

Date: Wednesday 30th September 2020, at 2.00pm

Venue: Microsoft Teams meeting

Membership:

Mayor Ben Houchen (Tees Valley Mayor)
Paul Booth OBE (Chair, Tees Valley Local Enterprise Partnership)
Cllr Mary Lanigan (Leader, Redcar & Cleveland Borough Council)
Mayor Andy Preston (Mayor of Middlesbrough)
Sir Alan Cockshaw (Independent Member)
Steve Gibson OBE (Independent Member)
Graham Robb (Independent Member)
David Smith (Independent Member)
Jacob Young MP (Independent Member)
Julie Gilhespie (Group Chief Executive TVCA, STDC)

Associate Membership:

Tom Smyth (BEIS)
John Sampson (MD, Redcar & Cleveland Council)

Agenda

1. Welcome & Introductions

2. Apologies for Absence

3. Declarations of Interest

4. Minutes from previous meeting

Attached

5. Chair's Update

Verbal Update

6. Group Chief Executive's Update

Attached - Appendix 1 to this report is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

7. Governance Arrangements – STDC Group Governance including transition of South Tees Site Company Limited (“STSC”)

Attached – Appendices 9,10 & 12 to this report are not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

8. Medium Term Financial Plan Update

Attached

9. South Bank Wharf

This report is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

10. AOB

Verbal

11. Date and Time of Next Meeting:

Wednesday 25th November 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) BOARD

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

Date: 29th July 2020

Time: 2 pm

TEAMS Meeting

Attendees:		Apologies:
Ben Houchen (Chair)	Tees Valley Mayor	Steve Gibson, Bulkhaul Ltd
Paul Booth	TV LEP	
Cllr Mary Lanigan	Leader, RCBC	
Mayor Andy Preston	Leader, Middlesbrough Council	
Jacob Young MP	Member of Parliament	
Graham Robb	Recognition PR	
David Smith	Energy Networks UK	
Sir Alan Cockshaw	Independent Member	
John Sampson	Redcar & Cleveland BC	Additional Attendees for Item 9 only - KPMG
Tom Smyth	BEIS, Interim Government Representative	David Costely-Wood
John McNicholas	STDC	Jeremy Cork
Mike Russell	STDC	Francis Crozier
Julie Gilhespie	TVCA	Chris Dunbar
Gary MacDonald	TVCA	Lorna Ford
Andrew Nixon	TVCA	Nigel Hinchcliffe
Chris Harrison	Joint venture Partner	Kiran Redding
Sally Henry (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 noted above		
3.	Declarations of Interest	There are no Declarations of Interest		
4.	Minutes of previous meetings	Tom Smyth asked for it to be noted he attended the Board meeting on 3 rd June but his attendance was not recorded on the minutes. The minutes were then agreed. There were no matters arising	Minutes of previous meeting to be amended	TVCA
5.	Chair's Update	The Chair provided a brief verbal update where he thanked all those who had contributed towards the Tees Works announcement which had taken place the previous day. He acknowledged the contribution made by staff at STDC and TVCA as well as the Joint Venture partnership. He also thanked David Smith for the work involved in the high voltage tender.		
6.	CEO Update	The CEO's update was taken as read. The CEO advised that since the papers for this meeting were published, the Business Case has been approved by Treasury. It is expected that the Business Case and Transition will be approved by TVCA Cabinet on 11 th September. The CEO		

		<p>thanked the Group Director of Finance & Resources for the work undertaken to get to this stage.</p> <p>Resolved that the report was noted.</p>		
7.	Finance Update	<p>The Board were asked to consider a report which provided an update on the financial performance of the STDC Group in the 3 months to 30th June, 2020.</p> <p>Resolved that the report was noted.</p>		
8.	Draft Accounts & Annual Governance Statement	<p>The Board were asked to consider the statutory accounts for the year ended 31st March 2020.</p> <p>Resolved that:-</p> <ul style="list-style-type: none"> • the Board approved the publication of the draft unaudited accounts in accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020; • the Board considered and endorsed the annual governance statement for 2019/20. 		
9.	Transition Update	<p>The Board were asked to consider a report which sought approval to proceed with the acquisition of 100% of the issued share capital of South Tees Site Company.</p> <p>RESOLVED that, subject to approval by Tees Valley Combined Authority Cabinet and STDC's business case to Government being successful, the Board recommended to mandate the Group Chief Executive, in consultation with the Mayor, Group Director of Finance and Resources, and Monitoring Officer to:</p>		

		<ul style="list-style-type: none"> i. Conclude an agreement with the department of Business Energy and Industrial Strategy to acquire 100% of the share capital of South Tees Site Company ii. Complete all due diligence, sign all documents and complete all other actions required to give effect to this Report 		
10.	Procurement of Demolition Framework	<p>The Chair proposed and Board agreed to pass a resolution to exclude the press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972, in order to allow Board to consider matters of a commercially confidential nature.</p> <p>Resolved that the report was noted.</p>		
11.	AOB	<p>The Board agreed to the Chair's request that Jane Turner and John Baker are appointed to the Audit and Risk Committee.</p> <p>The Board agreed to ratify a written resolution and formally:-</p> <ul style="list-style-type: none"> i. Approved the proposed SSI compensation in full and final settlement of all SSI land/assets within the CPO order on the basis that SSI agreed not to judicially review the CPO confirmation process or any subsequent general vesting declarations; and ii. Delegated authority to the Group Chief Executive officer, in consultation with the Chair and Group Director of Finance and Resources to make all the necessary arrangements to give effect to transaction 		
12.	Date & Time of Next Meeting	2pm on Wednesday 30th September 2020		

AGENDA ITEM 6

REPORT TO THE STDC BOARD

30th SEPTEMBER 2020

REPORT OF THE GROUP CHIEF EXECUTIVE

GROUP CHIEF EXECUTIVE UPDATE

SUMMARY

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

RECOMMENDATIONS

It is recommended that the Board notes the content of this update report

BUSINESS CASE

1. Following the update provided In June, STDC's Business Case to secure £71m of Government funding towards demolition and site remediation continued to progress as anticipated.
2. Since June the Business Case has passed a further review by BEIS Commercial leads at the beginning of June and recommendations have been reflected in the final business case document that was issued on 1 July and was presented to a Joint BEIS and MHCLG project investment committee on 15 July. Whilst we still await formal confirmation of the decision, we are very confident of a positive outcome.
3. The Business case will now pass to Treasury for final review. Once this is achieved, STDC will, subject to Board approval, be able to purchase the shares of STSC and transition to local ownership.
4. The final Business Case is enclosed as a confidential appendix 1 for information

COMMERCIAL

5. The launch of the new Teesworks brand has generated a lot of interest and enquiries. These have been logged and initial discussions have taken place however until we target market the site the majority of these enquiries will not match the aims of the masterplan.
6. Significant focus continues on NZT, Hydrogen rail, EfW and Offshore Wind.

- STDC have reviewed the second DCO consultation for NZT and working through the process to ensure that the redline boundary for this project works with our wider site aspirations;
 - The Local Authorities' waste project is actively in procurement with Dorman Point as a mandated site;
 - The estimates for the development of the Hydrogen rail facility have been generated by Turner & Townsend and these are to be provided to Northern rail; and
 - Discussions continue in respect of the development of a blade facility.
7. Preparation work has continued to make best use and maximise the value of existing infrastructure.
- **Electrical Infrastructure JV Procurement Process** - Responses to the Selection Questionnaire were received at the end of August. Structured evaluation from technical, financial and social values perspective resulted in four companies being selected for the competitive dialogue stage. The four selected companies have been notified and the Invitation to Participate in Dialogue and the associated transaction documents have been issued in line with the project timetable. Tender returns are expected in early November and a further update on the preferred bidder is likely at the November board meeting, with contract execution likely at end January 2021.
 - **Bravo 10 Pipebridge** - The draft pre-feasibility assessment undertaken by Nortech Solutions Limited has been completed and has shown that the preferred cost effective solution would either be a box culvert or a significantly larger pipe bridge. The pre-feasibility report also provided estimated project costs of between £7.5m to £8.5m, which is reflected in the latest budget forecast. A decision as to whether to proceed with this scheme will be made by Mar 2021 to procure long lead equipment for implementation in Q2 2022.

PROGRAMME DEVELOPMENT

8. Work on the Dormant Point zone is progressing as follows:
- **Eston Road Highway Access Scheme (new roundabout)**
 - Detailed scheme design ongoing.
 - Planning permission granted.
 - Construction commencement scheduled for Oct-20.
 - Construction completion is scheduled for May-21.
 - **Site Preparation Works – Phase 1 (40 acres – western end of site)**
 - Scheme design complete.
 - Planning permission is anticipated by Sep-20.
 - Advance works continuing.
 - Main works construction is scheduled for Sep-20.
 - Construction completion is scheduled for Mar-21.
 - **Site Preparation Works – Phases 2 & 3 (80 acres – remainder of STDC owned land area)**
 - Scheme design ongoing.
 - Tendering for contractor for Phase 2 (40 acres) is complete.

- Construction commencement is scheduled for Oct-20.
- Construction completion is expected by Apr-20.
- Tender for Phase 3 (40 acres) will be issued in Oct-20.

9. Metals Recovery Area (50-acre site) work is as follows:

- Advance earthworks and site clearance continuing.
- Phase 1 ground investigation complete.
- Planning permission for main works due no later than Nov-20, however, we expect to better this date by four weeks.
- Main works construction is scheduled to commence Dec-20 and complete by Apr-21.

10. South Bank Area and South Bank Wharf is as follows:

- Surveys and investigations to inform the marine-related consents applications.
- The Environmental Impact Assessment (EIA) work to support the planning application.
- The feasibility study and concept design for the new quay.
- The planning application submission is scheduled for submission Nov-20.
- The marine works (new quay and river dredging) are scheduled to commence Aug-21 and complete in Dec-22.
- Procurement for Design & Build contractor will commence over the coming months.
- The outline planning application for 4.5M sq. ft of industrial building space was submitted Jul-20, on programme.
- The first phase of the landside site preparation works (Phase 1), to around 100 acres of land, is scheduled to commence Jan-21. However, advance works to this area, including building demolitions, are continuing.
- The ground investigation to the Phase 1 area is complete
- A detailed planning application for site preparation will be submitted over the coming months.

11. Demolition Works

- Package 1 – Various Buildings, Dorman Point
 - Demolition works on the Prairie Site will commence in late Nov-20, 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
 - The decontamination and demolition contract commenced Sep-21, and good progress is being made.
 - The project will be complete by Dec-20, two months ahead of programme.
- Package 3 – Various SSI Assets, Advance Demolitions
 - Key demolitions within this package include certain facilities on the proposed NZT site, coal handling facilities at Redcar, and the gas holder structure at South Bank Coke Ovens.
 - Tenders will be issued late September.
 - Initial demolition activities are expected to commence in late November, with overall completion by the middle of 2021, dependent on the timing for the SBCO Gas Holder demolition.
- Package 4 – Demolition Framework
 - Procurement of the Demolition Contractors' Framework is ongoing.
 - 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.

- The overall programme duration is estimated at 5 years.

12. Hydrogen Rail Project

- STDC is in continuing consultation with Northern Trains Ltd (NTL) on the delivery of this project.
- NTL awaits final sign off from DfT regarding the proposal to run hydrogen trains on the network by 2024.
- NTL desires a turnkey-type delivery of their proposed rail and building facilities by STDC.

13. Materials Handling – Sirius Tunnel Material

- Agreement has now been reached with Sirius/Anglo American on the revised terms of the Material Supply Agreement.
- Investigations and analysis continue on the use of the mudstone material in addressing the remediation of the SLEMS.

14. Ground Investigations

- In the period since the last Board meeting, the following ground investigations have been undertaken
- South Bank Phase 1 (100 acres)
- The SLEMS Phase 1 (shallow soils investigation)
- The Warrenby landfill facility.
- The ground investigation on the Teardrop Site/Long Acres area is now underway and will complete in early October.
- The following ground investigations (GIs) are planned over the coming two months:
- Metals Recovery Area Phase 2 GI (deep soils investigation)
- SLEMS Phase 2 GI (deep soils investigation)
- The GI for the proposed 1.05km new quay wall at South Bank
- Redcar Gate Entrance Improvement Works GI.

15. Redcar Gate Entrance Improvements

- A firm has been appointed as Design & Build contractor for the delivery of the new gatehouse building and related improvement works at Redcar Gate, which include: new lighting and signage; improved hard and soft landscaping; and expanded visitor car parking facilities.
- The design phase is nearing completion, and work packages are being scoped and costed.
- The planning application for the scheme has been submitted.
- The Redcar Gate will close between Sep-20 and Jan-21 to enable completion of construction by Dec-20 and commissioning in early Jan-21.

