020 – the General Delegation (GD) scheme.
11. The proposal for a revised GD is set out within Appendix 3. This provides for further sub-delegation in relation to:
 - GD 3(b) and GD5 (Works);
 - GD3 (a) and GD 4 (Goods and Services); and
 - GD2 (Disposal of surplus assets)
12. /These sub-delegations are subject to certain safeguards and key threshold controls would still remain with the Group Chief Executive, the Group Director of Finance and Resources, and the STDC Board. The purpose of this is to streamline the approval process and create efficiencies in programme timescales.. In summary the proposed changes are as follows:

Works

- Works between £1m and £10m:
 - For works over £1m, the Group Chief Executive and Group Director of Finance and Resources is still required to approve the 'invitation of quotes/tenders'.
 - However, if the tender subsequently comes in on price target, then the STDC Engineering and Programme Director has delegation to 'Accept the Tender' and manage the process thereafter.
 - Project Managers have delegation to approve Purchase Orders and invoices up to the value of £50,000 – above that it is the responsibility of the STDC Engineering and Programme Director.
- Works below £1m:
 - If the Works are below £1m, then the STDC Engineering and Programme Director has delegation to approve the 'Invitation to Tender', 'Accept the Tender' and manage the procurement and the contract. Project Managers have delegation for invoicing below the £50,000 level.
- Exceptions:
 - If (i) the tendered price is higher than expected, or (ii) if a tender that was initially below £1m, but after tender it increases beyond £1m – the delegation

refers back to the Group Chief Executive and Group Director of Finance and Resources.

- If Works have a Service element, then that needs to be identified with a cost, within the 'Invitation to quote/tender' and the 'Tender acceptance'. If the Service element is above thresholds, then this needs to be highlighted and the Service procedure followed – ie refer to Board if above £1m and to Group Chief Executive and Group Director of Finance and Resources if above £100,000.

Goods and Services

- Goods and Services between £100,000 and £1m
 - for Goods and Services over £100,000 then the Group Chief Executive and Group Director of Finance and Resources is required to approve the 'invitation of quotes/tenders'.
 - If the tender subsequently comes in on price target, then any STDC Director has delegation to 'Accept the Tender' and manage the process thereafter.
 - Project Managers have delegation to approve Purchase Orders and invoices to the value of £50,000 in respect of the contract – above that it is responsibility of the STDC Director.

- Goods and Services between £50,000 and £100,000

If the cost of Goods and Services is between £50,000 to £100,000, then the STDC Engineering and Programme Director has delegation to approve the 'Invitation for quotations/tender', with any STDC Director then having the delegation to 'Accept the Tender' and manage the procurement and the contract. Project Managers have delegation to approve Purchase Orders and invoices to the value of £50,000 in respect of the contract – above that it is responsibility of the STDC Director.

- Goods and Services below £50,000
 - If the cost of Goods and Services is below £50,000, then any STDC Director has delegation to approve the 'Invitation for quotations/tender'.
- Exceptions:
 - For Goods and Services between £50,000-£100,000 - if (i) the tendered price is higher than expected, or (ii) if a tender that was initially below £100,000, but after tender it increases beyond £100,000, – the delegation refers back to the Group Chief Executive and Group Director of Finance and Resources.
 - For Goods and Services below £50,000 - if (i) the tendered price is higher than expected, or (ii) if a tender that was initially below £50,000, but after tender it increases beyond £50,000 (but not above £100,000), the delegation refers back to the STDC Engineering and Programme Director.

Disposal of surplus assets

Currently STDC's scheme of delegation is designed only to allow disposal of surplus items of plant and machinery under GD2 with board referral necessary for disposals with a value in excess of £10,000

This level of authority was not designed to accommodate realisation of surplus materials, scrap and items of plant and machinery recovered from site as part of regeneration activity.

A request to amend GD2 by extending its scope to allow realisation of assets recovered from site and increase the value to which Chief Officers can approve disposals to £1m is included in November's finance update to Board

In the event that this amendment is approved the following sub-delegations are proposed

- Surplus assets with a value in excess of £1,000,000
 - Acceptance of highest offer/quotation, or price benchmarked against market data will be approved by Board in Line with GD2. Such disposal will include group disposals of similar types of assets up to this cumulative sum.

- Surplus assets with a value exceeding £100,000 and no more than £1,000,000
 - Group Chief Executive and Group Director of Finance and Resources is required to approve the offer and any STDC Director can then deal with all subsequent matters.
 - Multiple repeat sales of the same or similar products to one customer over a rolling three-month period will be considered as a single sale for the purpose of this sub delegation and should be considered in aggregate.
 - Exceptions:
 - i. Where sales over a three-month period exceed £1,000,000 approval for the arrangement should be given by STDC Board in accordance with GD2.
 - ii. If subsequent negotiation/amendment to the offer either reduces the price or leads to a change in the assets purchased (quantity and or type) then approval must be given by the Group Chief Executive and Group Director of Finance and Resources before final acceptance/settlement.

- Surplus assets up to £100,000
 - Any STDC Director is authorised to approve highest offer/quotation, or price benchmarked against market data.
 - Multiple repeat sales of the same or similar products to one customer over a rolling three-month period will be considered as a single sale for the purpose of this sub delegation and should be considered in aggregate.
 - Exceptions:
 - i. If Subsequent negotiation/amendment to the offer either reduces the unit price, or leads to a change in the assets purchased (quantity and/or type) such that the value exceeds £100,000 then approval

must be given by the Group Chief Executive and Group Director of Finance and Resources before final acceptance/settlement.

- ii. Where sales over a three-month period exceed 100,000 approval for the arrangement should be given by either the Group Chief Executive or Group Director of Finance and Resources. If the aggregate value of sales exceeds £1,000,000 approval should be given by STDC Board

Teesworks joint venture partner arrangements

13. There is a requirement for STDC to agree and implement procedures that regulate the works/activities undertaken by the Teesworks joint venture partner. Staff from the joint venture partner are active in supporting the progression of Teesworks projects and initiatives, and need to be supported in that by clear rules and regulations - to ensure compliance with public sector procedures and policy.
14. STDC has developed an Operational Finance Process to accommodate new activities on site and ensure proper control of commercial activity. This covers the following:
 - Procurement of items to facilitate development partner led activity;
 - Asset disposal and realisations linked to commodity items and salvaged plant/equipment; and
 - Inventory management – recording, valuation, movement approval and accounting
15. The purpose is to ensure all income and expenditure transactions are recorded; and that all processes/documentation align with (i) wider STDC requirements for managing the site (including the former assets of the now acquired STSC); and (ii) the proposed new governance arrangement for STDC as set out above.

The proposed Operational Finance Process is attached at Appendix 4.

FINANCIAL IMPLICATIONS

16. There are no financial implications contained within this report. The report provides further clarity and information regarding onward delegation authorities below statutory officer level. These sub-delegations are designed to strike a balance between efficient and effective operating practices and appropriate internal controls and governance.

LEGAL IMPLICATIONS

17. STDC has powers to pursuant to Chapter 2 Section 201 (2) of the Localism Act 2011 to “do anything it considers appropriate for the purposes of its object or for purposes incidental to those purposes”.
18. Paragraph 4a of the STDC constitution describes STDC’s principal objective which is “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”.

19. In accordance with paragraph 25 of its constitution STDC is also empowered to “do anything it considers appropriate for the purposes of securing the regeneration of its area, or for purposes incidental to that objective”.
20. These powers enable STDC to carry out the recommendations set out in this report.

RISK ASSESSMENT

21. The acquisition of STSC and the integration of the joint venture partner team on a day-day basis into the STDC Group does increase operating risk and also the need to ensure compliance with the STDC Assurance Framework. These are unavoidable if the STDC Group wishes to secure investment and regenerate the area.
22. The proposals set out in this report integrate the former STSC team and the joint venture partner team into the governance and management of STDC Group activity. They also ensure that the appropriate procedures and regulations are in place, to achieve compliance with the STDC Assurance Framework and Group operational policies. The principal risk is associated with not undertaking the proposals set out in this report.
23. This limits the risk of STDC exposure to unforeseen costs and provides the appropriate due diligence, detailed programme/project planning and the funding and payment mechanisms that have been agreed with central government. The proposals contained within this report represent the proposed response to governance risks.

CONSULTATION & COMMUNICATION

24. The Tees Valley Combined Authority Assurance Framework and the specific South Tees Development Corporation – Programme Assurance Framework have both been consulted with, scrutinised by, Government and TVCA Cabinet as part of the decision making processes to bring South Tees site Company into local control and to develop the TVCA Group structure.

EQUALITY & DIVERSITY

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

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STDC structures – 17.11.20

STDC Board

As existing arrangements

STDC Delivery Group

Julie Gilhespie	– Chair
Gary Macdonald	– DOFR/Performance group lead
Alison Fellows	– Group Commercial & Delivery Director
Matt Johnson	– Commercial group lead
John McNicholas	– Project delivery group lead
Kit Forrest	– Estates group lead
Mark Kenrick	– Keepsafe group lead
Chris Harrison	– Development partner lead
Mark Reynolds	– Programme coordination

Meets monthly, its role:

- Operates at a strategic level
- Sets strategic direction
- Receive feedback from group leads
- Discuss strategic matters
- Agree strategic actions
- Prepare for full STDC Board

STDC Operational Groups (see over)

- **Commercial** - to ensure that opportunities are identified and progressed with investors & Govt/funders
- **Projects** - to progress the capital investment programme and deal with project specific actions
- **Performance** - to monitor budget, cashflow and provide performance management and risk information
- **Estates** - to establish and manage service charge, to manage and maintain the site
- **Keepsafe** - to manage the Keepsafe programme

Meet twice monthly, either side of monthly STDC Delivery Group. Role:

- Agree actions and lead on implementation.
- Reviews detail and monitors progress.
- Leads' report to Strategy Group

Keepsafe



Responsible for

- Keepsafe assets
- Liaison with decontam & demolition project lead

Key people

- Mark Kenrick (Lead)
- Karl Dickinson
- Decon/Dem Project Manager
- HSE Keepsafe Manager
- Natalie Robinson

Commercial



Responsible for

- Identifying opportunities
- Liaison with investors
- Land & Property legals
- Commercial transactions
- Marketing & Branding

Key people

- Matt Johnson (Lead)
- Nolan Gray
- Ged Armstrong
- Chris Harrison
- Gary O'Malley
- Neil Thomas

Others as required:

- Anna Stone
- Craig Peacock

Projects



Responsible for

- Progressing capital projects
- Maintaining programme
- Letting and managing contracts
- Strategic planning matters
- Land Assembly/CPO
- Risk management

Key people

- John McNicholas (Lead)
- Chris Harrison
- Project Managers
- Ged Armstrong
- Mark Reynolds
- Neil Westwick
- Natalie Robinson
- Peter Judge

Others as required:

- Neil Thomas
- PMO organisation

Estates



Responsible for

- Establish Estate Co
- Run Estate Co
- Site security
- Operate common and additional services charge

Key people

- Kit Forrest (Lead)
- Estates Services Director
- Mark Kenrick
- Mark Buttitta
- Matt Johnson
- Mark Reynolds
- Neil Thomas
- Gary O'Malley
- Stephen Smith (external adviser)

Performance

Responsible for

- Budget control / cashflow
- Procurement support
- Access to funding support
- Performance monitoring & reporting (BEIS / TVCA)

Key people

- Gary Macdonald (Lead)
 - Mike Russell; Kit Forrest
 - Mark Reynolds; Natalie Robinson; Sharlein Smales
- Others as required
- PMO organisation; Sarah Brackenborough

Health and Safety Director; and Risk Manager

STDC Operational Groups – Estates

Terms of Reference

Group	Estates
Lead officer	Kit Forrest (until Estates Services Director appointed)
Public Sector Senior Responsible Officer (PS SRO)	Mark Kenrick
Team	<ul style="list-style-type: none"> • Estates Services Director – (to be appointed) • Mark Kenrick • Mark Buttitta • Matt Johnson • Neil Thomas • Gary O’Malley • Mark Reynolds • Stephen Smith (<i>external</i>)
Role and function	<ul style="list-style-type: none"> • To set up the Estate Co. to be responsible for common services and charges. • To establish the common services required and their costs – to identify the core service charge basis across the site. • To contract with, and manage, providers to deliver services. • To liaise with the Keepsafe group – to establish responsibilities and remits for cross cutting matters, such as security. • To liaise with the Commercial team to align service charge to occupier requirements – for example to include additional services such as: <ul style="list-style-type: none"> ○ Utility provision ○ Materials handling ○ Quay/Port services ○ Weighbridges ○ Rail ○ Highways • To prepare monthly reports for the Teesworks Strategy Group on ManCo budgets and cashflow

Delegation/authority	<p>Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority.</p> <p>The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.</p>
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STDC Operational Groups - Keepsafe

Terms of Reference

Group	Keepsafe
Lead officer	Mark Kenrick
Public Sector Senior Responsible Officer (PS SRO)	Mark Kenrick
Team	<ul style="list-style-type: none"> • Karl Dickinson • Decontamination & Demolition Project Manager – from Projects Group • HSE Keepsafe Manager • Natalie Robinson
Role and function	<ul style="list-style-type: none"> • To maintain the safe condition of the Keepsafe assets in advance of decontamination and demolition. • To work closely with the Project Delivery group lead on the phasing and programming of the decontamination/demolition activity to facilitate site development. • To work closely with the appointed decontamination and demolition project manager within the Project Delivery Group – in the procurement and management of the decontamination and demolition contracts in respect of the Keepsafe assets.
Delegation/authority	<p>Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority.</p> <p>The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.</p>

STDC Operational Groups – Performance

Terms of Reference

Group	Performance
Lead officer	Gary Macdonald
Public Sector Senior Responsible Officer (PS SRO)	Gary Macdonald
Team	<ul style="list-style-type: none"> • Mike Russell • Kit Forrest • Mark Reynolds • Natalie Robinson • Sharlein Smales <p>Others as required</p> <ul style="list-style-type: none"> • PMO organisation • Sarah Brackenborough
Role and function	<ul style="list-style-type: none"> • To set up and maintain a budget control and monitoring system – working closely with the project delivery group team (individual project managers). • To set up and maintain a performance monitoring system – that meets the requirements of BEIS and TVCA. • To set up and maintain a forward procurement system that informs budget and cashflow. • To prepare and maintain the Teesworks risk register. • To prepare monthly reports for the Teesworks Strategy Group on budgets and cashflow; performance and risk. • To prepare quarterly reports for BEIS on budgets and cashflow; performance and risk. • To liaise and support the Commercial Group with the preparation of funding submissions and Business Cases
Delegation/authority	<p>Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority.</p> <p>The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.</p>

STDC Operational Groups – Projects

Terms of Reference

Group	Projects
Lead officer	John McNicholas
Public Sector Senior Responsible Officer (PS SRO)	John McNicholas
Team	<ul style="list-style-type: none"> • Chris Harrison • Project Managers (to be appointed) • Ged Armstrong • Mark Reynolds • Neil Westwick • Peter Judge • Natalie Robinson <p>Others as required:</p> <ul style="list-style-type: none"> • Neil Thomas • PMO Organisation
Role and function	<ul style="list-style-type: none"> • To progress the capital investment in the site preparation and infrastructure works. • To appoint and manage design teams and contractors to deliver the above works. • To lead on and address strategic planning/land matters across Teesworks – CPO, bio-diversity, Design Code etc. • To liaise with the Commercial team on matters specific to an investor enquiry/proposal. • To liaise with the Keepsafe team on the decontamination and demolition of the Keepsafe assets. • To maintain Programme, Action Log and Risk Register. • To liaise with the Performance team on budgets and outputs.
Delegation/authority	<p>Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does not appear to external partners and suppliers that they have such authority.</p> <p>The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.</p>

STDC Operational Groups - Commercial

Terms of Reference

Group	Commercial
Lead officer	Matt Johnson
Public Sector Senior Responsible Officer (PS SRO)	Nolan Gray
Team	<ul style="list-style-type: none"> • Chris Harrison • Ged Armstrong • Gary O'Malley • Neil Thomas <p>Others as required:</p> <ul style="list-style-type: none"> • Anna Stone • Craig Peacock
Role and function	<ul style="list-style-type: none"> • To liaise with investors to secure development at Teesworks. • To manage and promote the Teesworks brand. • To progress commercial transactions – including Heads of Terms and Land/Property. • To lead on securing the funding to deliver projects – including accessing government funding sources. • To work closely with the Performance Group – when a Business Case is required to support funding submissions. • To work closely with the Project Delivery group on site preparation and infrastructure needs to secure investment.
Delegation/authority	<p>Members of the operational group who are not employees of STDC/TVCA/STSC have no financial and decision-making authority in relation to public funds or assets. Care must be taken to ensure that it does to appear to external partners and suppliers that they have such authority.</p> <p>The PS SRO is responsible for seeking and obtaining the necessary internal public sector compliance - including ensuring that all necessary authorisations are in accordance with the scheme of delegations, policies and procedures (such as those relating to public procurement and data protection for example) and these are followed in achieving the operational group's agreed outcomes.</p>

STDC – Financial Sub delegations by chief officers

November 2020

DRAFT FOR APPROVAL

Background

STDC’s Scheme of delegation includes the following Financial delegations as agreed by STDC board at 30 June 2020

Document	Paragraph	Approval	Approval authority
Scheme of Delegation	3. General Delegations to all Chief Officers <i>(Chief Officers - CEO, Director of Finance & Resources, Engineering & Programme Director and Monitoring Officer).</i> Contracts & Accounts	GD2 - The disposal of surplus or obsolete equipment to the person submitting the highest quotation up to a limit of £10,000 in value.	All Chief Officers
		GD3 - The acceptance of the best value tender or quotation: A) For the supply of goods, materials or services for which financial provision has been made in the Development Corporation’s budget and that do not exceed £1,000,000 , and B) For building and civil engineering works for which financial provision has been made in the Development Corporation’s budget and that do not exceed £10,000,000 .	Chief Executive and Director of Finance and Resources
		GD4 - The invitation of quotations for contracts for the supply of goods, materials or services from at least three persons, subject to financial provision having been made in the Revenue or Capital Budget of the Development Corporation.	All Chief Officers
		GD5 - The invitation of quotations for contracts for the execution of works from at least three persons, subject to financial provision having been made in the Revenue or Capital Budget of the Development Corporation.	All Chief Officers
		GD6 - The provision of services or the purchase of materials or minor items of equipment for which provision has been made in the revenue estimates.	All Chief Officers

The purpose of this document is to detail and approve appropriate sub delegations to officers within STDC in line with the requirements for delivery of the site regeneration programme. Authority to make these delegations is given in paragraph 2.5 of STDC’s scheme of delegation which states that

2.5 The delegated powers of Chief Officers set out in this Scheme may be exercised by other officers authorised by the Chief Officer with the delegated power to act on their behalf and in their name, provided that appropriate administrative procedures are in place to record the authorisation and monitor decisions taken.

GLOSSARY

CEX	Group Chief Executive
DOFR	Director of Finance and Resources
EPD	Engineering and Programme Director
Any DIR	Any one of STDC's Commercial Director or Strategic Utilities Director
MGR	Project Manager or other staff member delegated as manager for the purpose of purchase order authorisation
Xentrall	Xentrall Shared Services
HOFR	Head of Finance and Resources
Finance	A member of the STDC finance team including HOFR and/or Finance manager

Part A

Sub delegations in relation to GD3(b) and GD5- (Works)

1. **Works with a value in excess of £10,000,000** – Acceptance of best value quote or tender will be approved by Board in Line with GD3. Thereafter subsequent matters follow the authorisation methodology described below
2. **Works with a value exceeding £1,000,000 and no more than £10,000,000**
 - a. Either CEX or DOFR is required to approve the ‘invitation of quotes/tenders’.
 - b. If the tender subsequently comes in on price target, then EPD can then deal with all subsequent matters. However, If the tender price is higher than expected when approved under 2a above then approval must be given by the CEX or DOFR before acceptance
 - c. If the subsequent tender price is higher than £10m the approval must be given by board to proceed under paragraph 1
3. **Works up to £1m**- the EPD is authorised to approve invitation of quotes and tenders, however if the tender price is ultimately higher than £1m this need to be referred to the CEX or DOF for approval pre acceptance
4. **Service elements** – need to be identified with a cost, within the ‘Invitation to quote/tender ‘and the ‘Tender acceptance’. If the Service element is above thresholds, then this needs to be highlighted and the Service procedure followed – ie refer to Board if above £1m and to CEX/DOFR if above £100,000
5. These delegations and further approval levels are described in Table A below

Table A

Step/Approval	CEX	DOFR	EPD	MGR	Xentrall	HOFR	Finance (Budget sign off)	Where recorded	Notes/ future plans
Invitation of quotations/Tender – > £1m	✓	✓					✓	Contract Justification form	Future opportunity to systemise in e-procurement system?
Invitation of quotations/Tender – up to £1m	✓	✓	✓					Contract Justification form	Future opportunity to systemise in e-procurement system?
Acceptance of quotation/tender (Subject to principals in para's 1-4 above)	✓	✓	✓				✓	Award of contract form	Future opportunity to systemise in e-procurement system?
Purchase order requisition	✓	✓	✓	✓				Purchase order request form	Future opportunity to systems - Agresso
Purchase order approval >£50,000	✓	✓	✓				✓	Purchase order request form	Future opportunity to systems - Agresso
Purchase order approval up to £50,000	✓	✓	✓	✓				Purchase order request form	Future opportunity to systems - Agresso
Invoice GRN	✓	✓	✓	✓				Applications for payment (to be systemised in Agresso)	Invoice must match / or sit within approved PO level, otherwise will require finance review/ further authorisation
Invoice payment	✓	✓	✓	✓	✓	✓		Agresso finance system	

Part B –

Sub delegations in relation to GD3(A) and GD4- (Goods and Services)

1. **Good and services with a value more than £1,000,000** – Acceptance of best value quote or tender will be approved by Board in Line with GD3. Thereafter subsequent matters follow the authorisation methodology described in paragraphs below
2. **Goods and services with a value exceeding £100,000 and no more than £1,000,000**
 - a. Either CEX or DOFR is required to approve the ‘invitation of quotes/tenders.
 - b. If the tender subsequently comes in on price target, then any director can then deal with all subsequent matters. However, If the tender price is higher than expected when approved under 2a above then approval must be given by the CEX or DOFR before acceptance
 - c. If the subsequent tender price is higher than £1m the approval must be given by board to proceed under paragraph 1
3. **Goods and services more than £50,000 up to £100,000-** EPD is authorised to approve invitation of quotes and tenders, however if the tender price is ultimately higher than £100,000 this need to be referred to the CEX or DOF for approval pre acceptance
4. **Goods and services up to £50,000-** Any Director is authorised to approve invitation of quotes and tenders, however if the tender price is ultimately higher than £50,000 this need to be referred to the EPD,CEX or DOF for approval pre acceptance
5. These delegations and further approval levels are described in Table B below

Table B

Step/Approval	CEX	DOFR	EPD	Any Dir	MGR	Xentrall	HOFR	Finance (Budget)	Where recorded	Notes
Invitation of quotations/Tender – more than £100k	✓	✓						✓	Contract Justification form	Subject to para's 1-4 above
Invitation of quotations/Tender – over £50k up to £100k	✓	✓	✓						Contract Justification form	Subject to para's 1-4 above
Invitation of quotations/Tender –up to £50k	✓	✓	✓	✓					Contract Justification form	Subject to para's 1-4 above
Acceptance of quotation/tender >100k	✓	✓	✓	✓				✓	Award of contract form	Subject to para's 1-4 above
Acceptance of quotation/tender up to100k	✓	✓	✓	✓					Award of contract form	Subject to para's 1-4 above
Acceptance of Quotation/tender up to £50k	✓	✓	✓	✓					Award of contract form	Subject to para's 1-4 above
Purchase order requisition	✓	✓	✓	✓	✓				Purchase order request form	To be systemised into Agresso
Purchase order approval (>£50k)	✓	✓	✓	✓				✓	Purchase order request form	
Purchase order approval (<50k)	✓	✓	✓	✓	✓			✓	Purchase order request form	

Step/Approval	CEX	DOFR	EPD	Any Dir	MGR	Xentrall	HOFR	Finance (Budget)	Where recorded	Notes
Invoice GRN	✓	✓	✓	✓	✓				Applications for payment (to be systemised in Agresso)	Invoice must match / or sit within approved PO level, otherwise will require finance review/ further authorisation
Invoice payment	✓	✓	✓	✓	✓	✓	✓			