CPO

16. The SSI land will vest on 8 October. The second GVD has been issued and is in process.

FINANCE AND RESOURCE

17. The draft financial accounts for the year ended 31 March 2020 and a financial performance update for the three months to 30 June 2020 are presented as separate papers

FINANCIAL IMPLICATIONS

18. 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

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

RISK ASSESSMENT

20. 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

21. 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

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

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Post Title: Group Chief Executive

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AGENDA ITEM 7

REPORT TO THE STDC BOARD

30th September 2020

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

GOVERNANCE ARRANGEMENTS – STDC GROUP GOVERNANCE INCLUDING TRANSITION OF SOUTH TEES SITE COMPANY LIMITED (“STSC”)

SUMMARY

The purpose of the paper is to seek STDC Board 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.

RECOMMENDATIONS AND DECISION

The STDC Board approve:

- i. Proposed Governance structure at (**Appendix 1**);
- ii. Proposed STDC Board Terms of Reference at (**Appendix 2**);
- iii. Proposed STDC Group Audit & Risk Committee Terms of Reference (**Appendix 3**);
- iv. Proposed STDC Group annual financial cycle (**Appendix 4**);
- v. Proposed STSC Board Terms of Reference (**Appendix 5**)
- vi. Proposed STDC Constitution (**Appendix 6**)
- vii. Proposed STDC Scheme of Delegation (**Appendix 7**)
- viii. Proposed STDC Financial Regulations (**Appendix 8**)
- ix. Delegated authority to the Group Chief Executive Officer in consultation with the Group Director of Finance and Resources, Monitoring Officer and the Chair to conclude all necessary legal and governance documentation and amend the STSC Articles of Association as required to complete transition

And STDC Board note: -

- i. the Group Chief Executive Officer in consultation with the Group Director of Finance and Resources, Group Chief Legal Officer and the Chair have completed all necessary due diligence activity to enable the transition of STSC Ltd into 100% ownership of STDC
- ii. the STDC executive team have concluded all necessary action points from KPMG LLP work packages 1 and 2 to support transition (**Appendix 9**)
- iii. the STDC executive team have concluded all action points from Endeavour Partnership LLP due diligence (**Appendix 10**)
- iv. the agreed Memorandum of Understanding (MoU) with BEIS/MHCLG (**Appendix 11**)
- v. the latest Transition risk register and actions to mitigate/manage residual risks (**Appendix 12**) updated in line with Board approved Risk Management Framework and Risk Policy documents

BACKGROUND INFORMATION

1. STDC Board received a transition update report at its meeting on 29th July 2020 including: -
 - Full background on the transition of South Tees Site Company (STSC) into local control
 - KPMG work packages 1 and 2 draft reports
 - Approach to work package 3 covered by KPMG/Stantec.
2. The Board approved at the 29 July 2020 Board meeting the mandating to the Group Chief Executive, in consultation with the Mayor, Group Director of Finance and Resources, and Monitoring Officer to:
 - i. Conclude an agreement with the department of Business Energy and Industrial Strategy to acquire 100% of the share capital of South Tees Site Company
 - ii. Complete all due diligence, sign all documents and complete all other actions required to give effect to the 29 July 2020 Report

DETAIL

Agreement with the Department of Business, Energy and Industrial Strategy

3. The agreement with the department of Business Energy and Industrial Strategy (BEIS) to acquire 100% of the share capital of STSC has now concluded and this will take effect on **8 October 2020**.
4. The share purchase agreement and related documentation has been provided by BEIS and has been subject to review by the STDC legal advisers Endeavour Partnership LLP. These arrangements have been updated to reflect the scope of South Tees Site Company Ltd activities across the whole STDC site area.
5. The share purchase arrangements are conditional on the successful vesting of all the freehold and leasehold land and buildings on the steel works site at Redcar where SSI is noted at the Land Registry as being the registered proprietor. These matters were accelerated via the successful signing of a second settlement agreement with SSI in line with the written resolution signed by Board on 14 July 2020 and signed later that same day by all parties.
6. The second settlement agreement required the three Thai Banks to have completed their necessary board approval processes leading to successful signature by all banks by the deadline date of **28 August 2020**. These signatures were secured before the deadline date and the appropriate funds remitted to the Banks legal advisers client account. The final stage of activity in terms of formal transfer of the land into STDC ownership will take place as part of the vesting process on **8 October 2020**.
7. All reporting requirements to BEIS/MHCLG have now been agreed with STDC providing quarterly reporting information to TVCA for review as part of the STDC Programme Assurance Framework (**Appendix 13**). TVCA will in turn report quarterly to BEIS/MHCLG in line with these requirements. BEIS/MHCLG have agreed a single point of contact as relationship manager, Tom Smyth - Deputy Area Director, Yorkshire

Humber and the North East. Mr Smyth will also sit as an Associate Member of STDC Board.

Due diligence and associated actions to implement transition

8. The due diligence and associated activity includes: -
- i. Annual Governance Statement requirements
 - ii. Government Funding and due diligence
 - iii. Due Diligence actions completion

Annual Governance Statement (AGS)

9. The South Tees Development Corporation is responsible for ensuring that our operations are conducted in accordance with the law and appropriate standards. The Board are also responsible for making sure public money is used effectively and appropriately and is properly accounted for. The Board have a responsibility to ensure they have proper arrangements in place for the governance of STDC affairs and effective exercise of STDC functions, including the management of risk. The Board also has a duty under the 1999 Local Government Act to make continuous improvements to the way it operates.
10. The STDC Constitution sets out how the Group operate, how decisions are made, what our governance arrangements are and what processes are followed to ensure these are effective, transparent and accountable.
11. These arrangements are designed to be consistent with the principles and best practice outlined in the CIPFA guidance on good governance.
12. The Annual Governance Statement details how STDC have complied with this framework and how the Board continues to meet their responsibilities under the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015. The 2019-20 AGS had the following actions associated with it: -

Action	Outcome	Responsibility	By When
Review and updating of Corporation Constitution	Reviewed constitution	Group Chief Executive	End July 2020 June 2020 updated Sept update for Transition – App 6
Governance Review	Enhanced transparency, decision making and assurance	Group Director of Finance & Resources	End July 2020 Took place as part of Transition activity. This report is the outcome.
Introduction of TVCA Group Governance Framework Toolkit	Further embed governance framework across organisation.	Group Director of Finance & Resources	Autumn 2020 Work in progress to follow transition of STSC.
Review of governance of delivery of constituent elements of Combined Authority Group – including South Tees Development Corporation and associated vehicles.	Enhanced transparency, risk management and decision-making.	Group Chief Executive/Director of Finance & Resources	July 2020 11 September TVCA Cabinet Governance and appointments paper. STDC Group review took place as part of Transition activity. This report is the outcome.

13. The relevant review of governance arrangements has taken place considering the new STDC Group arrangements post transition. A sub-group of the Audit and Risk Committee has met to consider these proposals and endorsed them for implementation. This report and the associated Appendices provide the updated and revised governance instruments following a review of the governance of the STDC Group.

Government Funding and due diligence

14. To accompany transition of STSC the agreement with BEIS and the Minister of Housing, Communities and Local Government (MHCLG) has been reflected in a Memorandum of Understanding (MoU) addressing the funding and reporting requirements for the STDC Full Business Case and this is provided at **Appendix 11**.
15. The final due diligence reports in respect of those work packages required to facilitate transition (Work Packages 1 and 2) have been completed and were reported to Board in July 2020.
16. The development of work package 3 was always intended to run up to and beyond the transition period as it involves a zero-based budgeting approach that inevitably requires detailed activity pre and post transition to take this to a conclusion. The STDC senior management team continue to work closely with KPMG LLP on this area identifying any recommendations for implementation.
17. The final full legal due diligence reports associated with transition have also been produced by STDC legal advisers, Endeavour Partnership LLP, and reviewed by the senior management team.

Due Diligence actions completion

18. The implementation of a successful transition requires the completion of the key actions noted within the KPMG LLP due diligence reports for work packages 1 and 2 respectively. A summary of these actions with associated progress status for each is provided at **Appendix 9**. This demonstrates that all necessary actions have been completed where they are required for the transition date. The actions that remain are in progress and will be completed shortly after the transition date and will not impact on the ability of STDC to transition STSC into local control.
19. The confirmation that all necessary actions required from The Endeavour Partnership LLP legal due diligence have been actioned is provided in the summary at **Appendix 10**.

Governance of STDC group post transition

20. The implementation of STSC transition required a review of the current STDC governance arrangements to ensure a smooth transition into the STDC Group structure. A diagram of the STDC Group Governance is provided at **Appendix 1**. The key areas covered under the review of the group structure were: -
 - a. Compliance with the STDC Programme Assurance Framework as set out at **Appendix 13**. This is a key condition of Government funding for transition. All Government funding and associated Memorandum of Understanding (MoU)/Funding agreements will be between TVCA and Government. The assurance framework will manage the process of allocation of funds to STDC.
 - b. STDC constitution updated to reflect the new governance structures and arrangements. A revised STDC constitution with the appropriate amendments included is provided at **Appendix 6**.

- c. STDC Board Terms of Reference updated at **Appendix 2**.
- d. STDC Group Audit and Risk Committee Terms of Reference updated at **Appendix 3**.
- e. STSC Board Terms of Reference updated at **Appendix 5**.
- f. STDC Scheme of Delegation and Financial Regulations amended to reflect incorporation of STSC in to STDC Group at **Appendices 7 and 8 respectively**.
- g. STSC Site Management Agreement and associated legal documentation will be actioned on transition.
- h. STSC resource sharing agreements will follow post transition and are currently under review and will be the subject of subsequent commercial negotiations with tenants. STDC legal advisers produced an assessment of the options available in terms of the current RSAs in place with current tenants. This activity has resulted in STDC putting in place appropriate RSAs for an interim period post transition to enable enough time for the zero-based budgeting activity to conclude and inform appropriate charging mechanisms for tenants.
- i. The STDC Business Case and financial model clearly set out the principles of an “investment fund” based on initial regeneration activity supported by public funding followed by securing of tenants on long leaseholds with strong covenants to enable ongoing development of the site. As such the STDC Business Case recognised the requirement to borrow funds on this basis and TVCA Cabinet approved at its meeting on 11 September 2020 the necessary borrowing approvals, subject to the usual prudential borrowing controls/requirements and responsibilities of the s73 officer (Group Director of Finance and Resources) in consultation with the Group Chief Executive and Chair and STDC Board.

FINANCIAL IMPLICATIONS

21. This report is in relation to the governance arrangements post transition. The report includes the final Memorandum of Understanding (MoU) with Government which provides for funding quarterly in advance with a Government commitment to the annual allocations across each of the three financial years covered by Government funding covering the period 2020-21 to 2022-23. The key financial allocations set out in the MoU are: -

Financial Year	Total (£m) BEIS	Total (£m) MHCLG	Total (£m)
20/21	16.827	4.242	21.069
21/22	46.100	10.006	56.106
22/23	21.819	25.662	47.481
Total 20/21-22/23	84.746	39.910	124.656

The table below shows the source and form of funding provided for FY 20/21.

Financial Year	Total (£m)	Provided by	Form
20/21	4.242	MHCLG	CDEL ¹
20/21	11.406	BEIS	CDEL
20/21	5.421	BEIS	RDEL ²
20/21 Total	21.069		

22. The Government has also agreed to be flexible with any reprofiling requests by STDC as a response to changing circumstances on what is a complex site. Any reprofiling requests will be expedited so as not to impede the overall operational management of the site and any future inward investment proposals. The reporting requirements included within the MoU reflect an appropriate reporting timetable.
23. The Board received a full transition update, including financial implications, at the meeting of 29 July 2020 leading to Board approval to proceed with transition. This approval was subject to statutory officers progressing the necessary due diligence and associated transaction documentation which has been set out in this report.
24. The TVCA Cabinet has reviewed the full transition update provided to 29 July 2020 STDC Board and approved: -
- a. the acceptance of funding from central Government
 - b. the use of TVCA borrowing, within the appropriate Treasury Management limits for the TVCA Group
 - c. the use of the Tees Valley Assurance framework to manage the STDC programme arrangements.
25. The proposals to TVCA cabinet effectively set the parameters for accepting government funding and the limits under which STDC will operate for borrowing purposes linked to the overall Group borrowing requirements. Where any decisions may result in a significant financial, environmental or legal obligation on TVCA the current referral process within the STDC constitution remains in place.

LEGAL IMPLICATIONS

26. 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”.
27. 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”.

¹ Capital Departmental Expenditure Limits (DELs) – investment. These are items that can be planned over extended periods

² Resource Department Expenditure Limits (RDEL) – mostly covering spending on public services, grants and administration (collectively termed ‘resource’ spending)

28. 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” which includes the power “To form or acquire interests in any business or company” (Para 26.e.ii).
29. These powers enable STDC to carry out the recommendations set out in this report.