Part C

[DRAFTED ON THE ASSUMPTION THAT GD2 IS EXTENDED TO ALLOW REALISATION OF RECOVERED ASSETS AND DELAGETING AUTHORISATION TO CHIEF OFFICERS FOR DISPOSALS UP TO £1M]

Sub delegations in relation to GD2 (disposal of surplus assets)

1. **Surplus assets with a value in excess of £1,000,000** – Acceptance of highest offer/quotation, or price benchmarked against market data will be approved by Board in Line with GD2. Thereafter subsequent matters follow the authorisation methodology described in paragraphs below
2. **Surplus assets with a value exceeding £100,000 and no more than £1,000,000**
 - a. Either CEX or DOFR is required to approve the offer
 - b. Any director can then deal with all subsequent matters. However, If subsequent negotiation/amendment to the offer either reduces the price or leads to a change in the assets purchased (quantity and or type) then approval must be given by the CEX or DOFR before final acceptance/settlement
 - c. Multiple repeat sales of the same or similar products to one customer over a rolling three-month period will be considered as a single sale for the purpose of this sub delegation and should be considered in aggregate. Where sales over a three-month period exceed 1,000,000 approval for the arrangement should be given by STDC board in accordance with GD2
3. **Surplus assets up to £100,000-** Any Director is authorised to approve highest offer/quotation, or price benchmarked against market data, However, If
 - a. Subsequent negotiation/amendment to the offer either reduces the unit price, or leads to a change in the assets purchased (quantity and/or type) such that the value exceeds £100,000 then approval must be given by the CEX or DOFR before final acceptance/settlement
 - b. Multiple repeat sales of the same or similar products to one customer over a rolling three-month period will be considered as a single sale for the purpose of this sub delegation and should be considered in aggregate. Where sales over a three-month period exceed £100,000 approval for the arrangement should be given by either the CEX or DOFR if the aggregate value of sales over a three-month period exceeds £1,000,000 approval should be given by STDC Board

Notes/other

- Would need to flag product groups under works and services on Agresso
- To check with SV whether Agresso can accommodate the individual authorisation levels / the de minimis approval level across each category
- To check with Xentrall how the payment runs and approvals work
- HOF (Mike Ru) to run monthly reports on spend approvals below the £50k threshold, to make sure that rules are being followed correctly on delegation/authority, and to advise DOFR
- HOF (Mike Ru) to run monthly and sales by customer, to make sure that rules are being followed correctly on delegation/authority, and to advise DOFR

PLANNING – OPERATIONAL FINANCE PROCESSES
DRAFT OVERVIEW FOR DISCUSSION

BACKGROUND/ PURPOSE

The purpose of this document is to outline proposals that can be adopted to develop finance processes linked to the operation of development partner activity on the Teesworks site and identify future actions to allow full implementation

New Financial processes are required to accommodate new activities on site and ensure proper control of commercial activity which to date has not been undertaken by the group

Key areas covered are

- **Procurement** of items to facilitate development partner led activity including
 - Procurement of day to day consumables to facilitate on site activity
 - Larger strategic procurements linked to planned activity
- **Asset disposals and realisations** in the following areas
 - Commodity items (principally scrap and aggregates)
 - Salvaged plant and equipment
- **Inventory management**
 - Recording
 - Valuation
 - Movement approval
 - Accounting

RELATED ITEMS NOT ADDRESSED

Alongside operational finance processes the following additional processes will need to be agreed to inform the final implementation of underlying finance processes

- **Methodology for realisation of assets** sold defining group entities which transact and how proceeds will be allocated/ ringfenced
- **Site operating procedure** - safety considerations authorised access and protocols
- **Authorisation of activity on site** - (certain areas permits etc)

PROCESSES EXCLUDED FROM CONSIDERATION AT THIS STAGE

- **Land transactions** – Are excluded at this stage
- **Accounting policy developments** – Such as capitalisation policies for assets purchased and inventory valuation. Will be considered downstream in line with group policy alignment and following appropriate advice

LIMITED CONSULTATION

The processes outlined below have been developed independently by the finance and procurement teams of STDC and STSC with limited consultation

Accordingly, items presented are for discussion and are subject to amendment based on feedback and an agreed position

PART A - PROCUREMENT

PROCUREMENT OF CONSUMABLE ITEMS

Suggested process outline

- Budget to be allocated for this in STDC (C£20k suggested as appropriate per annum)
- STDC to raise a PO with STDL for the £20k value
- Partners can then order equipment through STSC procurement subject to STDC sign off in line with SOD (Note STSC procurement will need to be provided with product specification rather than a specific item purchase however specific items can be provided to show indicative spec)
- JMc to give STSC authorisation to make individual purchase on STDC’s behalf (revised SOD provides JM authorisation up to £100k)
- Under STSC regs this would allow single quote awards up to £3k and three quote awards thereafter (this aligns with the current SC procurement thresholds) and should allow a quick response to smaller asks
- STSC would then recharge to STDC group on a periodic basis
- STSC procurement to report spent against PO monthly to STDC finance, spend limited to value of open STDC PO

Process	Documentation needed	Must comply with	Status/ action	Timing	WHO
Approval of budget spend in STDC	Budget/ MTFP approval from STDC board	STDC Finance regs	To be included at November update	Approval 25 Nov	MAR
Drafting and approval of PO to STDL	Purchase order requisition / approval	STDC procurement policy/ Scheme of delegation	DRAFT ATTACHED – APPENDIX A1	ASAP	MAR/ STDC procurement
Agree operating parameters with STSC	Draft approval process for individual call off	STDC/STSC procurement policies/ schemes of delegation	PO Template and monitoring sheet APP A4/ A5	ASAP	MAR/ STSC procurement
Agree billing parameters with STSC	Draft billing process (agree monthly/ quarterly)	STDC/STSC finance policies/ schemes of delegation	Dr TO CONSIDER	31 December	MAR/DR
Agree Asset capitalisation policies	Fixed asset policies	STDC Finance regs	To be drafted	31 December	MAR/DR/GM
Agree asset recording and monitoring policies	Fixed asset policies	STDC finance regs	To be drafted	31 December	MAR/DR/GM

OTHER PROCURMENT ACTIVITY (Planning, consultancy, other)

Process outline

- Forward procurement pipeline to be developed as part of the new STDC group performance workstream across all activity
- Delivery of procurement should then fit within existing budgetary control processes
- Procurement requirements identified by Delivery Partner to be signed off by JMc (may need further escalation in line with SOD depending on procurement value)

Process	Documentation/ process needed	Must comply with	Status/ action	Timing	WHO
Identify forward procurement requirements.	Procurement pipeline planner Standing performance group agenda item	N/a	Template document to be prepared Base suggestion APP A6	To be set by performance group	STDC procurement
Develop tender specifications on a procurement by procurement basis	Standard procurement scoping document (suggest procurement team support to inform on required process)	STDC procurement policy	Template doc/ process to be drafted	To be set by performance group	STDC Procurement
Purchase order requisition to be approved in line with existing STDC policy/ SOD	Contract Justification form PO Request form	STDC procurement policy	Existing documents Appendix A2 and A3	N/A	N/a
Approval of budget spend in STDC	Budget/ MTFP approval from STDC board	STDC Finance regs	Should be accommodated via performance group process and existing STDC quarterly planning approach	Updates quarterly as required	STDC Finance

PART B – REALISATION OF ASSETS FROM SITE

REALISATION OF ASSETS FROM SITE

Additional requirements pre finance processes

- Methodology for realisation assets and in particular how/ where proceeds should be held and associated accounting– Suggest initial action for Strategy Group
- Suggest agreed operating procedure is put in place to ensure any assets/ materials are extracted safely and free of contamination and in line with wate and other permitting etc – Keep safe
- Terms and conditions of sale to be developed by category of realisation (commodity/reclaimed plant and equipment etc) – Group legal
- Opinion needed regarding risk of warranty (defect if plant, potential harm and injury if plant fails or any goods are contaminated given COMAH site)
- Appropriate insurance to be procured in light of the above – STDC/group Finance

Finance processes - General

- In line with agreed operating procedure/ approved area suggest a realisation plan is drawn up and approved by site/ location based on an initial estimate/ valuation showing indicative timings of realisation and value
- Approval should be in line with STDC Scheme of delegation (this will need to be amended to allow some realisation of assets above £10k without Board referral)
- At each individual sale, a sales order should be drawn up and signed off in line with the STDC scheme of delegation
- Evidence of appropriate pricing should be considered on sale (i.e. competitive tender/auction, commodity market prices, or alignment with agreed pricing arrangement such as forward sales contract)
- Once sales order is approved goods can move, appropriate evidence of the quantum/ value moved should be captured (e.g. weighbridge tickets, gatehouse logs)
- Approval to move needed (for use at gatehouse)
- For non-commodity items recovered appropriate inventory records will need to be developed and maintained pre-sale (see later)
- Credit policy to be agreed. Where customers pay cash in advance evidence of payment is needed, Customers purchasing on credit should be credit check approved (periodically reviewed)

Process	Documentation/ process needed	Must comply with	Status/ action	Timing	WHO
List of approved sites and operating policies thereon to be drawn up pre realisation activity	Master approved site realisation document and subsidiary operating procedures	H&S/ Risk policies	To be drafted	Pre realisation in each area	Commercial/ Keep safe
Realisation plan by developed by site and approved by Strategy Group signed off by Keep safe	Template by site realisation plan	N/a	Template document to be prepared	ASAP	Commercial group?
Realisation plans to be reflected in budgeting/ MTFP	STDC quarterly MTFP refresh	STDC finance regs	To be added as performance group agenda action Regular updated to be provided by Commercial Group	Quarterly	STDC finance (based on commercial group output)
STDC Scheme of delegation to be updated to accommodate asset realisations	Board paper/ subsidiary scheme of delegation	STDC Finance regs	Draft amendment to Scheme of delegation and Sub delegation wording APP B1 and B2	DRAFT ATTACHED	MAR
Sales order approval form to be drafted	Sales order form	Updated STDC Scheme of delegation	Draft attached APP B3	DR drafting	MAR or DR
Credit / customer take on policies to be drafted	Agreed credit rating approach	STDC Finance regs	To be drafted STDC finance regs to be reviewed to consider need for additional section	DR considering based on SC approach	MAR or DR

Process	Documentation/ process needed	Must comply with	Status/ action	Timing	WHO
Process of physical movement dockets to be developed	Approval to move goods (to be seen by gatehouse)	N/a	“ATR” process in draft. Needs to be finalised to include scrap, finance reporting and authorisation from STDC/DL only APP B4	ASAP	Commercial/Keepsafe
Weighbridge and gatehouse	Policies/ process to be developed	N/a	“ATR” process in draft. Needs to be finalised to include scrap, finance reporting and authorisation from STDC/DL only APP B4	ASAP	Commercial/Keepsafe

PART C - INVENTORY MANAGEMENT


Inventory Management

Controls need to be implemented where assets are processed/ extracted from the site to ensure inventories are logged and controlled

Suggested controls (to be discussed are)

- Monthly reports of processing volumes by contractor as extracted (aggregates, scrap etc)
- Monthly estimates of goods stockpiled on site (by location tonnage and realisation value)
- Record of stock movements out (sales and transfers across the site)
- Recording, location control and inventory management for plant/equipment stocks recovered (including existing floating assets)
- Process of periodic inventory checking to be undertaken
- Advice needed on accounting for inventory values (particularly where inventories are extracted from the site, unique situation where we may be adding land value and also creating inventory value – may also have taxation impact. Likely that we will need to be able to capture and allocate costs of extraction somehow or argue that the cost is incidental to other activity and therefore zero

Process	Documentation/ process needed	Must comply with	Status/ action	Timing	WHO
Develop inventory control system (may need to be spreadsheet initially)	Inventory log, location, description, quantity/ reference, est realisable value per unit, total value				Commercial/ finance
Develop monthly reporting of inventory values and movements	Transfer/ sales logs by item/ value				Commercial/finance
Agree details of processing info to be prepared by site contractors	Contractors to provide schedule of materials processed in each reporting period by location				Commercial
Process of physical inventory checks introduced	Periodic inventory sampling logs				Commercial/ finance



South Tees Developments Limited

Audit Highlights Memorandum
for the Year Ended 31 March 2020



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This report is provided on the basis that it is for the information of the Board only and that it will not be quoted from or referred to, in whole or in part, for any other purpose without our prior written consent. No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

1. Executive Summary



Executive Summary

Introduction

The Companies covered by this memorandum are:

The purpose of this report is to:

- summarise our findings in respect of the audit for the period ended 31 March 2020 and to bring to the attention of the directors the significant points identified during the audit and to confirm how these were resolved; and
- promote effective two-way communication between you and us.

Status of the audit

We have substantially completed our audit of the financial statements of the company for the year ended 31st March 2020. The following is a list of outstanding information:

- Completion procedures following audit committee meetings

Our audit report

Subject to satisfactory completion of the outstanding items, we do not expect to make any modifications to our audit report for any of the Company. However our responsibilities in respect of the audit report extend up to the date it is signed. We will advise you of any changes to this position, if necessary.

Materiality

We planned our procedures using materiality of £174,676 (based on gross assets).

Unadjusted triviality was deemed to be £8,734. Errors of this amount or less have not been adjusted for within the financial statements as they are considered to be trivial.

Unrecorded triviality is set at £1,747. Errors of this amount are considered to be so small that they have not been reported.



Executive Summary

Areas of audit focus

During our audit planning we identified a number of specific areas of audit risk. This report sets out our observations and conclusions in relation to these audit risks along with other matters identified during the course of the audit. These are summarised in Section 2.

Adjusted misstatements

Appendix 1 shows adjustments made to the nominal ledger figures after the figures were provided for audit. A number of adjustments were made by management and there are also a number of audit adjustments. These are detailed in Appendix 1.

Unadjusted misstatements

There were no unadjusted misstatements.

Control recommendations

We have identified a small number of performance improvement observations – details of which are shown in Section 3.



Executive Summary

Management representations

Auditors normally seek a number of 'management representations' from the Board, which confirm a number of points that we have relied upon in undertaking the audit and in reaching our conclusions. Please ensure that the Management Representation Letter is read and approved prior to signing.

We confirm the following 'non-standard' points to specifically draw your attention to.:

- We confirm that, in our opinion, the company's financial statements should be prepared on the going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. In reaching this conclusion, we have taken into account all relevant matters of which we are aware, including the availability of working capital and have considered a future period of at least one year from the date on which the financial statements will be approved. In particular, we have received a letter from the company's ultimate parent undertaking, Tees Valley Combined Authority, confirming its continuing support for a period of at least 12 from the date of signing the accounts.

Independence

We considered our independence during the audit planning and continued to assess this throughout our work. We can confirm that there have been no changes or further threats identified to our independence arising during the audit.

2. Summary of Audit Findings



Summary of Audit Findings

Audit risks identified at the audit planning stage

At the planning stage of the audit we identified a number of audit risks where we considered the focus of our work would be aimed. Our responses and conclusions in respect of these are documented below.

Management override of controls and income recognition are included below as there is a presumption within International Standards on Auditing (UK) for all audits that these are significant risks.

Significant audit risks	Responses and conclusions
Management override of controls	We considered the key risk areas in respect of this, including estimates and revenue recognition, and our work in these areas did not indicate any evidence of management override. Audit work carried out on a sample of journal entries indicated no unusual items that would suggest management override of control.
Risk of fraud in revenue recognition	Raised as a standard risk – however the company has no turnover. It does have income from electricity suppliers but this is simply a pass through and is matched with equal and opposite cost. We have agreed the income back to supporting documentation and subsequent cash receipts.



Summary of Audit Findings

Audit risks identified at the audit planning stage (continued)

Significant audit risks	Responses and conclusions
<p>Risk of COVID -19 virus and the impact on the going concern basis of preparation</p>	<p>From reviewing post year end information, and discussions with management it has been noted that COVID-19 has not impacted the company. The company is ultimately funded by Tees Valley Combined Authority who have provided a letter of support confirming that they will continue to support the company for a period of at least 12 months from the date of signing the 2020 financial statements. We have not modified our audit report in light of going concern.</p>
<p>Consideration given to disclosure of non-adjusting post balance sheet events.</p>	<p>We reviewed and discussed with management any significant post balance sheet events. At the time of writing there are no post balance sheet events to be noted to be disclosed in the accounts from the audit work we have completed.</p>
<p>Debtors may not be fully recoverable due to COVID-19 (significant)</p>	<p>The nature of the income in the company has meant that it is not significantly impacted by bad debts as a result of COVID. There has been one significant bad debt in the year, totalling £1,459k, relating to British Steel. This amount was invoiced between the date of acquisition of the land and May 2020 - during which period the original owners of British Steel went into administration resulting in the balance not being recovered. Amounts have continued to be received under the new owners and therefore the bad debt provision only relates to the former owners. This appears reasonable.</p>



Summary of Audit Findings

Audit risks identified at the audit planning stage (continued)

Other audit risks	Responses and conclusions
Completeness of purchases as a result of outsourced purchasing process	All of the purchasing of the company is undertaken by TVCA and amounts recharged to the company. All intercompany balances have been agreed and reconciled at the period end. Work on cut off did not reveal any significant issues.
The accounting treatment of estates rectification / remedial costs may not be correct	There was considered to be a risk over the recognition of any costs associated with rectification / remedial works on the land. From discussions with Management we understand that there are no requirements / obligations for the company to undertake a major project on such work. Any costs relating to this are expensed as incurred. This appears reasonable.



Summary of Audit Findings

Audit risks identified at the audit planning stage (continued)

Other audit risks	Responses and conclusions
Method of valuation of freehold land	The land is held at £11.5m in the financial statements – this being the purchase cost of the land from a third party, and the amount at which a 3 rd party professional valuer valued it at. An impairment charge has been recognised in the year to write off costs relating mainly to stamp duty.

3. Internal Control Observations



Internal Control Observations

As part of the audit process, we consider the overall control environment and key controls that are observed or tested as part of the audit. During the audit, we identified some areas where the internal controls require to be strengthened. These areas are categorised as follows:

Status	Classification
Red	Fundamental issues which require the consideration of the directors
Amber	Significant matters which should reviewed by management
Green	These observations merit attention within an agreed timescale

The audit does not involve a comprehensive review of all controls operating within the company and as such, the following comments should not be assumed to be a complete statement of all weaknesses that may exist in the company's control environment or within the detailed systems of internal control.

Note that we only identified control recommendations for PPL. No points noted or raised for PEL nor Speed.



Internal Control Observations

Status	
Observation	We note that for the 2020 audit the accounting records of the company were maintained on excel.
Implication	Excel documents are more susceptible to corruption / loss. The company's up to date accounting records may be lost in the event of an issue. Whilst we note that there have been limited number of transactions in the year we would advise that going forward, with potentially more activity expected, a general ledger system would be more appropriate for the business.
Recommendation	A general ledger system should be implemented by the company in order that effective accounting records be maintained.
Management response	We agree with the findings in your report, the reliance on spreadsheets is something that is currently being addressed through the implementation of the Agresso Unit 4 accounting system in the STDC group, which is underway.

Appendices

Appendix 1: Adjusted Misstatements

The table below notes the adjustments made by both TW and STDL after the receipt of the nominal ledger for audit purposes.

	Profit and loss account		Balance sheet		Comments
	Debit (£)	Credit (£)	Debit (£)	Credit (£)	
Impairment of freehold property	802,956				Impairment of freehold property to its recoverable amount (note – adjustment raised by STDL)
Impairment of freehold property				802,956	
Amounts due to group undertakings			1,900,000		Grant received from TVCA (note – adjustment raised by STDL)
Other operating income		1,900,000			
Light, heat and power	4,788,202				Split out electricity and RSA costs
Other operating income		4,788,202			
Estates costs	724,958				
Other operating income		724,958			
Other operating income	171,831				Reduce final month's electricity costs following receipt of information from supplier
Light, heat and power		171,831			
Accruals			171,831		
Accrued income				171,831	
Tax charge	4,765				Recognition of liability following receipt of tax computation
Corporation tax liability				4,765	
Total	6,492,712	7,584,991	2,071,831	979,552	



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ARC INDUCTION TRAINING PROPOSALS

SUMMARY

This report details the proposed programme of induction training and review of ARC.

Due to the transition of the South Tees Site Company to South Tees Development Corporation in 2020, the role and remit of ARC has evolved in recent months. The committee's TOR is attached at **Appendix 1**. The Committee invited proposals for an induction training process which would be beneficial to members in assisting them to fulfil their duties. This paper sets out the proposals and invites the committee's comment and endorsement.

RECOMMENDATION

It is recommended that ARC endorse the proposal set out below for:

- i. Member Induction and training;
- ii. Effectiveness review;
- iii. Skills audit; and
- iv. Validation of three lines of defence model.

COMMITTEE MEMBER INDUCTION/TRAINING

1. The primary purpose of the Audit and Risk Committee is to assist the STDC Group Board in fulfilling its oversight responsibilities, including matters concerning risk.
2. The Committee does not just provide oversight over the Organisation's financial affairs; it also considers matters of governance and probity. It is a key component of STDC's corporate governance arrangements providing independent assurance of the adequacy of the risk management framework and the internal control environment.
3. The Committee provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
4. It is proposed that Senior TVCA Group officers, namely Julie Gillespie, Group CEO, Gary Macdonald, Group Director of Finances and Resources, and Peter Judge, Group Chief Legal Officer, lead the induction/training programme for ARC Members under the following themes. A draft agenda for the proposed programme of induction/training is attached at **Appendix 2**. The Committee is also invited to suggest other themes they would find useful:

- a. Structures:
- Group structure of the full organisation;
 - How ARC fits within this structure;
 - The different committees working across the group;
 - The links between the 2 Audit Committees operating within the group structure.
- b. Terms of Reference:
- The changes to ARC ToR over the past 6-12 months;
 - The current role and remit of ARC.
- c. Practical training suggestions:
- Risk Management – How risk is managed across the Group structure. Training required to ensure consistency in knowledge of Group approach to Risk Management framework and processes. (Recent audit recommendation)
 - Internal Audit – Current provider RSM to share an overview of how internal audits are planned and undertaken;
 - External Audit – Current provider Mazars to share an overview of how their role fits with the TOR of the Committee;
 - Legal Basis and Governance of Committee – Requirements under legislation and conduct of meetings and access and transparency requirements;
 - Deep ‘assurance’ dives into specific areas – ARC Members invited to suggest what they would find useful. These elements to be formed into an agreed programme across a year.

COMMITTEE EFFECTIVENESS REVIEW

5. Officers propose that the committee undertake a board effectiveness review exercise. This will take a ‘snapshot’ of the current position and identify any potential improvements in the Committee and support to it. Officers would welcome feedback from ARC Members as to how they feel we can support them to make them more effective in their roles.
6. The process will help the Committee to assess its performance and, if necessary, to make improvements. This improves governance and ultimately supports the Committee to discharge its functions.
7. If Committee Members are supportive, a bespoke questionnaire will be created to provide a platform for this review. The results will be discussed collectively at a future committee meeting and there will also be an opportunity for one to one discussion.
8. The effectiveness review is not intended to be a tick-box exercise but rather meaningful exercise to allow committee members, and the Senior Officers who work most closely with the Committee, to note their views on what is going well as any suggestions or actions for continuing improvement.
9. The questionnaire is proposed to include sections covering:

- Governance;
- Management information;
- Support from officers;
- Roles and responsibilities;
- Outputs.

COMMITTEE SKILLS AUDIT

10. It is also proposed that a skills audit is undertaken as part of the over training and induction exercise.
11. The skills audit will invite members to indicate which skills, knowledge or experience they feel that have and are prepared to use in their role as a member of STDC ARC.
12. The information will then be analysed to see whether the committee has the nature of skills, knowledge and experience, it requires to undertake its duties. If skills gaps are identified, further training can be arranged if appropriate and/or future recruitment of members could be targeted to meet these gaps.
13. The skills audit questionnaire we be included at the end of the effectiveness questionnaire detailed above, to ensure most efficient use of Members time.
14. The Skills available will be validated by input from executives, non- executive and internal audit as part of the process and skills available mapped against skills needs.