RISK ASSESSMENT

30. The acquisition of STSC substantially increases the STDC Group’s overall operating risk as responsibility is assumed for management and remediation of an upper tier COMAH site. However, this risk is inherent in STDC’s land acquisition strategy and is unavoidable if the STDC group wishes to take control of the former SSI land assets and regenerate that area.
31. Accordingly, the acquisition of STSC, which around the time of transition will have been responsible for safe management of the site and its hazards for around four years, is considered the lowest risk approach to continuing the safe operation of the site.
32. The initial principal financial risks are linked to the acquisition is the adequacy and flexibility of funding to ensure, where possible, STDC is not exposed to unforeseen costs or a shortage of funding. These risks are being addresses as far as possible through appropriate due diligence, detailed programme/project planning and the funding and payment mechanism that has been agreed with central government. The funding MoU agreement is attached at **Appendix 11**.
33. The business Case financial model provides for the removal of upper tier COMAH status leading to a reduced cost of maintaining the site over time as the assets are decontaminated and demolished. Any delays within the delivery of these programmes would generate additional running costs for the site. This risk is being mitigated through careful and detailed planning of activity utilising all the existing site knowledge and teams coupled with expert advisers and our delivery partners.
34. The development risks associated with the site will be managed through careful consideration of inward investment proposals linked to available sources of funding to develop out the site for these propositions as they come forward.
35. The appropriate Governance arrangements associated with the integration of South Tees Site Company Ltd to local control have been comprehensively reviewed and considered. The proposals contained within this report represent the proposed response to governance risks.

CONSULTATION & COMMUNICATION

36. The STDC Masterplan was consulted extensively prior to approval. The successful CPO process to acquire the necessary land to deliver the masterplan included engagement with landholders, stakeholders and led to the public inquiry that concluded with a positive planning inspector decision on 29 April 2020.

37. This report contains the required governance steps to move the STSC site management resources into local control alongside the local control of land across the STDC area.

38. The STDC Board has representation from the local authority leader and local MP for the area STDC covers. The TVCA Cabinet has also approved the Transition arrangements at its Cabinet on 11 September 2020.

EQUALITY & DIVERSITY

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

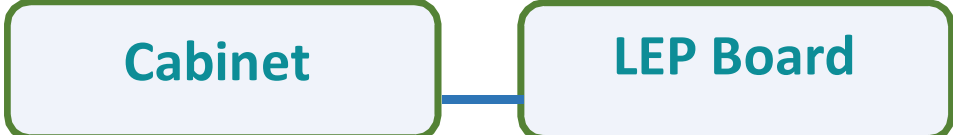
Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance and Resources
Telephone Number: 01642 527707
Email Address: gary.macdonald@teesvalley-ca.gov.uk

Appendix 1 - South Tees Development Corporation Group Governance Structure

TVCA Governance

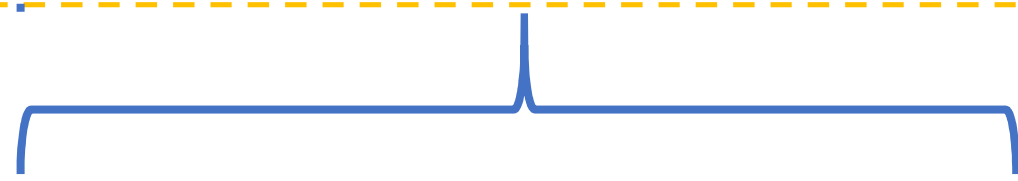
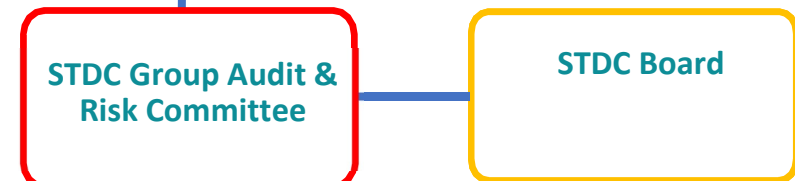
Group Entities Governance

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



DATED 26th August

2020

SOUTH TEES DEVELOPMENT CORPORATION

STDC BOARD: TERMS OF REFERENCE

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

South Tees Development Corporation

Terms of Reference for the Board

1. Introduction

1.1 The primary purpose of the STDC Board is to guide and oversee delivery of the key objectives of the STDC as defined within Clause 4 of the Constitution:

1.1.1 To further the economic development and regeneration of the South Tees area, so that it becomes a major contributor to the Tees Valley economy and the delivery of the Tees Valley's Strategic Economic Plan;

1.1.2 To attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;

1.1.3 To transform and improve the working environment of the Corporation area, providing good quality, safe conditions for the workforce and wider community;

1.1.4 To contribute to the delivery of the UK Industrial Strategy, by supporting the growth of internationally competitive industries with access to global markets, taking a comprehensive approach to redevelopment at a scale that enables the realisation of an international-level investment opportunity.

1.2 In performing its duties, the Board will maintain effective working relationships with the organisation's management, STDC Committee's and Group entities, Government and Tees Valley Combined Authority.

1.3 To perform his or her role effectively, each member of the Board must be familiar with these Terms of Reference as well as the organisation's business operations and risk.

2. Membership

2.1 The Chair and Members of the Board of the South Tees Development Corporation are by appointment of the Tees Valley Combined Authority. The current members are:

Chair: Ben Houchen, Tees Valley Mayor

Vice-chair: Steve Gibson OBE (Gibson O'Neill Group)

Members: Mary Lanigan (Leader, Redcar & Cleveland Borough Council)
Andy Preston (Elected Mayor for Middlesbrough)
Paul Booth OBE (Chair, Tees Valley Local Enterprise Partnership)
Sir Alan Cockshaw (previously AMEC)
Graham Robb (Recognition PR)
David Smith (Energy Networks Association)
Jacob Young MP (MP for Redcar Constituency)

Associate members: Julie Gilhespie (Group CEO of TVCA/STDC)
John Sampson (MD of RCBC)
Tom Smyth (Senior Government Representative)

3. Secretary of the Committee

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

4. Quorum

4.1 The quorum of the Board is determined in Clause 18 of the Constitution - The quorum shall be one-third of the members in office, rounded up in the event of an uneven number, to include at least two of the Board members who are also Cabinet Members of the Combined Authority

5. Frequency of Meetings

5.1 The Board shall meet every two months or as further proposed by the Members and/or business requirements.

6. Minutes of Meetings

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

7. Responsibilities

- 7.1 Leading the development of the future vision for the 4,500 acre South Tees area with a strong focus on economic growth, securing buy-in from the local public, businesses and delivery partners;
- 7.2 Maximise the potential for regeneration, inward investment and economic growth in South Tees, aligning the vision within the wider strategic context for Tees Valley as a whole;
- 7.3 Establish the strategic vision and plans to deliver the objectives (see below) and staffing of the South Tees Development Corporation, including the appointment of a Chief Executive;
- 7.4 Making a robust case for funding and inward investment support from central Government for the South Tees Development Corporation;
- 7.5 Working with all STDC Group entities, advise on site investigations, asset retention or purchase and any remediation required to attract new investment in line with the overall vision;
- 7.6 To take advice and receive reports from the Chief Executive and senior operational staff ensuring decisions are scrutinised by those with relevant expertise, and that financial implications have been fully considered.
- 7.7 Ensure responsive and genuine engagement with communities, businesses, stakeholders and partners;
- 7.8 Ensure effective communications and promotion of the South Tees area to potential investors and to local and national media.

8. Accountability

8.1 All decisions of the Corporation, unless otherwise delegated, shall be taken by the Board in accordance with the arrangements set out in the Constitution. The Board shall seek consensus on all matters, but where consensus cannot be achieved decisions shall be made by majority vote, with the Chair exercising a casting vote.

8.2 Subject to any direction given to it by the Combined Authority, the Corporation may decide on its own procedure, and the procedure of any of its Committees or Sub-Committees.

8.3 The Board shall be responsible for identifying any decision or issue which may result in a significant risk of:

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

to the Combined Authority or to any or all of its Constituent Authorities (“a Referral Decision”), and shall refer such decisions or issues to the Combined Authority for agreement before such liabilities arise, and prior to the implementation of any such decision.

8.4 The Combined Authority may give the Corporation general or specific directions or guidance in relation to the exercise of any of the Corporations functions. The Corporation must comply with any directions given by the Combined Authority that are in force (s220 Localism Act 2011), and must have regard to any guidance issued (s219 Localism Act 2011).

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;

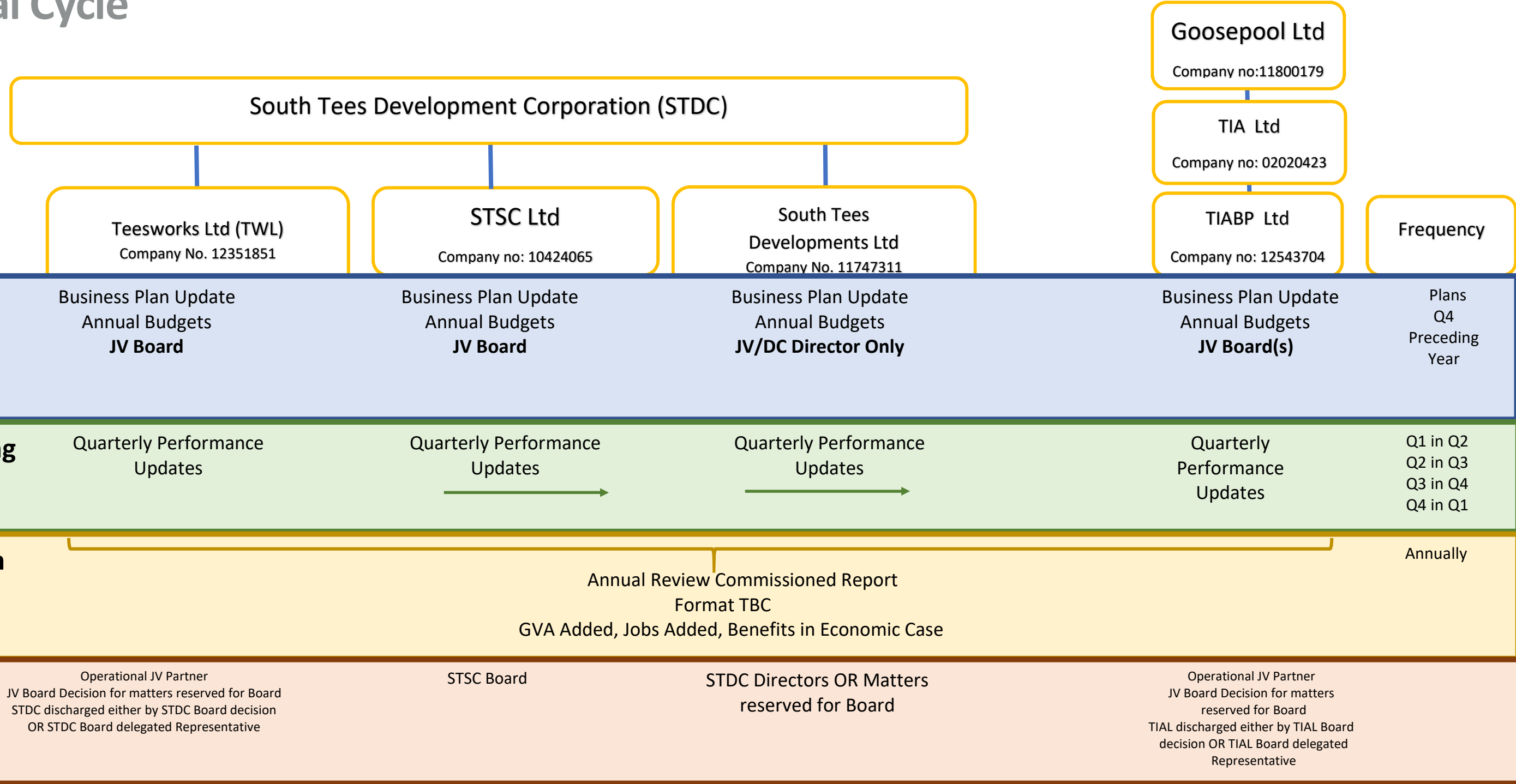
12.1.2 to obtain, at STDC's expense, outside legal or other professional advice on any matter within its terms of reference; and

12.1.3 to call any employee to be questioned at a meeting of the Group A&R Committee as and when required.