VALIDATION OF THREE LINES OF DEFENCE MODEL

15. The three lines of defence model, ensures that risk management is embedded in a holistic system of internal control - operational processes (1st line of defence), oversight of risk and the monitoring of operational processes (2nd line of defence) and the functions who provide assurance that we are maintaining and monitoring standards (3rd line of defence).
16. A critical review and validation of this process model can provide insights into the effectiveness and efficiency of this approach and highlight potential opportunities to strengthen corporate governance and internal controls and further embedding risk management in daily activity.
17. The creation of a more resilient and robust control environment and improved processes will contribute to the delivery of operational performance and a sustainable future.
18. Following the expansion of the group, the 1st line of defence is becoming stretched due to capacity and capability which, as a consequence operational processes (1st line activities) are being supported by roles/ individuals/groups who would naturally be part of the second line of defence. This issue is currently being addressed by the support services staffing review, being led by the Group Director of Finance.
19. As there is pressure on all layers of defence, a key focus is on ensuring adequate capacity and strengthening of core controls at the first line of defence, which would release second and third line of defence to complete oversight and monitoring activity.

20. A review of capacity within teams would also support the ability to perform required tasks, accurately and timely, increasing ability to perform second and third line of defence appropriately.

FINANCIAL IMPLICATIONS

21. This report has no specific financial implications.

LEGAL IMPLICATIONS

22. This report has no specific legal implications.

RISK ASSESSMENT

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

CONSULTATION & COMMUNICATION

24. This paper has been prepared directly from separate reports prepared by the Senior Management team of STDC. As the purpose of this report is to provide updates/ information no further consultation has been undertaken/ is necessary.

EQUALITY & DIVERSITY

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

Name of Contact Officer: Peter Judge
Post Title: Group Chief Legal Officer
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Email Address: peter.judge@teesvalley-ca.gov.uk



DATED 26th August

2020

SOUTH TEES DEVELOPMENT CORPORATION

**GROUP AUDIT & RISK COMMITTEE
TERMS OF REFERENCE**

Version Control			
Issue No	Version	Date	Approved for issue
01	Draft	14-02-18	21-02-18
02	Updated draft	15-02-19	24-07-19
03	Updated draft	26-08-20	

SOUTH TEES DEVELOPMENT CORPORATION (STDC)

("Organisation")

GROUP AUDIT & RISK COMMITTEE TERMS OF REFERENCE

1. INTRODUCTION

- 1.1 The primary purpose of the Group A&R Committee is to assist the STDC Group Board in fulfilling its oversight responsibilities in matters concerning risk. The Committee does not just provide oversight over the Organisation's financial affairs; it also considers matters of governance and probity. It is a key component of STDC's corporate governance arrangements providing independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 1.2 In performing its duties, the Group A&R Committee will maintain effective working relationships with the Board, the Organisation's management, the Official Receiver and various professionals (including external and internal auditors, legal, financial and risk professionals).
- 1.3 To perform his or her role effectively, each member of the Group A&R Committee must be familiar with these terms of reference as well as the Organisation's business operations and risks.

2. MEMBERSHIP

- 2.1 The Group A&R Committee shall, as a minimum, comprise at least five members, which shall include:
 - 2.1.1 the Independent Chair;
 - 2.1.2 any 3 other nominated members; and
 - 2.1.3 a representative of the TVCA Audit & Governance Committee.
- 2.2 Additional members of the Group A&R Committee shall be appointed by the Board. The decision of the Board to appoint a new member must include a vote in favour of such appointment by the Board.
- 2.3 Only members of the Group A&R Committee have the right to attend Group A&R Committee meetings. However, other individuals (such as the chairperson of the Board, other Directors, heads of risk and compliance) may be invited to attend all or part of any meeting, as and when appropriate and necessary.
- 2.4 Subject always to the requirements set out in paragraph 2.1, initial appointments to the Group A&R Committee are made by the Board and shall be for such period as the Board shall determine.
- 2.5 The Board shall appoint a deputy chairperson who will be a Non-Executive Director of the

Board and who will chair the meetings in the absence of the Chairperson.

- 2.6 The Group A&R Committee may require the attendance of external professionals, (including, without limitation, Auditors, risk professionals, legal and financial advisors and surveyors) and/or any employee of the STDC at any of its meetings (upon prior written notice) and may require the disclosure of any information relating to the STDC to such professionals. Where reasonable, the Group A&R Committee may obtain legal or other professional advice at the cost of the STDC on terms of any matter within these terms of reference.

3. SECRETARY

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

4. QUORUM

- 4.1 The quorum necessary for the transaction of business shall be not less than three members, one of whom must be the Chair or deputy. A duly convened meeting of the Group A&R Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Group A&R Committee.

5. FREQUENCY OF MEETINGS

- 5.1 The Group A&R Committee shall meet quarterly.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Group A&R Committee shall be called:

6.1.1 by any member of the Group A&R Committee;

6.1.2 at the request of external professionals if they consider necessary; or

6.1.3 by any member of the Board.

- 6.2 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 Group A&R Committee, any other person required to attend and all other relevant Directors no later than five working days before the date of the meeting. Supporting papers shall be sent to Group A&R Committee members and to other attendees, as appropriate, at the same time.

7. MINUTES OF MEETINGS

- 7.1 The secretary of the Group A&R Committee shall minute the proceedings and decisions of all Group A&R Committee meetings, including recording the names of those present and in attendance.

- 7.2 The secretary of the Group A&R Committee shall ascertain, at the beginning of each Group A&R Committee meeting, the existence of any conflicts of interest and minute them accordingly.

- 7.3 Draft minutes of Group A&R Committee meetings shall be approved by the Chairperson (or Deputy if the Chairperson was absent). Once approved, minutes should be circulated to all other members of the Group A&R Committee, unless a conflict of interest exists or it would otherwise be inappropriate to do so.

8. DUTIES

- 8.1 The Group A&R Committee shall carry out the duties below for STDC. Such duties may be varied by the Board from time to time:

- 8.1.1 To review and scrutinise STDC executive plans.
- 8.1.2 To review the STDC's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 8.1.3 To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the STDC's framework of governance, risk management and control.
- 8.1.4 To consider the STDC's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 8.1.5 To consider the STDC's framework of assurance and ensure that it adequately addresses the risks and priorities of the STDC.
- 8.1.6 To agree the risk management strategy and monitor the effective development and operation of risk management in the STDC Group.
- 8.1.7 To monitor progress in addressing risk-related issues reported to the committee.
- 8.1.8 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 8.1.9 To review the assessment of fraud risks and potential harm to the Development Corporation from fraud and corruption.
- 8.1.10 To monitor the counter-fraud strategy, actions and resources.
- 8.1.11 To review the STDC Group Enterprise Risk Register to ensure residual risk is within the appetite for the STDC.
- 8.1.12 To recommend to the STDC Board anything it identifies as a significant risk under paragraph 28 of the STDC Constitution that in the view of the Committee gives rise to a Referral Decision.

Internal audit

- 8.1.13 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

- 8.1.14 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 8.1.15 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 8.1.16 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 8.1.17 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
- a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 8.1.18 To consider the head of internal audit's annual report:
- a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the STDC's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
- 8.1.19 To consider summaries of specific internal audit reports as requested.
- 8.1.20 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Corporation or there are concerns about progress with the implementation of agreed actions.
- 8.1.21 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 8.1.22 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- 8.1.23 To support the development of effective communication with the head of internal audit.

External audit

- 8.1.24 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 8.1.25 To consider specific reports as agreed with the external auditor.
- 8.1.26 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 8.1.27 To commission work from internal and external audit.
- 8.1.28 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- 8.1.29 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the STDC.
- 8.1.30 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 8.1.31 To recommend approval of the annual accounts to the STDC Board.

Accountability arrangements

- 8.1.32 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- 8.1.33 To report to STDC Board on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Standards

- 8.1.34 To promote and maintain high standards of conduct by STDC members and co-opted members.
- 8.1.35 To ensure the STDC members and co-opted members observe the Members' Code of Conduct.
- 8.1.36 To advise the STDC Board on the adoption or revision of the Members' Code of Conduct.
- 8.1.37 To monitor complaints received by STDC in respect of Member conduct.
- 8.1.38 To conduct hearings following investigation and determine complaints made against members and co-opted members.
- 8.1.39 Where a member or co-opted member is found to have failed to comply with the Code of Conduct to take such action as may be necessary to promote and maintain high standards of conduct, in accordance with the powers available to the Committee.

9. GENERAL DUTIES

- 9.1 In carrying out their specific duties set out above, each member of the Group A&R Committee should also consider their general duties as a representative of STDC, including:
 - 9.1.1 the duty to act in the way he or she considers, in good faith, would be most likely to promote the success of STDC for the benefit of its members as a whole, having regard to all relevant factors;
 - 9.1.2 the duty to exercise independent judgment;
 - 9.1.3 the duty to exercise reasonable care, diligence and skill;
 - 9.1.4 the duty to avoid conflicts of interest; and
 - 9.1.5 the duty to act in accordance with the STDC's constitution and only exercise his or her powers for the purposes for which they were conferred.

10. REPORTING RESPONSIBILITIES

- 10.1 The chairperson of the Group A&R Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Group A&R Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 10.3 The Group A&R Committee shall, as a minimum, produce a report of its activities and the STDC's risk management and strategy.
- 10.4 The Directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.

11. OTHER MATTERS

- 11.1 The Group A&R Committee shall have regard to the *Code of Good Practice for Corporate Governance* and the *Audit and Risk Assurance Committee Handbook* at all times when dealing with matters assigned to it.
- 11.2 The Group A&R Committee shall:
 - 11.2.1 have access to sufficient resources in order to carry out its duties;
 - 11.2.2 where any member of the Group A&R Committee requests the same, ensure that appropriate and timely training is provided to members relative to their role as a member of the Group A&R Committee. This may take the form of an induction programme for new members and ongoing training for all members;
 - 11.2.3 give due consideration to laws and regulations, as appropriate;
 - 11.2.4 oversee any investigation of activities which are within its terms of reference; and
 - 11.2.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. AUTHORITY

- 12.1 The Group A&R Committee is authorised:
 - 12.1.1 to seek any information it requires from any employee of STDC in order to perform its duties;
 - 12.1.2 to obtain, at STDC's expense, outside legal or other professional advice on any matter within its terms of reference; and
 - 12.1.3 to call any employee to be questioned at a meeting of the Group A&R Committee as and when required.

**STDC AUDIT AND RISK COMMITTEE
MEMBER INDUCTION PROGRAMME
PROPOSED AGENDA**

No.	Agenda Item	Owner	Format	Duration
1.	Welcome and introduction to the Committee and function	Chris White - Chair of the Audit & Risk Committee	Teams Meeting	2 hours
2.	Overview and explanation of the function and services of the Group: <ul style="list-style-type: none"> • History of organisation(s) • Vision and values • Board/Committee's structure • Departmental structure and hierarchy (organogram) • Terminology and glossary of company-specific terms 	Julie Gilhespie - Group CEO		
3.	Governance Function and Probity: <ul style="list-style-type: none"> • Governance Framework <ul style="list-style-type: none"> ○ 3 line of defence /assurance triangle ○ Key elements/roles • Nolan principles and Declarations of interests • Committee structures and 5S Model • What is to be expected from papers • Transparency, Publication and FOI/ Part A and Part B (confidential/pink papers) • Key decisions and call in/Scrutiny Officer (in the context of a governance control system) • Parameters of Audit & Risk Committee's role (as an assurance body not a decision-making body) 	Peter Judge – Group Chief Legal Officer/ Monitoring Officer		
4.	Strategic Planning <ul style="list-style-type: none"> • Give link to Strategic Economic Plan and discuss progress • Give link to Tees Valley Investment Plan and discuss progress 	Julie Gilhespie - Group CEO	Teams Meeting (Email ahead of meeting)	2 hours
5.	Finance <ul style="list-style-type: none"> • Discuss current key Financial issues and top risks being managed • Give copy of annual report and accounts • Give copy of most recent budget report • Capital grants accounting overview • Treasury Management function overview 	Gary Macdonald – Group Director of Finance & Resource		

6.	Risk Management <ul style="list-style-type: none"> • How risk is managed across the Group structure 	Natalie Robinson - Group Risk Manager	Teams	2 hours
7.	Internal Audit <ul style="list-style-type: none"> • Overview of how internal audits are planned and undertaken 	Philip Church - RSM		
8.	External Audit <ul style="list-style-type: none"> • Overview of how role fits with the that of the Committee 	Gareth Roberts - Mazars		
9.	Provide relevant policies and procedures: <ul style="list-style-type: none"> • Conflict of interest • Risk policy? • Constitution: <ul style="list-style-type: none"> ○ Code of conduct ○ Whistleblowing • Register of Members' Interests 	Governance Team	Email ahead of first session	N/A
10.	Provide copies of relevant Meeting Notes: <ul style="list-style-type: none"> • Issue schedule of Audit & Risk Committee meeting dates • Give copy of Audit & Risk Committee minutes from last municipal year • Give link to Constitution document • Give details of Committee Members and key officer contacts • Issue Audit & Risk Committee Terms of Reference 	Governance Team	Email ahead of first session	N/A



SOUTH TEES DEVELOPMENT CORPORATION

Internal Audit Progress Report

16 December 2020

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.