Appendix 4 – Tees Valley Combined Authority Group Governance – Annual Cycle



TEES VALLEY MAYOR



DATED 26th August

2020

SOUTH TEES DEVELOPMENT CORPORATION

SOUTH TEES SITE COMPANY (STSC) BOARD: TERMS OF REFERENCE

Version Control			
Issue No	Version	Date	Approved for issue
01	Draft	26-08-20	

South Tees Development Corporation

Terms of Reference for the STSC Board

1. Introduction

- 1.1 The primary purpose of the STSC Board is to assist the STDC Group Board to deliver the key objectives of the STDC as defined within Clause 4 of the Constitution:
 - 1.1.1 To further the economic development and regeneration of the South Tees area, so that it becomes a major contributor to the Tees Valley economy and the delivery of the Tees Valley's Strategic Economic Plan;
 - 1.1.2 To attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;
 - 1.1.3 To transform and improve the working environment of the Corporation area, providing good quality, safe conditions for the workforce and wider community;
 - 1.1.4 To contribute to the delivery of the UK Industrial Strategy, by supporting the growth of internationally competitive industries with access to global markets, taking a comprehensive approach to redevelopment at a scale that enables the realisation of an international-level investment opportunity.
- 1.2 The primary responsibility of the STSC Board will be to lead on Health and Safety Issues for the Teesworks site. In performing its duties, the STSC Board will maintain effective working relationships with the STDC Board and all other STDC Committee's, workstreams and Group entities, Government and Tees Valley Combined Authority.
- 1.3 To perform his or her role effectively, each member of the Board must be familiar with these Terms of Reference as well as the organisation's business operations and risk.

2 Membership

- 2.1 The Chair and Members of the Board of the South Tees Site Company are by appointment of the South Tees Development Corporation. Membership shall include:
 - 2.1.1 A non-executive Chairperson (Sole Member Nominee)
 - 2.1.2 the non-executive directors
 - 2.1.3 the Group Chief Executive
 - 2.1.4 the Group Director of Finance and Resources
 - 2.1.5 such other executive directors whose appointment is made from time to time in accordance with the Articles of Association.
- 2.2 The number of directors is not subject to any maximum, however there must be, at any one time, no less than two Directors nominated by South Tees Development Corporation (one of whom shall be the Chairperson).

3 Secretary of the Committee

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

4 Quorum

4.1 The quorum of the Board is any four "Eligible Directors" (as the same is defined in the Articles of Association), one of whom shall be the Chairperson and one of whom shall be the Sole Member Nominee.

5 Frequency of Meetings

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

6 Minutes of Meetings

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

7 Health & Safety Responsibilities

7.1 to provide effective leadership and direction in the management of health, safety and environmental matters at the Company

7.2 Consider the Company's health and safety policy and strategy and environmental policies and make recommendations to the STDC Board (including in respect of amendments to the health and safety policy and strategy and environmental policies based on monitoring and review)

7.3 Ensure that competent health, safety and environmental advice is obtained to support the work of the Group

7.4 Assist with the effective communication of health and safety and environmental matters both 'from' and 'to' the STDC Board including regularly reporting to the Group Board on health and safety and environmental matters

7.5 Consider the resourcing of environmental and health and safety arrangements

7.6 Monitor and review the Company's performance in relation to health and safety and environmental issues both in terms of monthly/quarterly reports, audit reports and incident led monitoring. This shall include liaising with the Group Audit & Risk Committee to ensure the principal areas of risk and their impacts are identified.

8 Other Responsibilities

8.1 taking forward the strategic aims and objectives of the Company consistent with its overall strategic direction and within the policy and resources framework. (to include the development, updating and

approval of the Company's budget and business plans);

- 8.2 ensuring that the STDC Board is kept informed of any changes which are likely to impact on the strategic direction of the Board or on the attainability of its targets, and determining the steps needed to deal with such changes;
- 8.3 ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with South Tees Development Corporation.
- 8.4 ensuring that the Board receives and reviews regular financial information concerning the management of the Company; is informed in a timely manner about any concerns about the activities of the Company; and provides positive assurance to South Tees Development Corporation that appropriate action has been taken on such concerns;
- 8.5 demonstrating high standards of corporate governance at all times, including using any committees, workstreams or group entities established by the STDC Board, to help address key financial and other risks;
- 8.6 to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed;
- 8.7 to review management performance;
- 8.8 to set the Company's values and standards and ensure that its obligations to South Tees Development Corporation and other stakeholders are understood and met;
- 8.9 all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by the Company of its objectives

9 Accountability

- 9.1 All decisions of the Board, unless otherwise delegated, shall be taken by the Board in accordance with the arrangements set out in the Constitution. The Board shall seek consensus on all matters, but where consensus cannot be achieved decisions shall be made by majority vote, with the Chair exercising a casting vote.
- 9.2 The Board shall be responsible for identifying any decision or issue which may result in a significant risk of:
 - A financial liability; or
 - A statutory liability; or
 - An environmental or criminal liability

to STDC or the Combined Authority or to any or all of its Constituent Authorities (“a Referral Decision”), and shall refer such decisions or issues to the Combined Authority for agreement before such liabilities arise, and prior to the implementation of any such decision.

9.3 The Mayor may give the Board general or specific directions or guidance in relation to the exercise of any of the Corporations functions. The Board must comply with any directions given by the Combined Authority that are in force (s220 Localism Act 2011), and must have regard to any guidance issued (s219 Localism Act 2011).

Constitution

Version 7.0

In force from 30-09-2020



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Document Version Control

Document Title	Date Approved by Board	Replaces Version	In force from:
Constitution Version 7.0		Constitution Version 6.0	
Constitution Version 6.0	03.06.2020	Constitution Version 5.0	03.06.2020
Constitution Version 5.0	29.01.2020	Constitution Version 4.0	29.01.2020
Constitution Version 4.0	24.07.2019	Constitution Version 3.0	24.07.2019
Constitution Version 3.0	25.07.2018	Constitution Version 2.0	25.07.2018
Constitution Version 2.0	30.05.2018	Constitution Version 1.0	30.05.2018
PREVIOUS UPDATES			
Document Title	Date Approved by Board	Amendments made	In force from:
Constitution Version 1.0	24.08.2017	None, original constitution	01.08.2017

Introduction

1. The South Tees Development Corporation (“the Corporation”) is a Mayoral Development Corporation responsible for approximately 4,500 acres (1,820 hectares) of land to the south of the River Tees, in the Borough of Redcar and Cleveland.
2. The Corporation has been established pursuant to the powers devolved to the Tees Valley Mayor under the Tees Valley Combined Authority (Functions) Order 2017. This Constitution reflects this statutory framework and constitutes a direction to the Corporation pursuant to s220 Localism Act 2011.
3. This Constitution initially took effect on August 1st 2017 – when new statutory arrangements were enacted - and has been amended five times subsequently, most recently on June 3rd 2020. Prior to this the functions of the Corporation were led by a Shadow Board established by the Combined Authority and Government Ministers in May 2016.

Objectives

4. The objectives of the Corporation are:
 - a. 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;
 - b. To attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;
 - c. To transform and improve the working environment of the Corporation area, providing good quality, safe conditions for the workforce and wider community;
 - d. To contribute to the delivery of the UK Industrial Strategy, by supporting the growth of internationally competitive industries with access to global markets, taking a comprehensive approach to redevelopment at a scale that enables the realisation of an international-level investment opportunity.
5. In support of these core objectives, the Corporation will work collaboratively with the Tees Valley Combined Authority, Redcar and Cleveland Council, the SSI Task Force and other partners to contribute positively to local and Tees Valley-wide initiatives on skills, job opportunities for local people (including those directly and indirectly

affected by the closure of the steelworks), inward investment, transport, sustainable development, the natural environment, culture and tourism.

6. Arrangements for mutual cooperation and understanding will be set out between the Corporation, Combined Authority and Redcar and Cleveland Council; addressing the issues set out in paragraph 4 and any other relevant matters.
7. To support the achievement of its core objectives, the Corporation will develop, consult upon and maintain a Master Plan, setting out how its objectives will be secured by the development of land and infrastructure within its area of responsibility.

Boundary

8. The precise area covered by the Corporation (the “Site”) is shown at Appendix A.

The Board

9. The Chair, Vice-Chair and Board of the Corporation shall be appointed by the Combined Authority, following a proposal put to it by the Mayor.
10. The Board must include the Tees Valley Mayor and the Leader of Redcar and Cleveland Council (as the authority in which the site is located). The Mayor may propose themselves as Chair of the Corporation.
11. Other Board members shall be appointed following an open and transparent process in accordance with best practice in public appointments. In making appointments, the Mayor and Combined Authority must have regard to the desirability of appointing a person who has experience of, and has shown some capacity in, a matter relevant to the carrying out of the Corporation’s functions. Appointments shall be for a fixed period of no more than 4 years, to align with the Mayor’s period of office.
12. There shall be a minimum of 6 and a maximum of 10 Board Members in total, in addition to those detailed in paragraph 10.
13. A Board member may resign by serving notice on the Mayor.
14. Any Board member may be removed by the Mayor, with the agreement of the Combined Authority, where there is due cause to do so in accordance with Schedule 21 Localism Act 2011.

15. The Chair of the Board may resign that appointment by serving notice on the Mayor, without resigning membership of the Board. Where the Mayor is the Chair of the Board, they may resign by informing the Combined Authority.
16. All decisions of the Corporation, unless otherwise delegated, shall be taken by the Board in accordance with the arrangements set out in this Constitution. The Board shall seek consensus on all matters, but where consensus cannot be achieved decisions shall be made by majority vote, with the Chair exercising a casting vote.
17. Subject to any direction given to it by the Combined Authority, the Corporation may decide on its own procedure, and the procedure of any of its Boards, Audit & Risk Committee or workstreams established by the Board.
18. The quorum shall be one-third of the members in office, rounded up in the event of an uneven number, to include at least two of the Board members who are also Cabinet Members of the Combined Authority.
19. The Chief Executive of the Combined Authority shall be appointed as an Associate Member, with the right to participate fully in Board discussions and to receive all papers but not vote.
20. The Corporation shall hold an Annual Meeting to consider any amendments to its procedures, to recommend any changes to this Constitution to the Combined Authority, and to make appointments to Committee roles.
21. The Combined Authority may set an allowance for Board members, following advice received from its Independent Remuneration Panel.

The Statutory Officers

22. The Corporation shall appoint a Chief Executive with overall responsibility for the Corporation's operations and staff, and to act as lead adviser to the Board.
23. The Group Director of Finance & Resources of the Combined Authority (the "Director of Finance") shall fulfil the role of Director of Finance & Resources of the Corporation. The powers of the Director of Finance & Resources are set out in this Constitution and Statute. The Group Director of Finance & Resources shall oversee the interface between the financial responsibilities of the Combined Authority and the Corporation, to ensure the financial integrity of both organisations.

24. Further to s7 of the Tees Valley Combined Authority (Functions) Order 2017, the designation and reports of the Monitoring Officer to the Combined Authority (the “Monitoring Officer”) shall apply as if the Corporation were a Committee to the Combined Authority.

Powers of the Corporation

25. Subject to Legislation, this Constitution and any other directions made by the Combined Authority, the Corporation may do anything it considers appropriate for the purposes of securing the regeneration of its area, or for purposes incidental to that objective.
26. The Corporation has a number of specific powers from the Localism Act, as set out below in this section. All of the powers are subject to the overriding objectives set out in paragraph 3, and the provisions of this Constitution, and are summarised as:
- a. Powers in relation to infrastructure
 - i. This includes the power to provide, or facilitate the provision of infrastructure.
 - b. Powers in relation to land
 - i. The power to regenerate or develop land.
 - ii. To bring about the more effective use of land.
 - iii. To provide buildings or other land.
 - iv. To acquire, hold, improve, manage, reclaim, repair or dispose of land, buildings, plant, machinery, equipment or other property.
 - v. To carry out building or other operations, including demolishing buildings.
 - c. Powers to acquire land
 - i. To acquire land in its area or elsewhere, in accordance with the provisions of the Localism Act 2011.
 - d. Powers in relation to acquired land
 - i. To override easements
 - ii. To extinguish public rights of way (with the consent of the Secretary of State)
 - e. Powers in relation to businesses and companies
 - i. To carry on any business.
 - ii. To form or acquire interests in any business or company.
 - f. Financial assistance powers
 - i. To provide financial assistance to any person.
 - ii. This may be given in any form, including grants, loans, guarantees,

investments, or the incurring of expenditure for the benefit of the person assisted.

- g. Powers in relation to discretionary relief from non-domestic rates
 - i. To determine the amount of discretionary rate relief from non-domestic rates (i.e. business rates).

27. Redcar & Cleveland Borough Council shall continue to be the billing and collecting authority for non-domestic rates for existing operations, except in respect of areas of the Site which are designated as Enterprise Zones where the revenue is received by the Combined Authority. Going forwards designation of the whole of the Site as a Special Economic Area, with business rates at a level of 100%, enables arrangements to be put in place regarding the shares for the Council and TVCA.