Contents

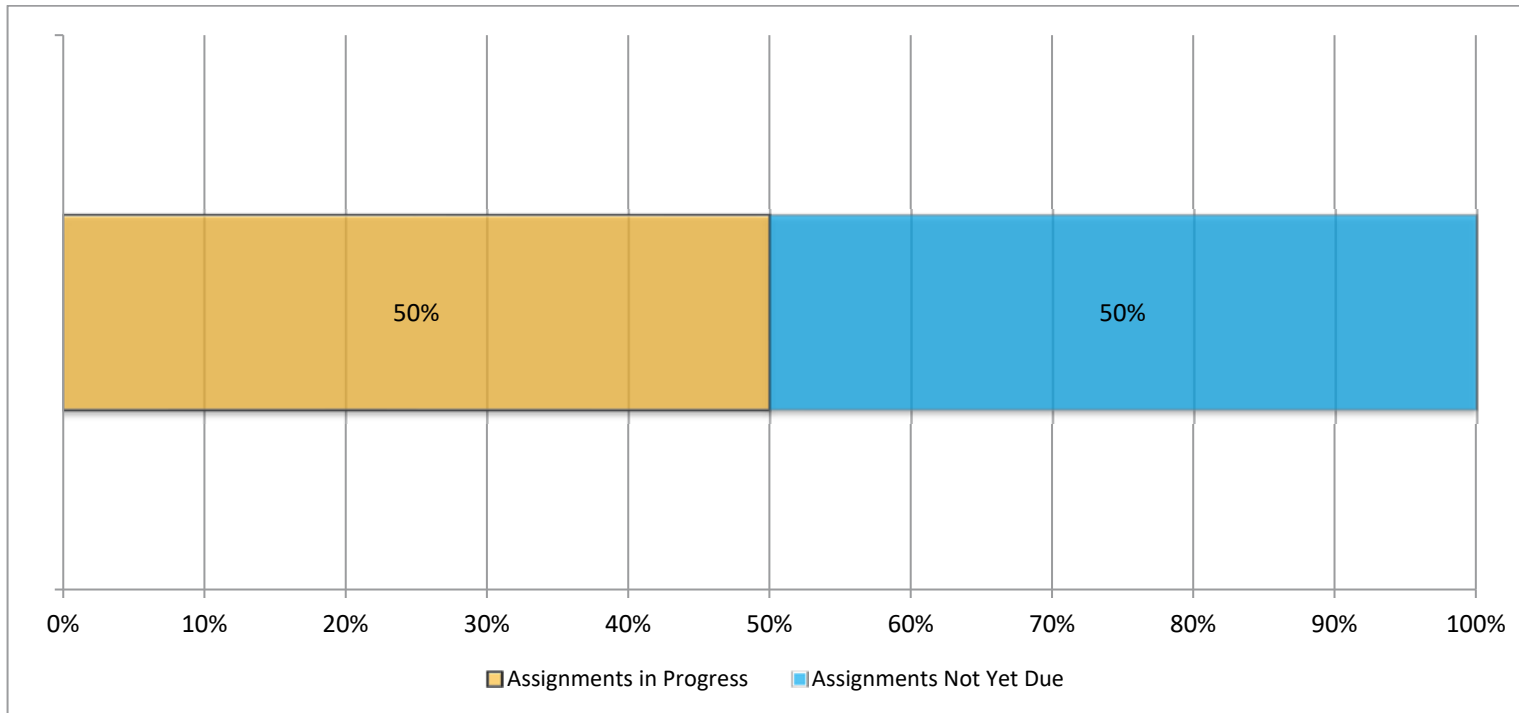
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1 Introduction

The internal audit plan for 2020/21 was approved by the Audit and Risk Committee on 29 July 2020.

The graphic below provides a summary update on progress against the 2020/21 plan.



Appendix A – Progress against the internal audit plan 2020/21

The current Covid-19 situation means that our clients and internal audit are working differently. We understand and recognise the organisation's strategic / primary objectives, and that the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile. We will work closely with management to deliver an internal audit programme which remains flexible and agile to ensure it meets your needs in the current circumstances.

Assignment	Status	Target Audit and Risk Committee
Follow Up of Previous Internal Audit Management Actions	Planning document issued Fieldwork scheduled for week commencing 4 January 2021	February 2021
Contingency	Fieldwork scheduled for week commencing 1 March 2021	May 2021
Key Financial Controls	Planning document approved Fieldwork scheduled for week commencing 8 March 2021 Previously scheduled to take place week commencing 9 November 2020. Review deferred at the request of management.	May 2021
Project Assurance	Fieldwork scheduled for week commencing 8 March 2021	May 2021



For more information contact

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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 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 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.

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PROGRESS AGAINST INTERNAL AUDIT ACTIONS

SUMMARY

The purpose of this report is to provide an update on progress against internal audit actions.

RECOMMENDATIONS

It is recommended that the Audit and Risk Committee notes the content of this report.

DETAIL

1. In total STDC had 35 open internal audit actions carried in at May 2020 of which 9 have since been marked complete by management. Of the remaining 26 actions 21 are in progress / partly complete

Outstanding actions	Report date	Action status			Total
		Completed	In progress	Not started	
Budget setting and control	Feb-20	2	2	-	4
Follow up of 2018/19 actions	May-20	2	5	5	12
Procurement	Jan-20	3	2	-	5
Project Management	Apr-20	2	12	-	14
Total		9	21	5	35
<i>High priority</i>		-	2	-	2
<i>Medium Priority</i>		3	6	4	13
<i>Low Priority</i>		6	13	1	20
Total		9	21	5	35

2. Two actions on the log are categorised as High priority and relate to an advisory Project Management review undertaken in May 2020. Both actions are being progressed and are expected to be completed in line with agreed timescales (See below).

3. 11 actions are now showing as overdue (compared to 8 at October). This is arises as four actions with October planned due dates have now fallen due.

Overdue actions	Report date	Action status	
		In progress	Total
Budget setting and control	Feb-20	1	1
Follow up of 2018/19 actions	May-20	5	5
Procurment	Jan-20	2	2
Project Management	Apr-20	3	3
Total		11	11
<i>High priority</i>		<i>1</i>	<i>1</i>
<i>Medium Priority</i>		<i>7</i>	<i>7</i>
<i>Low Priority</i>		<i>3</i>	<i>3</i>
Total		11	11

4. **Appendix 1** details all overdue actions and a summary of steps underway to resolve.

FINANCIAL IMPLICATIONS

5. This report has no direct financial implications.

LEGAL IMPLICATIONS

6. This report has no direct legal implications

RISK ASSESSMENT

7. Monitoring of internal audit actions is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

8. The internal audit log has been circulated amongst relevant action holders and feedback captured

EQUALITY & DIVERSITY

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

Name of Contact Officer: Mike Russell
Post Title: Head of Finance and Resources
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Email Address: mike.russell@southteesdc.com

Internal Audit report	Priority	Recommendation	Target date	Management update	Last updated	Staus desc	Owner	Update and next steps
Procurement	Medium	The Corporation will implement a procurement strategy. Until the Corporation has implemented their own procurement strategy, they will issue a holding statement confirming continued compliance with TVCA's Contract Procedure Rules.	31-Mar-20	In line with the development of an alligned approach to TVCA group shared services a TVCA Group strategy has been developed and once approved will be adoped as the STDC procurement strategy	20/07/2020	Partly impemented	Procurement Manager	A TVCA Group wide procurement strategy has been drafted, finalisation of the strategy has been delayed to allow time by the new Group Chief Legal officer to consider delivery and make any adjustments required. The second part of the recommendation is being followed in that TVCA group procedures are being followed and adhered to
Procurement	Low	The Corporation will create a forward plan of procurement activity to be conducted with a plan to have a live formal forward plan in place by September 2020.	30-Sep-20	December 20 - due for imminent finalisation alongside implementation fo new governance structure and performance group July 20 - Pipeline now in place, work underway to finalise format and develop reporting for SMT and operational review	03/12/2020	Partly impemented	Procurement Manager	This Action has been taken on as part of the new Governance meeting structure and is being implemented by the procurement team as part of the Performance group standard reporting.
Project Management	High	In the absence of a defined STDC approach, define a set of principles that STDC will apply for governance and controls and the standards they require of their project management service provider(s). These should later be incorporated into the STDC project management approach.	31-Oct-20	STDC is in the process of developing the full requirements for PMO functionality. A model has been developed, and the plan is to go to market in Q4 2020 for external service provider support to provide the necessary governance and controls.	12-Oct-10	Partly impemented	Engineering & Programme Director	This action is being taken on as part of the PMO implementation process. Consultation is underway with external consultants who are facilitating the design structure and delivery of the PMO. This action will therefore be wrapped into the PMO launch in the final quarter of the financial year
Project Management	Medium	Within the STDC project management approach, formalise the handover of the mandate, business case, etc. to project managers, and consider also how project managers can contribute to the pre-handover activities.	31-Oct-20	STDC will be recruiting into it's project and programme delivery team over the coming few months and plans are in place to take the team through the business case and delivery plans over the coming three years. Weekly project and programme delivery team meetings have been operational since April 2020 and these are being utilised as the vehicle for effective comms	12-Oct-10	Partly impemented	Engineering & Programme Director	This recommendation has been significantly progressed at writing offers have been made to two new project managers one of which is formally accepted. All project Managers will sit on the newly formed STDC projects group which has a principal role and function to monitor project delivery against the programme and report to senior management and Board via regular reporting to the delivery group
Project Management	Medium	Ensure that senior management and other executives in a decision-making role within STDC understand their responsibilities in a project-driven environment.	31-Oct-20	The organisational structure is presently undergoing review and revision, cognisant of the establishment of the JV and the transitioning of STSC into local ownership. Senior management and other executives' roles will be clearly defined as part of the related restructuring.	12-Oct-10	Partly impemented	Engineering & Programme Director	Reporting from the project management group into the delivery group will ensure that all executives in STDC are kept aware of key risks to delivery and associated responsibilities

Internal Audit report	Priority	Recommendation	Target date	Management update	Last updated	Staus desc	Owner	Update and next steps
Budget Setting and Control	Medium	We will present full management accounts to the A and RC to allow for sufficient challenge.	29-Feb-20	<p>Oct -20 Full roll out of the finance system has been hindered by access issues to systems , hindered by remote working in light of COVID To date all entities have been set up online the chart of accounts is set and transactions are being uploaded. Completion of the implementation is ongoing with development of reports, the purchase ordering process and setting system schemes of delegation in line with STDC group requirments (currently aligned to TVCA)</p> <p>STDC is in the process of implementing a new finance system which is anticipated to be operational in July/ August 2020. Full management accounts and budgetary control reports will be produced from the system following implementation. In the interim a set of manually produced management accounts will be produced for the first quarter of 2020/21.</p>	Oct-20	Partly impemented	Interim Head of Finance	<p>Up to date data has been uploaded to the Agresso systems and steps are currently being taken to move from data journaling from TVCA's accounting cost centres to direct coding at the point of purchase order by the procurement team.</p> <p>An external consultant has been engaged to develop the reports required to provide full management accounts which will be fed into the Governance reporting structure via the newly formed performance group</p>