Decision Making

28. The Board shall be responsible for identifying any decision or issue which may result in a significant risk of:
- a. A financial liability; or
 - b. A statutory liability; or
 - c. An environmental or criminal liability

to the Combined Authority or to any or all of its Constituent Authorities (“a Referral Decision”), and shall refer such decisions or issues to the Combined Authority for agreement before such liabilities arise, and prior to the implementation of any such decision.

29. The Statutory Officers shall advise the Board when a Referral Decision may be required, and their advice shall be communicated to the Board before any such decisions are taken. In the event that the Statutory Officers conclude that a Board decision or other event gives rise to a Referral Decision they shall, in the absence of such a referral by the Board, and in consultation with the Chief Executive of the Combined Authority, refer that decision to the Combined Authority for consideration. In these circumstances, the decision will not be implemented until ratified by the Combined Authority. Where there is a requirement for an urgent decision, the Combined Authority will not unreasonably delay ratification.
30. The Statutory Officers shall ensure that where decisions are taken by any of STDC Group entities they comply with the decision-making requirements of STDC Board. Where appropriate decisions considered by Group entities will have reserved matters contained within the relevant statutory documents to ensure that all Group entities comply with this decision-making section.

31. Where the Audit and Risk Committee, or the STSC Board identifies a significant risk under paragraph 28, it shall recommend to the Board that in their view this gives rise to a Referral Decision.
32. The Combined Authority may give the Corporation general or specific directions or guidance in relation to the exercise of any of the Corporations functions. The Corporation must comply with any directions given by the Combined Authority that are in force (s220 Localism Act 2011), and must have regard to any guidance issued (s219 Localism Act 2011).
33. A decision by the Corporation to exercise powers in relation to discretionary relief from non-domestic rates which has a significant adverse financial impact upon Redcar & Cleveland Borough Council must also be approved by the Leader of Redcar & Cleveland Borough Council. The Leader of the Council may, or may be required by their Council to, refer such decisions for agreement by the Council as a whole.
34. Officers working for the Corporation shall maintain a register of significant risks which may lead to or constitute a Referral Decision in accordance with clause 28 and notify the Group Director of Finance & Resources at the earliest opportunity of changes to the risk profile of the Corporation which could have a material effect on the Corporation's or Combined Authority's liabilities.
35. The Combined Authority has a Strategic Economic Plan and a Local Industrial Strategy which are supported by Redcar and Cleveland Borough Council's Regeneration Masterplan (2010) and Growth Strategy (2015). The Corporation works within the context of these strategies to grow and diversify the local economy. In 2017, the Corporation launched its comprehensive Master Plan, presenting the vision, strategy and ideas for the transformational regeneration of the South Tees area into a national asset for new industry and enterprise, to be realised through the creation of a world class industrial business park, making a substantial contribution to the economic growth and prosperity of the Tees Valley.
36. The Corporation shall ensure that any new facilities it facilitates do not unduly jeopardise the viability of existing retail business, health, education or training facilities across the wider Tees Valley.

Reporting

37. As soon as reasonably practicable after the end of each financial year, the Corporation must prepare an annual report on how it has exercised its functions during the year, including a copy of its audited statement of accounts for that year, and send that report to the Combined Authority's Cabinet, Overview and Scrutiny Committee and Audit and Governance Committee. The "financial year" shall mean a period of 12 months ending with 31st March.
38. The Corporation's officers shall respond promptly to requests from the Group Director of Finance & Resources, and follow any advice and actions required in a timely manner. The

Corporation shall make available any financial information reasonably requested from the Combined Authority, or from Finance Directors of the Combined Authority's constituent councils.

Committees

39. In addition to the Group Audit & Risk committee and the STSC Board the Corporation may establish workstreams of the Board.
40. A workstream may, with agreement of the Board, include persons who are not members of the Corporation. The work of these workstreams, or any recommendations made by them, will be reported back to the Board as part of the Chief Executive's standing update or by additional report as appropriate
41. The Board must approve the Terms of Reference of any such workstream.

Group Audit and Risk Committee

42. The Corporation shall establish an Audit & Risk Committee. The Mayor, with agreement of the Combined Authority, shall appoint an independent Chair of the Audit and Risk Committee who is not also a member of the Corporation's Board. The Combined Authority's Audit and Governance Committee shall appoint one of its members to be a member of the Corporation's Audit and Risk Committee. The other members of the Audit and Risk Committee shall be appointed by the Board.

STSC Board

43. The primary purpose of the STSC Board is to assist the STDC Group Board to deliver the key objectives of the STDC as defined within Clause 4 of this Constitution. The Mayor, with agreement of the Combined Authority, shall appoint a non-executive Chair of the Board. The other members of the Board shall include the non-executive directors, the Group Chief Executive and such other executive directors whose appointment is made from time to time in accordance with the Articles of Association.

Delegations

44. The Corporation may delegate any of its functions to any of its members, Committees or staff.
45. A Committee of the Corporation may delegate any function conferred on it to any member of the Corporation, any sub-committee of the Committee, or any of the Corporation's staff.

46. The Corporation shall establish:

- a. A Scheme of Delegation to include appropriate financial limits;
- b. Procurement Policy which accords with the Public Contract Regulations 2015;
- c. Financial Procedure Rules including provision for setting an annual budget;
- d. A Code of Conduct together with a register of interests;
- e. Provisions relating to the resolution of conflict of interests;
- f. Access to information procedure rules.

Amending the Constitution

47. This Constitution is a living document and shall be amended as the Corporation progresses. Authority is delegated to the Monitoring Officer of the Combined Authority, in consultation with the Chief Executive of the Corporation and the Chief Executive of the Combined Authority, to make amendments to the Constitution in order to reflect organisational or legislative changes, or to make any minor textual or grammatical corrections. Any other changes shall be agreed by the Combined Authority's Cabinet.

Appendix A – Plan of the area of responsibility of the South Tees Development Corporation

A larger scale plan of the boundary is available at www.teesvalley-ca.gov.uk/stdc



**South Tees
Development
Corporation**

Cavendish House, Teesdale Business Park
Stockton-on-Tees
Tees Valley TS17 6QY
Tel: 01642 408 000
www.southteesdc.co.uk



TEES VALLEY MAYOR



Appendix V

SCHEME OF DELEGATIONS TO CHIEF OFFICERS

1. Introduction

This Scheme of Delegation has been adopted by the Board (meaning the members of the South Tees Development Corporation meet as such) and can only be altered by the Board.

The roles of Chief Executive Officer and Director of Finance and Resources of the Development Corporation are discharged by the Group Chief Executive Officer and Group Director of Finance and Resources respectively.

The scope of this Scheme of Delegation applies to the whole STDC Group where defined below: -

The delegated Authority of STDC group entities is administered via the respective Subscription and Shareholders Agreement(s) (SSHA). The decision-making powers are specifically set out within the matters reserved for Board decision within the SSHA agreement(s) those entities.

STDC Board approves, and/or delegates to its statutory officers in consultation with the Chair, the necessary matters reserved for Board and also the nomination of STDC Board representation on Group entities. STDC Board representatives are required to operate within the relevant arrangements established, and varied from time to time by Board approval, to enable the efficient and effective operation of STDC Group entities.

1.1 Chief Executive Officer (CEO)

The CEO shall fulfil the statutory role of Accounting Officer. The CEO is responsible for the corporate management and overall operational capacity of the Development Corporation, including the strategic management of all of the Development Corporation's staff.

The CEO is appointed the Proper Officer for the purpose of receiving a list of the Development Corporation's politically restricted posts.

The CEO cannot be the Monitoring Officer.

1.2. Monitoring Officer

Under the provisions of s7 of the Tees Valley Combined Authority (Functions) Order 2017, the designation and reports of the Monitoring Officer to the Combined Authority (the Monitoring Officer) shall apply as if the Corporation were a Committee to the Combined Authority. The Monitoring Officer will be responsible for promoting and maintaining high standards of conduct. The Monitoring Officer will provide advice on the scope of powers and authority to take decisions, maladministration and probity to all Members and provide a comprehensive service to the Development Corporation Board.

The Monitoring Officer to the Development Corporation is appointed the Proper Officer in relation to the following functions under the Local Government Act 1972:

- a) Determination of those reports which should be available for public inspection prior to a

meeting of the Development Corporation Board, the Audit and Risk Committee and any other of the Development Corporation and those which are likely to be heard in private and consequently which should not be released to the public (section 100B (2)).

- b) Provision of documents to the press, additional to committee reports (section 100B(7)).
- c) Preparing written summaries of proceedings (section 100C (2)).
- d) Making arrangements for lists of background papers to reports to be compiled, and for copies of documents on those lists to be made available for public inspection (section 100D (1))
- e) Advising on what may or may not be a background paper for the purposes of reports which are open to public inspection (section 100D (5))
- f) Determination of documents disclosing exempt information which may not be inspected by Members (section 100F (2)).

- g) Signature or authentication of Summonses to the Development Corporation Board (paragraph 4 (1A) (b) of Schedule 12).
- h) Declaration and Certificates with regard to securities (section 146 (1)(a) and (b)).
- i) Deposit of documents (section 225 (1)).
- j) Certifications of photographic copies of documents (section 229 (5)).
- k) Issuing and signing of formal notices (section 234 (1) and (2)).

The Monitoring Officer is also appointed the Proper Officer for the following purposes:-

- l) Certification of copies of resolutions, minutes, other documents.
- m) Exceptions to the overview and scrutiny and publicity requirements relating to key decisions (the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017).

The Monitoring Officer will maintain an up to date Register of Member's interests and an up to date version of the Constitution and will ensure that it is widely available for consideration by Members, officers and the public.

The Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct and be responsible for the receipt and acknowledgement of complaints of failure by a Member of the Development Corporation to comply with the Members Code of Conduct.

The Monitoring Officer cannot be the Chief Executive Officer or the Director of Finance & Resources.

1.3 Director of Finance & Resources

The Director of Finance & Resources has responsibility for ensuring lawfulness and financial prudence of decision making. The Director of Finance & Resources is appointed Proper Officer in relation to the following:

- a) receipt of money due from officers (Local Government Act 1972, section 115 (2)); and
- b) proper administration of the financial affairs of the Development Corporation.

The Director of Finance & Resources will provide advice and guidance to all Members on financial impropriety and budgetary issues and will report to the Development Corporation regarding any proposal, decision or course of action that will involve incurring unlawful expenditure, or that is unlawful and is likely to cause a loss or deficiency on the part of the Development Corporation (including all entities within the Development Corporation Group), or if the Development Corporation, or any of its Group entities, is about to enter an item of account unlawfully.

1.4 Engineering & Programme Director

The role of the Engineering & Programme Director is commercially focussed to lead on the complex regeneration of the South Tees Mayoral Development Corporation area. The Engineering & Programme Director will develop, implement and deliver a comprehensive programme management approach that meets the current and future needs of the organisation. The Engineering & Programme Director will provide expert professional leadership and advice to the CEO, senior colleagues and all Members whilst leading the internal and external multi-disciplinary teams and ensuring the programme is commercially focused and protected.

1.5 General

All officers in whose name reports are submitted to the Development Corporation Board, the Audit & Risk Committee and any workstream established by the Board, shall submit such reports via the Monitoring Officer for:

- a) Compilation and retention of lists of background papers and copies of the relevant documents and reports.
- b) Identifying and determining what are background papers.

2. Scheme of Delegation of Functions to Chief Officers

2.1 Section 101 of the Local Government Act 1972 enables the Development Corporation to delegate the discharge of any of its functions to its officers.

2.2 Section 107D of the Local Democracy, Economic Development and Construction Act 2009 enables the Mayor to arrange for an officer of the Development Corporation to exercise any functions exercisable by the Mayor.

2.3 This part of the Constitution specifies those powers of the Development Corporation and the Mayor which, for the time being, are exercisable from time to time by officers of the Development Corporation, and stating the title of the officer in question by whom the powers are exercisable.

2.4 Chief Officers in the context of this Constitution mean the Chief Executive Officer, the Director of Finance & Resources, the Engineering & Programme Director and the Monitoring Officer.

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.

2.6 The exercise of delegated powers by officers is required to be in accordance with and subject to:

- a) Statute or other legal requirements, including the principles of public law, the Human Rights Act 1998, statutory guidance and statutory codes of practice;
- b) this Constitution, the Development Corporation Board's Rules of Procedure and Financial Regulations currently in force;
- c) the revenue and capital budgets of the Development Corporation, subject to any variation thereof which is permitted by the Corporation's Financial Regulations; and
- d) any policy or direction of the Development Corporation Board, the Audit & Risk Committee and any workstream established by the Board acting in exercise of the powers delegated to it by the Development Corporation.

2.7 Officers may **not** exercise delegated powers where:

- a) the matter is reserved to the Development Corporation Board, or the Mayor, and is to be exercisable only by them, by law or by this Constitution

- b) the matter is a function which cannot by law be discharged by an officer;
- c) the Development Corporation Board, or a committee, sub-committee or joint committee to which the Development Corporation is a party, has determined that the matter should be discharged otherwise than by an officer.

2.8 Where in relation to an item before the Development Corporation Board, Audit & Risk Committee and any workstream established by the Board, a Chief Officer is given specific authority to determine a particular matter, the officer should ensure that there is an appropriate audit trail to evidence such a determination.

2.9 Any reference in this Scheme of Delegation to any enactment shall include a reference to any amendment or re-enactment of the same.

3. General Delegations to all Chief Officers (unless otherwise stated)

GD1 The day to day routine management, supervision and control of services provided for the Development Corporation by staff under its control in accordance with the Rules of Procedure and Financial Regulations of the Development Corporation.

Contracts and 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.

GD3 The acceptance of the best value tender or quotation (**Chief Executive Officer and Director of Finance and Resources**):

- 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

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.

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.

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.

4. Delegations to the Chief Executive Officer

CEO1 To discharge the functions of the Chief Executive Officer in relation to the Development Corporation.

- CEO2 To engage officers on behalf of the Development Corporation in order to coordinate and carry out its functions.
- CEO3 To discharge any function of the Development Corporation which has not been specifically delegated to another officer or reserved to the Development Corporation Board or Audit & Risk Committee whether by law or by this Constitution.
- CEO4 To take all action which is necessary or required in relation to the exercise of any of the Development Corporation's functions or the functions of the Mayor (other than those functions which by law can be exercised only by the Development Corporation or by the Mayor), having regard to the Development Corporation's or Mayor's approved plans, policies or strategies and the Development Corporation's budget, and all enabling legislation.
- CEO5 Take any action which is necessary or required as a matter of urgency in the interests of the Development Corporation, in consultation (where practicable) with the Chair of the Development Corporation Board, the Monitoring Officer, the Director of Finance & Resources and the Engineering & Programme Director.
- CEO6 Nominate, appoint and remove, in consultation with the Chair of the Development Corporation Board, Development Corporation representatives on the board of companies, trusts and other bodies, and to agree constitutional arrangements for such companies, trusts and other bodies, and give any necessary consent required within their relevant constitutions.
- CEO7 To authorise any named officer of the Development Corporation to exercise functions delegated to the Chief Executive Officer, the Director of Finance & Resources, the Engineering & Programme Director or the Monitoring Officer, including the functions of a consultee in relation to the exercise of an Officer's delegated powers.
- CEO8 Authentication of documents and the use of the corporate seal, following appropriate consultation with the Monitoring Officer and Chair of the Board.

5. Delegations to the Director of Finance & Resources

- DoFR1 To effect the proper administration of the Development Corporation's financial affairs particularly in relation to financial advice, procedures, records and accounting systems, internal audit and financial control generally.
- DoFR2 After consulting, so far as practicable with the Chief Executive Officer, the Engineering & Programme Director and the Monitoring Officer, to report to the Development Corporation Board if it appears to him/her that a decision has been made, or is about to be made which involves or would involve the Development Corporation incurring unlawful expenditure, or that a course of action has been taken or is about to be taken which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Corporation, or that an item of account is about to be made which is unlawful. Such a report will have the effect of prohibiting the proposal,

decision or other action being implemented until the report has been considered.

- DoFR3 The taking of all action required on borrowing, investment and financing subject to the submission to the Development Corporation Board of an annual report of the Director of Finance & Resources on Treasury Management activities at six-monthly intervals in accordance with CIPFA's Code of Practice for Treasury Management and Prudential Codes.
- DoFR4 To effect all insurance cover required in connection with the business of the Development Corporation and to settle all claims under such insurances arranged for the Development Corporation's benefit.
- DoFR5 To discharge the functions of the Development Corporation under the Accounts and Audit (England) Regulations 2015 (with the exception of Regulations 6(2), 9(2) and 20(1)).
- DoFR6 To be the officer nominated, or to nominate in writing another officer, as the person to receive disclosures of suspicious transactions for the purposes of the Proceeds of Crime Act 2002 and any Regulations made thereunder.
- DoFR7 To exercise the responsibilities assigned to the Director of Finance & Resources in the Development Corporation's financial arrangements and procedures and in its Procurement Policy.
- DoFR8 To authorise any named Officer of the Development Corporation to exercise functions delegated to the Director of Finance & Resources, including the functions of a consultee in relation to the exercise of an Officer's delegated powers.

6. Delegations to the Engineering & Programme Director

- EPD1 To effect the proper administration of the Development Corporation's operational affairs particularly in relation to the regeneration programme, its projects, procurement, risk, recruitment and learning and development.
- EPD2 To authorise any named Officer of the Development Corporation to exercise functions delegated to the Engineering & Programme Director, including the functions of a consultee in relation to the exercise of an Officer's delegated powers.

7. Delegations to the Monitoring Officer

- MO1 The Monitoring Officer is authorised to:
- a) institute, prosecute, defend, withdraw, conduct, settle or appeal any administrative action and/or any legal proceedings on behalf of the Development Corporation;
 - b) negotiate, issue, conclude and/or sign or execute any notice, document or agreement in any case where such action will facilitate, or be conducive or incidental to the carrying out of any decisions of the Development Corporation Board; or in any case where the Monitoring Officer considers that such action is necessary to protect the Development Corporation's interests, or to further or achieve the objectives of the Development Corporation; and
 - c) settle or otherwise compromise any such administrative action or legal proceedings if they have been commenced or there are reasonable grounds for believing such actions or proceedings may be contemplated.
- MO2 Authentication of documents and the use of the corporate seal.
- MO3 After consulting, so far as practicable, with the Chief Executive Officer, Director of Finance & Resources and the Engineering & Programme Director, the Monitoring Officer will report to the Development Corporation Board if he/she considers that any proposal, decision or omission has given rise to or is likely to or would give rise to a contravention of any enactment or rule of law or any maladministration or failure as determined following an investigation by the Local Government Ombudsman. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- MO4 To accept on behalf of the Development Corporation Board in-year changes to the membership of the Audit & Risk Committee and other workstreams established by the Board.
- MO5 To make minor changes to the Constitution and its associated documents in order to reflect organisational or legislative change when the power remains unaltered.
- MO6 To make any textual or grammatical corrections to the Constitution and its associated documents.

Supporting the Standards Regime

- MO7 To receive and acknowledge complaints of failure to comply with the Members' Code of Conduct under the Development Corporation's adopted local standards arrangements.
- MO8 To review complaints received in respect of any alleged breach by a Member of the Code of Conduct for Members and to act in accordance with the Development Corporation's adopted local arrangements.

- M09 The Monitoring Officer will, where considered appropriate, either conduct or arrange for investigations to be conducted into alleged breaches of the Members' Code of Conduct referred to him/her.
- M10 The Monitoring Officer will undertake informal resolution of such complaints in accordance with the Development Corporation's adopted local arrangements.
- M11 To authorise any named Officer of the Development Corporation to exercise functions delegated to the Monitoring Officer, including the functions of a consultee in relation to the exercise of an Officer's delegated powers.

Appendix IV**FINANCIAL REGULATIONS****1. Purpose and Scope**

- 1.1 These regulations form part of the Development Corporation's Constitution and they set out the financial management policies of the South Tees Development Corporation (The Development Corporation) and are a key part of the Corporation's financial governance arrangements. All references to The Development Corporation within these financial regulations shall be taken to include all Development Corporation Group entities.
- 1.2 These regulations lay down for the guidance of Members and Officers, principles to be followed in securing the proper administration of the financial affairs of the Development Corporation.
- 1.3 It is important that these Regulations are, and continue to be, relevant to the Development Corporation. They should be reviewed regularly to remain consistent with the Development Corporation's Constitution and related documentation and be in line with best practice and legislation.
- 1.4 Where references are made to Group entities and/or activities that may on occasion conflict with a Subscription and Shareholders Agreement (SSHA) of Group entities these Financial regulations will prevail.

2. Role of the Development Corporation

- 2.1 Many of the responsibilities for financial matters are defined within the constitution of which these regulations form part and the Scheme of Delegation. Responsibilities are either reserved for the Development Corporation's Board to exercise or delegate to specific officers such as the Chief Executive Officer and Director of Finance & Resources.
- 2.2 The Development Corporation has overall responsibility for ensuring that the Development Corporation's expenditure remains within the resources available to it.

3. The Development Corporation is responsible for approving the Financial Control Framework of the Development Corporation.

Role of the Director of Finance & Resources

- 3.1 South Tees Development Corporation shall appoint an officer, the Director of Finance & Resources, who shall be responsible for ensuring the proper administration of the Development Corporation's financial affairs.
- 3.2 The Director of Finance & Resources shall issue and keep under continuous review, such instructions, advice or procedures relating to financial matters as he or she considers necessary to secure the proper administration of the Development Corporation's financial affairs.

- 3.3 The Director of Finance & Resources is responsible for reporting, where appropriate, breaches of Financial Regulations.
- 3.4 The Director of Finance & Resources has responsibility for ensuring compliance with the requirements of the Accounts and Audit Regulations relating to accounting records, control systems and audit.
- 3.5 If any financial issues arise which result in any uncertainty or ambiguity as to the correct procedure to follow under these regulations, then the Director of Finance & Resources shall have delegated powers to give a valid direction as to the appropriate procedure to follow.
- 3.6 The Director of Finance & Resources for the Development Corporation is fulfilled by the Group Director of Finance & Resources for the Combined Authority. If significant conflicts of interest arise between these two roles, these will be identified, and discussed with the Chief Executive Officer, who may direct another person to temporarily fulfil the role of Director of Finance & Resources for the purpose of resolving the significant conflict of interest.

4. Role of the Officers and Group entities (“the Group”)

- 4.1 Chief Officers shall promote the financial management standards set by the Director of Finance & Resources and shall adhere to the standards and practices set down in these regulations.
- 4.2 It is the responsibility of Officers to consult with the Director of Finance & Resources and seek advice on any matters likely to have a material effect on the Development Corporation finances, before any decision is made.
- 4.3 If any Chief Officer or officer acting on behalf of the Development Corporation is aware of any contravention to these Financial Regulations, they must immediately notify the Director of Finance & Resources who shall determine appropriate action.

5. Accounting Policies

- 5.1 The Director of Finance & Resources is responsible for selecting Accounting Policies and ensuring that they are applied consistently. The key controls in Accounting Policies are that:
 - (a) Systems of internal control are in place to ensure that financial transactions are lawful.

- (b) Proper accounting records are determined and maintained.
- (c) Financial statements are prepared which represent fairly the financial position of the Development Corporation and its income and expenditure.

6. Financial Planning

- 6.1 The Director of Finance & Resources shall determine the appropriate timetable for the preparation of the annual budget that conforms to the statutory deadlines.
- 6.2 Each financial year, as part of the ongoing financial strategy, the Group, in consultation with the Director of Finance & Resources, will develop annual revenue and capital budget proposals for consideration by the Development Corporation's Board.
- 6.3 The Group shall prepare a statement of all resources and approvals covering a rolling programme identifying all approved schemes and programmes.
- 6.4 The Director of Finance & Resources will advise the Development Corporation on the robustness of budget proposals in accordance with his / her responsibilities under these financial regulations.
- 6.5 All revenue reserves held by the Development Corporation will be kept under review by the Director of Finance & Resources with a view to ensuring that they are spent on their specified purposes and that planned expenditure is properly phased.
- 6.6 The Director of Finance & Resources will also advise the Development Corporation on the prudent level of reserves and general balances.
- 6.7 The Chief Executive and Director of Finance & Resources will recommend approval of investment plans to the Development Corporation.

7. Financial Management – Revenue and Capital

Budget Monitoring and Control

- 7.1 The Group are responsible for monitoring their income and expenditure against the revenue and capital budgets approved by the Development Corporation.
- 7.2 The Director of Finance & Resources will establish an appropriate framework of financial management and control for the Development Corporation which ensures that;

- (a) budget management is exercised within approved Development Corporation revenue and capital budgets;
 - (b) expenditure and income is monitored using information held on the Development Corporation's corporate financial information system;
 - (c) timely and sufficient information on receipts and payments on each budget is available to enable managers to fulfil their budgetary responsibilities;
 - (d) additions and changes to approved expenditure plans require approval by the Board.
- 7.3 The Group must personally ensure that any information which suggests a potentially significant variation against their approved budget (both overspends and underspends) is notified at the earliest opportunity to the Director of Finance & Resources. Where appropriate, the Director of Finance & Resources shall prepare a specific report for the Development Corporation to consider the proposed approach to mitigate the effects of such variation.
- 7.4 Where additional revenue or capital resources become available, or are forecast to become available, the Group must notify the Director of Finance & Resources at the earliest opportunity.
- 7.5 The Director of Finance & Resources will prepare revenue and capital budget monitoring reports in conjunction with the Group for presentation to the Development Corporation on a regular basis. The frequency and content of these reports shall be determined by the Director of Finance & Resources, in consultation with the Development Corporation's Board.
- 7.6 Where the Group wish to propose new capital and revenue schemes or blocks for inclusion in the Development Corporation's programme, they must first consult the Director of Finance & Resources who will determine the approach to be taken for approval of the proposal. The proposals would need to be approved by the Development Corporation following advice from the Director of Finance & Resources.
- 7.7 Bids for external funding to support capital and revenue expenditure cannot take place until approved by the Director of Finance & Resources.
- 7.8 Expenditure cannot take place unless the scheme or programme is fully funded and approved.