Internal Audit report	Priority	Recommendation	Target date	Management update	Last updated	Staus desc	Owner	Update and next steps
Follow up of 2018/19 actions	Medium	The Corporation will ensure that each project risk register will be collated into a corporate risk register. The corporate risk register will be reviewed by the Senior Management Team to ensure that all risks are identified and are within the accepted risk appetite levels set by STDC. The completed risk register will be presented for approval in the timescale indicated by management, to the Audit and Risk Committee in September 2019.	30-Oct-20	<p>01/12/20 Project risk registers are to be reviewed as part of PMO implementation. This will include the standardisation of information required which will provide consistent reporting. Line of sight will be created to corporate risk register and strategic objectives.</p> <p>09/10/20 Work has started to initiate the integration of all Risk Registers which will allow for easier management and reporting. Each risk will align with a risk approach depending on appetite. Plans in place to review these risks on a monthly basis where the risk is above target level or there is a threat that the likelihood/impact of risk has increased/decreased.</p> <p>Once the STSC acquisition is complete, the Corporation will perform an exercise to ensure that all project risk registers are collated into a corporate risk register.</p>	Dec-20	Partly implemented	Project Services Consultant	Standardisation of the project risk registers and ongoing reporting is being developed as part of the PMO launch and is being developed by the group risk manager
Follow up of 2018/19 actions	Low	The Corporation will ensure that the draft Freedom of Information Policy, including the publication scheme, is subject to appropriate scrutiny and will be implemented as a formal document. Once the policy is finalised, staff will require training on how to deal with different types of information requests.	30-May-20	<p>May - 20 After adoption, staff will require training on how to deal with different types of information requests.</p> <p>July -20 Policy approved by Board on June 3rd. General GDPR training was rolled out to all STDC staff and completed in June 2020. Specific training on information requests will be given as part of wider governance training planned for August 2020.</p>	May-20	Partly implemented	Governance and Administration Manager	HOF has requested that the governance team develops a video call to deliver this training. Initially the plan was to deliver a face to face session in house but this was delayed as a result of COVID-19 lockdowns

Internal Audit report	Priority	Recommendation	Target date	Management update	Last updated	Staus desc	Owner	Update and next steps
Follow up of 2018/19 actions	Medium	We will develop a mechanism to ensure risk registers are maintained up to date and that there is central oversight of these. This will be discussed with the Board at the risk appetite workshop, where a decision will be made on the frequency of the updates required for each risk register or risk rating.	28-May-20	<p>01/12/20</p> <p>Risk Harmonisation activity is well underway. Consistent approach is being developed to ensure registers are maintained and reported on a regular basis.</p> <p>Strategic risk registers will be reviewed at least on a monthly basis. Risks with ratings exceeding target will also be prioritised.</p> <p>09/10/20 Risk Registers across group will be aligned to ensure the same data s captured. This will include control ID, control description, Control objective, owner, operator and automation. The intention is that moving forward, th effectiveness and efficiency of these controls be tested.</p> <p>We will review the format of the risk register to ensure we begin to capture the controls in place on which we are relying to bring the risk rating of its current level.</p>	Dec-20	Partly impemented	Project Services Consultant	Processes to capture an harmonise risk have been established as part of the new governance structure with the risk manager sitting on/ reporting to the Keep safe, project and performance groups in order to ensure regular review of risks and update to strategic registers
Follow up of 2018/19 actions	Medium	<p>We will review the format of the risk register to ensure we begin to capture the controls in place on which we are relying to bring the risk rating of its current level.</p> <p>We will then begin an exercise to identify the assurances we have in place over these controls, which we can use to drive future assurance activities.</p>	30-Oct-20	<p>01/12/20</p> <p>As part of standard format of revised risk register control information and details are required to ensure we are managing risk. If regular controls are not required or additional remediation required, this will be captured in treatment path.</p> <p>We will review the format of the risk register to ensure we begin to capture the controls in place on which we are relying to bring the risk rating of its current level.</p>	Dec-20	Partly impemented	Project Services Consultant	Risk register formats have been reviewed, and processes developed. New format risk information has yet to be reported and approved through the new governance structure. Once this is cone this action will be marked as complete

Internal Audit report	Priority	Recommendation	Target date	Management update	Last updated	Staus desc	Owner	Update and next steps
Follow up of 2018/19 actions	Low	Once the VAT registration issues have been resolved, assurance has been given that the list of required procurement procedures identified by management once the STDC procurement policy has been approved, will be produced. Procedures will also be implemented to ensure that the contract register is monitored and that ongoing contract management arrangements are effective.	31-Mar-20	<p>Nov 20 - VAT advice has been received from PWC and a new scheme of delegation has been approved in STDC to facilitate contracting in- House.. The next steps are to ammend propcurement processes in line with the Scheme of Delegation and Group Procurement stategy.</p> <p>July 20 - Policies and procedures to be formalised following alongside completion of the group procurment strategy (see Procurement audit reccommendation1)</p> <p>May 20 - We were advised that this action was still in the process of being implemented, and the VAT registration issues are currently sat with PWC for completion</p>	May-20	Partly impemented	Procurement Manager	VAT treatments and registrations have been resolved This recommendation will be completed once contracting is transferred into the STDC group from TVCA

AGENDA ITEM 11

REPORT TO THE AUDIT AND RISK COMMITTEE

16th DECEMBER 2020

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

STDC RESOURCES UPDATE

To present to Members of Audit and Risk Committee with an update on resources across the STDC Group following the acquisition of South Tees Site Company (STSC).

RECOMMENDATIONS

It is recommended that the Audit and Risk Committee note the Resources update and development plans.

BACKGROUND

1. STDC acquired the STSC on the 8th October 2020 at which point the transition of all site management came under the control of STDC alongside the land assembly acquired as part of the Compulsory Purchase Order process. An overview of updated Group Structure is provided at **Appendix 1**.
2. The Committee requested a resource update following transition to provide assurance that the STDC Group had plans in place to ensure the necessary capacity and capability was available to deliver the transformation of the Teesworks site.
3. The STDC corporate risk register has the following risks associated with this area: -
 - 19-022 - Strategic risk (objectives) - Failure to deliver the required programme outputs and outcomes in the desired timescales
 - 19-028 - Delivery risk (Transition) - Failure to successfully transition South Tees Site Company (STSC) into local control
 - 20-007 - Not having the right capacities/ competencies/ processes in the organisation
4. The management and mitigation of STDC risks is achieved through the STDC Delivery Group and its associated operational working groups. A copy of these arrangements is provided at **Appendix 2**. The full details of these groups and the associated operating arrangements were reported and approved at STDC Board on 25 November 2020.

RESOURCES UPDATE

5. In the context of Resources each operational working group is currently produce resource proposals for STDC Delivery Group to consider in addition to implementing the current approved resources. The current arrangements are set out in the table

below. It should be noted that resources are provided from a variety of sources and STDC actively secures resources from suppliers as part of procurement activity associated with operational activity. These external resources compliment internal competencies to provide the right blend of expertise depending on the nature of the activity being delivered.

6. In terms of posts across the STDC Group the number of roles currently occupied are provided below: -

Area of business	Establishment	Vacancies	Recruitment stage	Start date confirmed
STDC				
Senior Management*	6.00	0.00		
Projects	7.00	3.00	2.00	
Procurement	4.00	0.00		1.00
Utilities	2.00	2.00		
Commercial	3.00	2.00		
Administration	2.00	1.00		
Other support services	5.00	2.00		
Property/Estates	4.60	2.00		
STDC subtotal	33.60	10.00	2.00	1.00
South Tees Site Company	133.35	7.00	0.00	0.00
STDC Group Total	166.95	17.00	2.00	1.00

**Currently includes 0.5 WTE for both Group CEO/Director of Finance and Resources*

7. The table above shows that a high proportion of posts are occupied (88%) with a further three roles currently going through recruitment processes. There are posts that are currently under review given the integration of group structures and proposals will be developed early next calendar year in respect of these areas. Following the move to Group structures we are currently reviewing the overall STDC Group resource requirements including how South Tees Site Company will dovetail with existing STDC or wider group operations.
8. The mitigation of risks associated with the delivery of projects and programmes (19-022) is achieved through dedicated in-house project management resource and external expertise to establish the full Project Management Office (PMO) technology solutions to support these posts. Two project managers have been recruited and are due to start early 2021 with further recruitment ongoing.
9. The mitigation of risks associated with the transition of STSC is through a combination of the Governance structures set out to STDC Board on 25 November 2020 and a clear set of operational working groups covering both “Keep Safe” and “Estates Management” activity. The latter being the development of business as usual service charges for the Teesworks site tenants based on a cost-effective structure. This structure is envisaged to have a suite of “core services” and a “menu” of potential services offered to tenants dependent on their needs. The Group Support Services capability is being developed by the Group Director of Finance and Resources and will consider the efficiencies of operating these services at a TVCA Group level.

10. The risks above are underpinned by ensuring the right capacity, competencies and processes (20-007) are in place to support STDC Group activities. This work has already commenced at pace as reported in the Table at paragraph 6. Further work by the operational working groups will develop the future resourcing requirements to support the Teesworks site operations.

FINANCIAL IMPLICATIONS

11. The financial implications associated with any proposed staffing changes will be considered alongside the available budget in the STDC Budget and Medium-Term Financial Plan. Where proposals may take proposed expenditure outside of those parameters a formal report to Board requesting approval for funding will be put forward.

LEGAL IMPLICATIONS

12. There are no legal implications associated with the content of this report. Where applicable the legal implications of any organisational change proposals will be considered alongside the relevant statutory requirements.

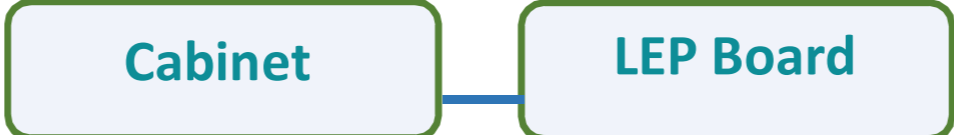
Name of Contact Officer: Gary Macdonald
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Appendix 1 - South Tees Development Corporation Group Governance Structure

TVCA Governance

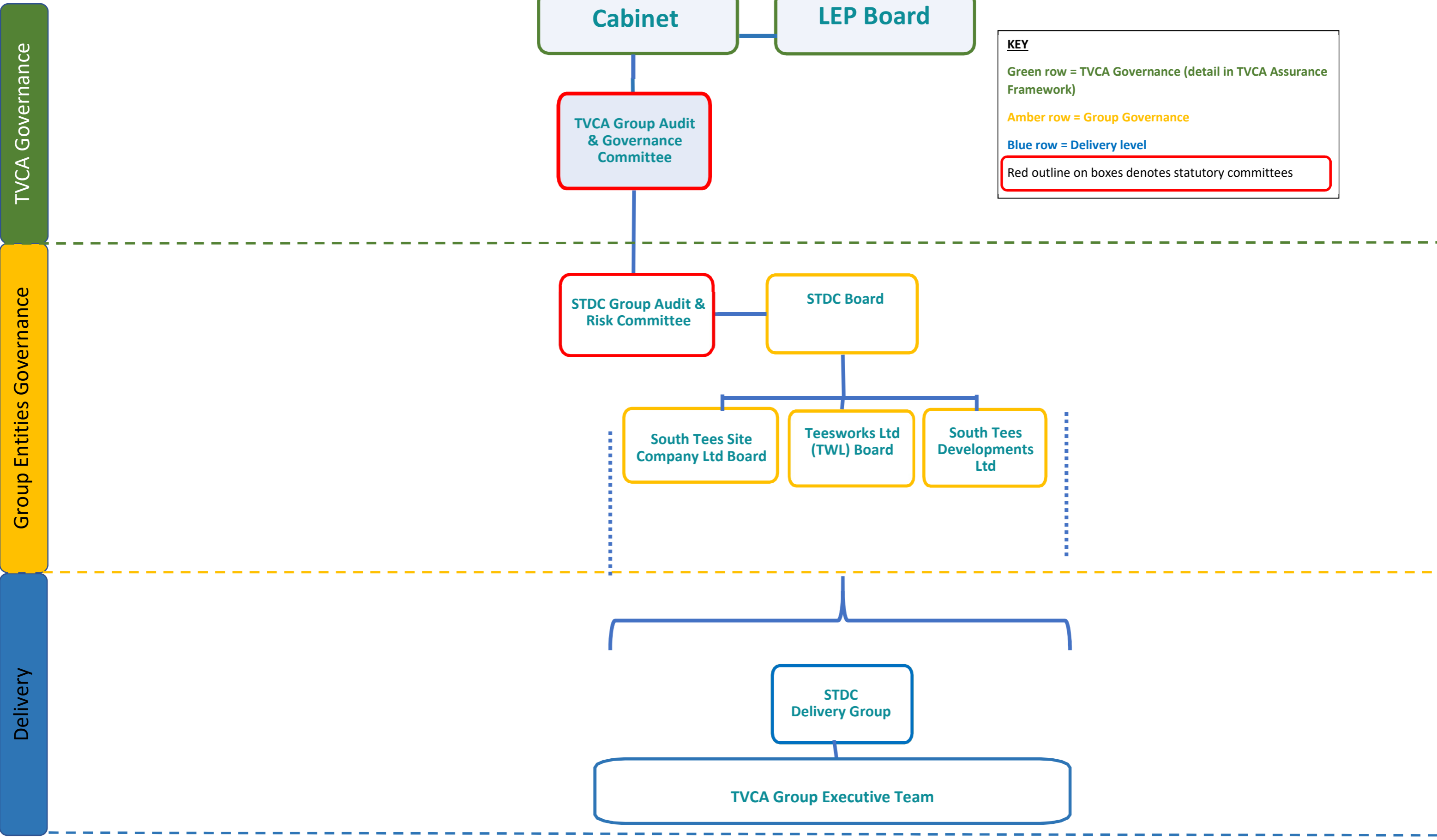
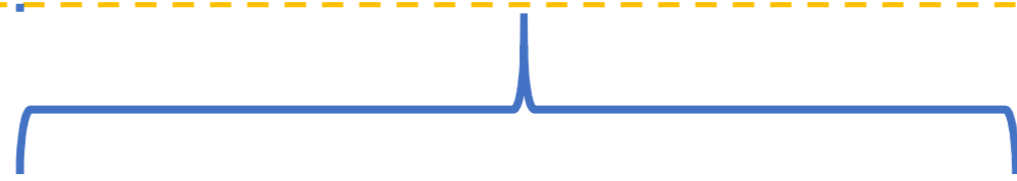
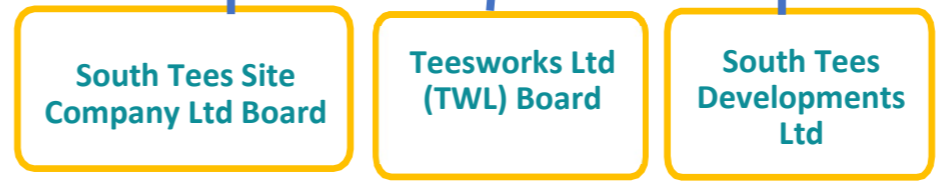
Group Entities Governance