8. Treasury Management

- 8.1 The Development Corporation's Treasury Management activities shall be defined as the management of its investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 8.2 All Treasury Management activity shall be undertaken in full compliance with the Chartered Institute of Public Finance & Resources and Accountancy's Code of Practice: Treasury Management in Public Services (revised 2011) as may be revised from time to time or such other practices and procedures as may be approved by the Development Corporation.
- 8.3 Only the Director of Finance & Resources may enter into any borrowing, investment and financing arrangements on behalf of the Development Corporation.
- 8.4 The Group shall ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the prior approval of the Director of Finance & Resources.
- 8.5 The Director of Finance & Resources is responsible for formulating an annual Borrowing and Treasury Management Strategy for approval by the Development Corporation in advance of the year together with providing a mid-year review and annual report after its close.

9. Banking Arrangements, Cheque Security and Credit Cards

- 9.1 No Group officer/entity other than the Director of Finance & Resources may open any bank account in the name of the Development Corporation
- 9.2 The Development Corporation's banking terms and overdraft arrangements shall be agreed by the Director of Finance & Resources.
- 9.3 All arrangements for the ordering and issuing of cheques shall be agreed by the Director of Finance & Resources, who shall make proper arrangements for their custody.
- 9.4 All cheques drawn on behalf of the Development Corporation shall be signed by 2 of the 3 key nominated signatories – Chief Executive Officer, the Director of Finance & Resources and the Engineering & Programme Director.
- 9.5 Credit cards, charge cards and other payment methods held in the Authority's name may only be opened, closed and managed by the Director of Finance & Resources.

- 9.6 The Director of Finance & Resources will ensure that bank reconciliations are completed on at least a monthly basis.

10. External Funding / Grants

- 10.1 The Director of Finance & Resources must be consulted on and approve all submissions to central government, European Union, Tees Valley Combined Authority and external bodies for funding. Prior to making any submission in relation to external funding, the Group must ensure that:
- (a) an exit strategy is identified to manage the ultimate cessation of the funding stream with no adverse impact on the Development Corporation;
 - (b) any match-funding requirements are given due consideration prior to entering into agreements and that future revenue budgets reflect these requirements; and
 - (c) they are able to comply with the terms and conditions of a grant scheme, including auditor certification requirements, before accepting them.
- 10.2 The Group must seek approval from the Director of Finance & Resources before accepting any offer of funding from external bodies.
- 10.3 The Group are responsible for ensuring that all expenditure to be funded by grant is properly incurred in accordance with the requirements and conditions of the funding body, and is supported by adequate evidence.
- 10.4 The Group are responsible for ensuring the completion and submission of grant claims. The Group must also ensure that grant claims comply with the requirements and grant conditions of the funding body, are submitted promptly, supported by adequate evidence and approved by the Director of Finance & Resources.
- 10.5 The Group are responsible for ensuring that any legal implications and risks of working with third parties are appropriately addressed. This will include any back to back agreements as required.

11. Income

- 11.1 All monies received on behalf of the Development Corporation shall be paid in full into the Development Corporation's bank account without delay.
- 11.2 The Group shall ensure that all accounts for income due to the Development Corporation are raised within five days on an official sales invoice which

provides particulars of all charges to be made for work done, services rendered, or goods.

- 11.3 The Director of Finance & Resources shall be notified promptly of all money due to the Development Corporation and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money.
- 11.4 Any proposal to introduce charges or make changes to existing charges for the provision of services must be approved by the Director of Finance & Resources.
- 11.5 Any write off of unrecoverable debt should be in accordance with the write of criteria set by The Director of Finance Resources.

12. Ordering of and Payments for Works Goods and Services

- 12.1 Wherever possible a purchase order is required for all purchases of goods and services and these must be raised within the Development Corporation's financial system.
- 12.2 The Group must ensure that orders represent legitimate liabilities of the Development Corporation, sufficient budgetary provision exists to cover the payment and expenditure is correctly coded.
- 12.3 All orders for goods and services must be made in accordance with the Development Corporation's Procurement Policy.
- 12.4 All purchase orders and payments must be approved as detailed in the Scheme of Delegation.
- 12.5 The Group have the responsibility to ensure that payments are made within the terms of the contract and legislative requirements.

13. Insurance & Risk Management

- 13.1 The Director of Finance & Resources shall be responsible for ensuring that all insurable risks of the Development Corporation are adequately covered, for maintaining the necessary records and for managing all claims on behalf of the Development Corporation.
- 13.2 The Group shall notify the Director of Finance & Resources promptly of all risks, liabilities, properties or vehicles which are required to be insured, and of any alterations affecting risk or insurances indicating the amount of cover required.

- 13.3 The Group shall immediately notify the Director of Finance & Resources of any fire, loss, accident or other event that may give rise to a claim against the Development Corporation's insurers.
- 13.4 Directors are responsible for ensuring that a register of significant risks is maintained, reported and monitored.

14. Internal Audit

- 14.1 The Director of Finance & Resources shall be responsible for maintaining an internal audit of all accounts and financial transactions of the Development Corporation, and shall satisfy himself/herself as to security arrangements for the custody and safeguarding of the Development Corporation's assets as laid down in any legislation applicable to the Development Corporation and any relevant codes of practice adopted by the Development Corporation.
- 14.2 The Director of Finance & Resources, or nominated individuals undertaking internal audit functions, shall have authority to all relevant records of any Service, and shall be entitled to require the production property and to obtain information or explanations with regard to any matters under examination.
- 14.3 The Group shall notify the Director of Finance & Resources immediately of any circumstances which may suggest the possibility of irregularity or loss affecting the Development Corporation. Where the Director of Finance & Resources considers that an irregularity may have occurred, action shall be taken by way of an investigation and report.
- 14.4 Directors shall consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are implemented in a timely manner.
- 14.5 The Chief Executive and Director of Finance & Resources (the Statutory Officers), as outlined in clause 28 of the Development Corporation's Constitution, shall advise the Board when a Referral Decision may be required.
- 14.6 The Development Corporation shall maintain a register of significant risks which may lead to or constitute a Referral Decision (Clause 33 of the Constitution) and notify the Director of Finance & Resources at the earliest opportunity of changes to the risk profile of the Corporation which could have a material effect on the Corporation's or the Combined Authority's liabilities.

15. Arrangements with external Organisation

- 15.1 The Director of Finance & Resources must be consulted prior to the establishment of any financial arrangements as part of partnerships or joint arrangements with external companies, other public organisations and community and voluntary groups. No partnership or joint arrangements shall be entered into without the approval of the Development Corporation.
- 15.2 Directors must confirm whether any arrangement requires the Development Corporation to be designated an 'Accountable Body'. Where this is the case, the Director of Finance & Resources must be consulted and approval of the Development Corporation must be obtained prior to the arrangement becoming operational.
- 15.3 The financial arrangements of all partnerships where the Development Corporation is the Accountable Body should meet the requirements of the Development Corporation's Financial Procedure Rules and Contract Procedure Rules.

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)

South Tees Development Corporation (STDC), South Tees Site Company (STSC)

For the Financial Year 2020/21

1. Purpose

1.1. This Memorandum of Understanding has been drafted to set out the terms, principles and practices that will apply to the working relationship between the Ministry for Housing, Communities and Local Government (MHCLG), the Department for Business, Energy and Industrial Strategy (BEIS) and the Tees Valley Combined Authority (TVCA) to redevelop the SSI site. This Memorandum of Understanding covers the financial year 2020/21 only.

2. Background

2.1 In July 2020, the MHCLG Investment Sub-committee (ISC) and the BEIS Project Investment Committee (PIC) approved the business case for the SSI site development.

2.2 This MOU covers funding commitments from both MHCLG and BEIS.

3. Purpose of Funding

3.1. The ISC/PIC considered the business case for three years funding, FY20/21, FY21/22, and FY 22/23. The table below sets out the indicative allocation for each year:

Financial Year	Total (£m) BEIS	Total (£m) MHCLG	Total (£m)
20/21	16.827	4.242	21.069
21/22	46.1	10.006	56.106
22/23	21.819	25.662	47.481
Total 20/21-22/23	84.746	39.910	124.656

3.2. The maximum funding for FY 20/21 was agreed at £21.069m to be provided in Section 31 grant to TVCA to enable STDC and STSC to progress the work on the SSI site.

3.3. TVCA will ensure that the funding provided is used for the purposes outlined in the business case, and there is an expectation that evidence will be provided to both departments to demonstrate this. In the event that key milestones are not achieved, both departments will review whether it is appropriate for either to grant the next tranche of funding

3.4. TVCA will ensure that in using this funding all necessary legal requirements are complied with, including State aid. In particular, in relation to the Commission Agreement dated [TVCA to confirm] between STDC and STDC's JV Partners it will be ensured that any commission payments paid to the JV Partners under the

Commission Agreement are not calculated on the basis of any increase in land values as a result of work done by STDC using this funding.

4. Financial Arrangements

4.1.1. The table below shows the source and form of funding provided for FY 20/21.

Financial Year	Total (£m)	Provided by	Form
20/21	4.242	MHCLG	CDEL
20/21	11.406	BEIS	CDEL
20/21	5.421	BEIS	RDEL

- 4.1.2. The FY 2020/21 payments from BEIS will be finalised in the S31 grant offer letter and may change depending on the exact date of transfer and STSC spend to that date.
- 4.1.3. As above. MHCLG and BEIS will separately transfer the respective payments to TVCA. These funds will be provided to TVCA as section 31 grant payments for expenditure as agreed in the approved business case.
- 4.1.4. TVCA will use separate accounting procedures to demarcate the payments received from MHCLG and BEIS.
- 4.1.5. Subject to compliance with all applicable business case, grant funding and wider applicable regulatory requirements, these payments will be made quarterly, in advance, as agreed between both departments and HM Treasury. All quarterly amounts for the financial year should be agreed in principle before the first payment is made.
- 4.1.6. There is an expectation that TVCA will provide regular project, financial and risk reporting in an agreed format to MHCLG and BEIS, in such format as they reasonably require from time to time, demonstrating that the previous funding has been spent and outcomes are being met, in line with the agreed business case.
- 4.1.7. As part of the quarterly reporting requirements, TVCA shall inform MHCLG if there is any remaining funding from the previous quarterly payment.
- 4.1.8. As part of the quarterly reporting requirements, TVCA shall inform BEIS if there is any remaining funding from the previous quarterly payments
- 4.1.9. Any underspends from this funding will be taken into consideration before the next payments to TVCA, from both MHCLG and BEIS, are finalised and paid.
- 4.1.10. If there is a need to reprofile before a quarterly payment, due notice will be given to MHCLG and/or BEIS in order to do this. To amend an annual financial profile, notice will be given to the respective Department by no later than October of the previous financial year, although there are no guarantees that the revised profile will be accommodated.
- 4.1.11. Funding above or outside of the agreed profile is not guaranteed. BEIS funding should not be used to support any increased costs relating to MHCLG funded activity or MHCLG funding used to support any increased costs relating to BEIS funded activity.

5. Duration and Review Point:

- 5.1. This MOU covers the financial year 2020/21 only and will be revised to cover future years no later than **XX**.
- 5.2. This MOU will come into effect upon signature by all participants and will remain in force until it is terminated by either Party in accordance with the terms in Clause 6 of this MOU. It may be extended by written agreement between all the participants.

5.3. Future years of the planned funded period will be covered by separate agreements unless there is agreement by all parties to extend this MOU.

5.4. Notwithstanding Clauses 5.1 and 5.3 of this MOU in the event that a separate agreement is not in place by the end of financial year 2020/2021, this MOU will continue to apply.

6. Changes to the MOU

6.1. The arrangements under this MOU will be kept under review. Amendments to this MOU may only be made upon written agreement between all Parties.

7. Reporting

7.1. MHCLG and BEIS will provide grant funding subject to TVCA hereby agreeing to full transparency, open book working and a duty of good faith in regard to all matters relating to the project, TVCA, and this MOU.