Delivery



KEY

- Green row = TVCA Governance (detail in TVCA Assurance Framework)
- Amber row = Group Governance
- Blue row = Delivery level
- Red outline on boxes denotes statutory committees



STDC structures – 06.11.20

STDC Board

As existing arrangements



STDC Delivery Group

Julie Gilhespie	– Chair
Gary Macdonald	– DOFR/Performance group lead
Alison Fellows	– Group Commercial & Delivery Director
Matt Johnson	– Commercial group partner lead
John McNicholas	– Project delivery group lead
Kristian Forrest	– Estates group partner lead
Mark Kenrick	– Keepsafe group lead
Chris Harrison	– Development partner lead
Mark Reynolds	– Programme coordination

Meets monthly, its role:

- Operates at a strategic level
- Sets strategic direction
- Receive feedback from group leads
- Discuss strategic matters
- Agree strategic actions
- Prepare for full STDC Board



STDC Operational Groups (see over)

- **Commercial** - to ensure that opportunities are identified and progressed with investors & Govt/funders
- **Projects** - to progress the capital investment programme and deal with project specific actions
- **Performance** - to monitor budget, cashflow and provide performance management and risk information
- **Estates** - to establish and manage service charge, to manage and maintain the site
- **Keepsafe** - to manage the Keepsafe programme

Meet twice monthly, either side of monthly Teesworks Strategy Group. Role:

- Agree actions and lead on implementation.
- Reviews detail and monitors progress.
- Leads' report to Strategy Group

Keepsafe



Responsible for

- Keepsafe assets
- Liaison with decontam & demolition project lead

Key people

- Mark Kenrick (Lead)
- Karl Dickinson
- Decon/Dem Project Manager
- HSE Keepsafe Manager
- Natalie Robinson

Commercial



Responsible for

- Identifying opportunities
- Liaison with investors
- Land & Property legals
- Commercial transactions
- Marketing & Branding

Key people

- Matt Johnson (Lead)
- Nolan Gray
- Ged Armstrong
- Chris Harrison
- Gary O'Malley
- Neil Thomas

Others as required:

- Anna Stone
- Craig Peacock

Projects



Responsible for

- Progressing capital projects
- Maintaining programme
- Letting and managing contracts
- Strategic planning matters
- Land Assembly/CPO
- Risk management

Key people

- John McNicholas (Lead)
- Chris Harrison
- Project Managers
- Ged Armstrong
- Mark Reynolds
- Neil Westwick
- Natalie Robinson
- Peter Judge

Others as required:

- Neil Thomas
- PMO organisation

Performance



Responsible for

- Budget control/cashflow
- Procurement support
- Access to funding support
- Performance monitoring – BEIS
- Risk management
- Reporting to TVCA

Key people

- Gary Macdonald (Lead)
- Mike Russell
- Kit Forrest
- Mark Reynolds
- Natalie Robinson
- Sharlein Smales

Others as required

- PMO organisation
- Sarah Brackenborough

Estates



Responsible for

- Establish Estate Co
- Run Estate Co
- Site security
- Operate common and additional services charge

Key people

- Kit Forrest (Lead)
- Estates Services Director
- Mark Kenrick
- Mark Buttitta
- Matt Johnson
- Mark Reynolds
- Neil Thomas
- Gary O'Malley
- Stephen Smith (external adviser)

← Health and Safety Director; and Group Risk Manager →

TEESWORKS – DECONTAMINATION PROJECT

SUMMARY

This report provides a progress update on the ex-STSC Decontamination Project, a project that was developed to address decontamination of the South Bank Coke Ovens and Redcar Coke Ovens facilities, the Coke Ovens Gas Main network that traverses the site, and the Heavy Fuel Oil Pipeline, in order to reduce the 'Keep Safe' cost burden connected with the former SSI site.

RECOMMENDATIONS

It is recommended that the Audit and Risk Committee note the contents of the report.

DETAIL

1. The original scope of the STSC Decontamination Project comprised decontamination of the South Bank Coke Ovens and Redcar Coke Ovens facilities, the Coke Ovens Gas Main (COGM), and the Heavy Fuel Oil Pipeline (HFOP).
2. The inventory of legacy hazardous substances contained within these assets is the reason why the former SSI Steelworks continues to be designated a CoMAH Upper Tier installation.
3. Originally defined as the 'Invest to Save' (I2S) project, its purpose was to significantly reduce the annual costs of 'Keep Safe' activities connected with the former SSI estate. Funding for the project, to its original scope, was secured from BEIS at £48.9M.
4. Altrad was appointed in 2018 as contractor for the delivery of the project, with Faithful & Gould appointed as Project Manager and Cost Manager.
5. Work on the project to September 2020 had been contained to Phase 1 activities, such as: project planning; the development of the operational procedures and safety and environmental management systems and protocols that will govern the decontamination operations; and initial physical trials.
6. With the emergence of the Teesworks Demolition Programme (which is presently in procurement) it was decided to tackle the two sets of Coke Ovens as combined decontamination and demolition projects, under that programme, primarily in the interests of realising time and cost efficiencies.

7. The scope of the I2S Project was therefore reduced to decontamination and (in certain areas) dismantling of the COGM and HFOP.
8. The redefinition in workscope and the requirement to revisit and address certain aspects of the contract, in light of various changes, resulted in a period of further engagement with the contractor across the summer, before moving forward with an agreed, revised work plan.
9. Phase 2 of the project (Implementation) commenced in October 2020 with delivery of decontamination works to the COGM that traverses the Dorman Point (Prairie) site – designated 'Priority 1'. Reports are that work is progressing very well and is on schedule to complete before the end of calendar year.
10. Attention will then be turned to Priority 2 – the COGM and HFOP networks within the proposed Net Zero Teesside site. It is anticipated that these works will commence in January 2021, lasting 4 to 6 months.
11. Altrad has established its water treatment and processing facility on land at the Lackenby BOS Plant. This is being utilised to initially store effluent arising from the early decontamination operations, pending the securing of the necessary Environmental Waste Licence from the Environment Agency (EA); the relevant application has been duly made. Discussions are in progress with the EA to allow early processing of the arisings, under strict operational conditions, while the application is being processed.
12. Under the new organisational structure developed for Teesworks, this project will now fall under the jurisdiction of the STDC Projects Delivery Group (PDG), headed up by the Engineering & Programme Director.
13. Other priority phases for the project will be developed and agreed over the coming months with the PDG. The current project programme indicates an overall completion date of October 2022.

FINANCIAL IMPLICATIONS

14. By virtue of the funding secured from BEIS, retained through Transition, the capital expenditure connected with this project is fully covered within existing budget provisions and future financial plans.

LEGAL IMPLICATIONS

15. Nothing to report.

RISK ASSESSMENT

16. The project has comprehensive risk management protocols in place, including a risk register, which is reviewed on an ongoing basis. Risk management on the project is presided over by our appointed Project Management organisation, Faithful & Gould, with overview from an organisational perspective from our internal Risk Manager.
17. A live RAMS (Risk Assessment Method Statement) tracker is in operation on the project.

CONSULTATION & COMMUNICATION

18. Decisions on the revisions to the project scope, the contract, and the retention of Altrad, were discussed and debated extensively at executive officer level and authorised by the STSC Board, with reporting being provided into the STDC Board.

EQUALITY & DIVERSITY

19. The subject of this report is not expected to have any impacts on groups of people with protected characteristics.

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South Tees Development Corporation - Audit & Risk Committee

Forward Programme

Standing Items

Minutes from the Previous Meeting
 Risk Register
 Internal audit progress report
 Internal Audit Actions Update
 External audit progress report
 Forward Programme and Action register
 Date of the Next Meeting

Audit & Risk Committee		
Date	Venue	Item / Responsible Officer
16 th December 2020	Cavendish House Teesdale Business Park Stockton On Tees TS17 6QY	Internal Audit- Key financial controls External Audit – Progress report (STDC and Group) – Mazars External Audit – Annual Audit letter (STD L) – Tait Walker Decontamination Project Update (JM) Resource levels Update (GM) Transition and Group ARC (PJ)
24 th February 2021	Cavendish House Teesdale Business Park Stockton On Tees TS17 6QY	Internal audit Follow up Internal Audit Project Management Review – Tait Walker External Audit – Annual Audit letter (STDC and Group) – Mazars External Audit – 2020/21 Audit Strategy Memorandum (STDC and Group) – Mazars Electricity Infrastructure Update Demolition Framework Update

Proposed Items to be scheduled

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Actions from STDC Audit & Risk Committee meeting 29th July 2020

Number	Action	Person responsible	Due Date	Status
1.	Tata retention – Ongoing and dependent on response from Tata. Updates to be provided as and when available. Ultimate deadline for this is 21 st February 2021	MR	21-02-21	Ongoing
2.	Combined Risk Register for DC and SC to be drafted by October 2020	GM	Oct 2020	Completed
3.	Consideration to be given to wording within Draft Accounts paper in respect of the impact of COVID 19	GM	ASAP	Completed
4.	Internal Audit Plan - Evidence assurance on the outsourcing of financial systems required.	GM	Next Meeting	Ongoing
5.	Internal Audit actions - Provision of an update on progress of actions between Meetings required	GM/MR	End of August 20	Completed
6.	Internal Audit actions - Report detailing progress and closure of actions required	GM/MR	Next Meeting	Completed – now a standing agenda item
7.	Sub Group to be formed and meet in advance of next Meeting to consider Forward Programme	GM	Before next Meeting	Completed

Actions from STDC Audit & Risk Committee meeting 21st October 2020

Number	Action	Person responsible	Due Date	Status
1.	Decontamination Project update to be added to the next Agenda	JM	December Meeting	
2.	Electricity Infrastructure Project Update to be added to February Agenda	SJ	February meeting	Completed
3.	Demolition Framework Update to be added to February Agenda	SJ	February meeting	Completed
4.	Forward Plan of Projects to be shared with Committee	GM	ASAP	

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5.	Paper regarding Resource levels to be brought to the next meeting	GM	December meeting	
6.	Speak to Valuer regarding Emphasis of matter issue	GM	ASAP	
7.	Skills matrix for the Committee to be drafted for self-assessment of Members.	PJ	December meeting	
8.	ToR to be updated	PJ	December meeting	