7.2. TVCA will promptly share information at appropriate times as and when requested by either BEIS or MHCLG, in particular relating to:

- Current funding that has been spent
- Planned expenditures
- Updates on key project milestones and risks
- Procurement and governance – STDC and STSC must follow and report on their regulated procurement and governance frameworks.

7.3 This reporting will show these milestones specific to each department and strand of funding.

8. Compliance with the MOU

8.1. All parties to this MOU are responsible for ensuring that they have the necessary systems and appropriate resources in place within their respective organisations to comply fully with the requirements of this MOU.

9. Resolution of Disputes

9.1. Any dispute that may arise as to the interpretation or application of this MOU will be settled by consultation between the participants.

10. Legal Enforcement

10.1. This MOU is not legally enforceable and describes the understanding between both parties for the use of funding specified in Clause 3 of this agreement.

Signed on Behalf of MHCLG:

Signed on Behalf of TVCA:

Name:

Name:

Date:

Date:

Signed on Behalf of BEIS:

Name:

Date:

Annex A: Quarterly reporting metrics

The information below is to be submitted with requests for future funding. BEIS and MHCLG will ask for additional information as needed to support necessary processes eg supplementary estimates.

Current funding that has been spent in last quarter (CDEL/RDEL)

- BEIS/ MHCLG budget for last quarter
- BEIS/ MHCLG actual expenditure, split by business case spend lines (including keep safe and decontamination)
- BEIS/ MHCLG amount remaining/ supplied from other sources
- Position against FY/ full settlement budget
- Position against assumptions in the financial model:
 - Revenues
 - Costs
- Narrative on the above metrics

Planned expenditures

- BEIS/ MHCLG budget for next quarter (CDEL/ RDEL)
- Planned position against FY/ full settlement budget by quarter end
- Planned position against assumptions in the financial model by quarter end:
 - Revenues
 - Costs
- Narrative on the above metrics, including, if the numbers are not on track, specific actions to mitigate.

Updates on key project milestones

- Key milestones planned in the last quarter and progress against them
- Narrative on planned milestones, including, if progress is not on track, specific actions to mitigate
- Standing item of update on key milestones:
 - Decontamination
 - Demolition
 - Investment fund
- Key milestones planned for the next quarter
- Risks and threats to planned delivery, with planned mitigations
- Progress against key benefits (jobs, revenue received, land value uplift).
Progress against equality duty.
- Narrative on benefit delivery, including, if progress is not on track, specific actions to mitigate.

Procurement and governance

- Key contracts operational in the quarter and planned procurements
- Risks and threats to project outcome, with planned mitigations
- Safety performance



TEES VALLEY
COMBINED
AUTHORITY

TEES VALLEY MAYOR

**STDC Business
Case: Annex 6.3**

MAY 2020

STDC PROGRAMME ASSURANCE FRAMEWORK



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1. OVERVIEW

1.1 Background

- 1.1.1 Delivery of the aspirations set out in the STDC site masterplan is a key tenant of the strategic objectives of the Tees Valley Combined Authority and resulted in the establishment of the South Tees Development Corporation in 2017.
- 1.1.2 The regeneration of the STDC site shows clear strategic alignment with several Government strategies and the National Industrial Strategy in particular. The South Tees site will focus on environmentally sustainable industry and clean energy development (for example, smart energy, carbon capture and storage) that will encourage businesses to enter global markets and bolster international trade. This diversification into new and emerging industries and technologies will also promote the growth of the Northern Powerhouse with new skills, innovation and enhanced trade and investment as a result of successful implementation.
- 1.1.3 Importantly the redevelopment plans will mean a socially and economically stronger and more confident community in Tees Valley, which is aligned directly to Government's key priorities. This is supported by the local growth strategy and masterplan that STDC launched in 2017 with the current version published in March 2019.
- 1.1.4 There is clear need for the development of the STDC site as it is of critical importance locally and is central to TVCA's ambitions for Tees Valley, enabling business growth, enhancing research and development, supporting education and skills improvement, as well as the creation of 20,000 new jobs on site and in the wider region. At the heart of this is the Tees Valley Strategic Economic Plan (SEP) and emerging Local Industrial Strategy that aims to secure new investment by building clusters of companies connected through supply chains and sustainable energy in a 'circular economy', a low cost, high productivity and low carbon economic model.

1.2 Tees Valley Combined Authority Investment Plan

- 1.2.1 The Combined Authority Investment Plan approved in January 2019 set out £588m of strategic investment commitments from TVCA to start working towards achieving the ambitions in the SEP. However, significant investment will need to be leveraged to create the step change required in the area.
- 1.2.2 TVCA has a strong track record of managing public funds through the TVCA Assurance Framework which meets the requirements of the National Guidance published by MHCLG and covers all departments including MHCLG, BEIS and DfT. The [TVCA Assurance Framework](#) has recently been updated and approved in January 2020..
- 1.2.3 It provides Government with a guarantee that TVCA is accountable for all funds in a way that is consistent with their practices and sets out the local governance arrangements. It fully devolves the responsibility for developing projects, assurance & due diligence, making investment decisions, managing delivery and the monitoring

and evaluation of investments. Following this framework ensures all decisions are open, transparent and demonstrate value for money.

- 1.2.4 The STDC site is the largest industrial development opportunity in the UK. It is a complex large scale regeneration scheme that requires public intervention to remediate the site, demolish redundant assets and prepare the site for private investment; which will result in reducing the Tier 3 status of the site and achieve its long term sustainability through the development of a world class, modern industrial park focused on Clean Growth. For this purpose, the Investment Plan included a commitment of £56.5m to STDC for land acquisition and infrastructure.

2. TRANSPARENCY AND OPENNESS

- 2.1 It is important that all decisions taken regarding the STDC are accountable, open and transparent.
- 2.2 Transparency will be maintained through existing Tees Valley Combined Authority (TVCA) arrangements and by adhering to the Local Government Transparency Code (2015).

3. FREEDOM OF INFORMATION ACT

- 3.1 TVCA is subject to the Freedom of Information Act 2005 and the Environmental Impact Regulations 2004. As Accountable Body for the Local Enterprise Partnership, TVCA will also fulfil these functions on behalf of the Local Enterprise Partnership. TVCA will hold records and will be the focal point for statutory information requests. Applicants are made aware of their right to access information through TVCA, which will deal with the request in accordance with the relevant legislation.
- 3.2 Full details of the Tees Valley Combined Authority Freedom of Information requests procedure can be found on the website: <http://www.teesvalley-ca.gov.uk>

4. SOUTH TEES REGENERATION PROGRAMME

4.1 Aims

- 4.1.1 The STDC site is strategically significant for several reasons:
- It accommodates a number of important businesses, facilities and operations including Teesport, the Teesside Beam Mill, Redcar Bulk Terminal, BOC and Northumbrian Water;
 - It benefits from river access as well as the deep-water ports available through Teesport and Redcar Bulk Terminal; and
 - The STDC site is the largest industrial development opportunity in the UK.

4.1.2 In its current state the STDC site is costing significant amounts of taxpayer money, with hazardous materials and dilapidated structures representing significant health and safety risks. Following £141m of government funding, land remediation, decontamination and keep safe works are underway on certain parcels of land. This will reduce keep safe costs from £16m to £8.5m per annum. However, without further intervention, this significant sum will increase as assets decay and land will remain unproductive. Effectively transforming the STDC site into a productive, revenue generating and job-creating asset requires public investment in infrastructure and regeneration activities.

4.2 Funding

4.2.1 The table below shows to date the Government funding that has been secured to support the long-term development of the site, in addition to funding requirements for the ongoing operation of STDC.

Date	Funding	Notes
2015	~£44m	Costs for the OR for make safe and keep safe paid by BEIS
2017	£4m	Initial running costs of STDC. Funding provided by BEIS split between STDC and TVCA to cover expenditure as STDC was established and became operational.
2017	£117.8m	BEIS funding, provided over a three-year period to STSC, related to keep safe, invest to save and tier 3 costs only. It was recognised that there would be a requirement for further discussions on longer-term safety and maintenance funding arrangements in order to enable local partners to assume direct responsibility for these functions.
2018	£14m	Announced in the 2018 Autumn Statement, this funding ask was the subject of a Strategic Outline Business Case, submitted in December 2018 and sought to support the redevelopment of the Prairie site as phase one of the development, allowing remediation and site preparation for initial investors to start early in 2019 and allow for STDC's acquisition of the site. The Autumn Statement also designated the Tata land (within the STDC boundary) as a Special Economic Area. This is due to take effect before the 1 April on conclusion of the parliamentary process. Important note – this funding and its matched costs are excluded from this analysis as per Green Book guidance, they are classified as sunk costs.
2018	£2.0m	Funding from MHCLG to cover annual running costs of STDC. First of two years support, to cover period while the site is not generating income.
2019	£3.0m	Funding from MHCLG, the second year of grant for annual running costs.

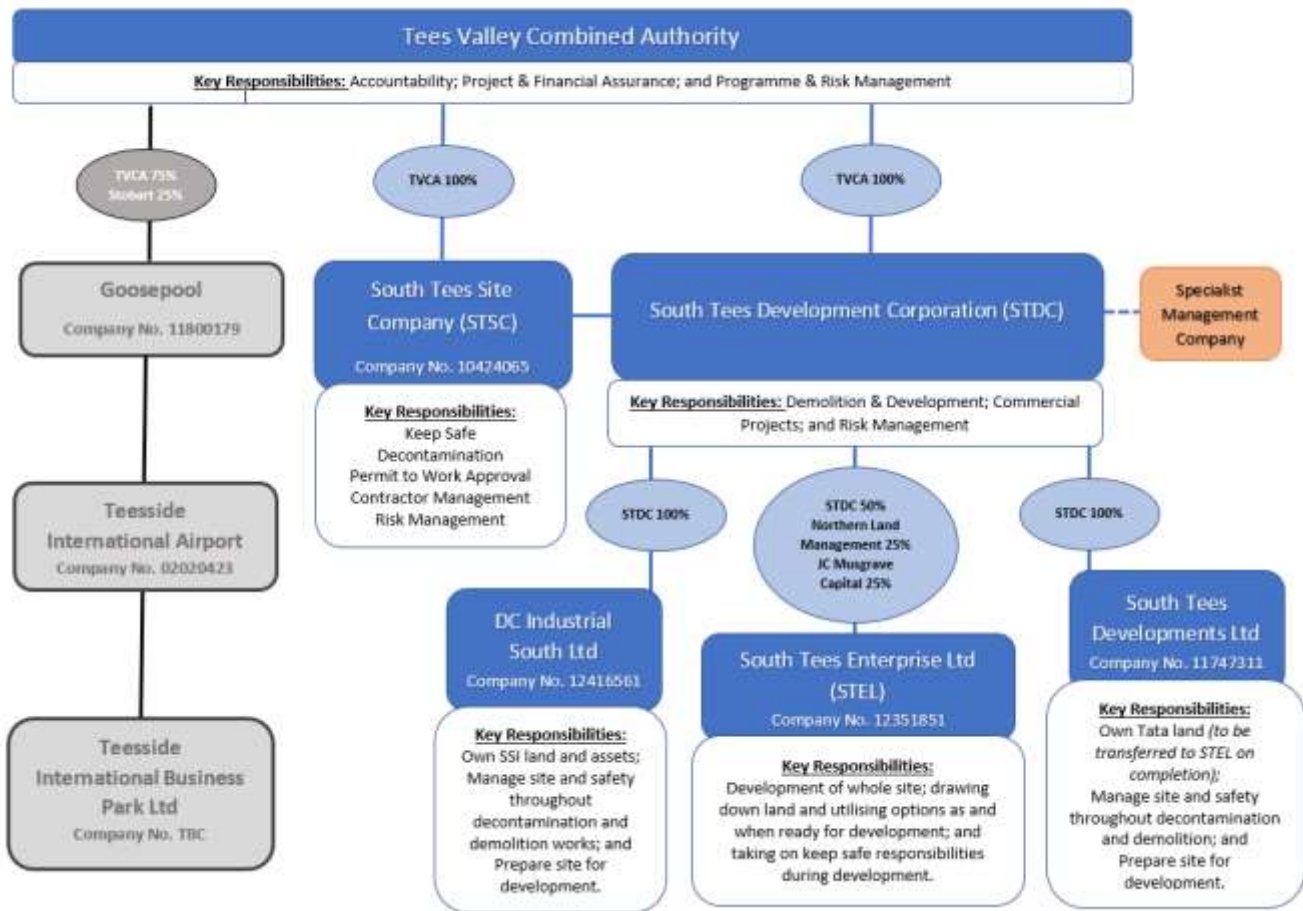
- 4.2.2 TVCA and STDC do not have access to the scale of funds required to deliver the complex South Tees Regeneration Programme and a business case was submitted to Government to secure a total of £135.5m¹ towards the decontamination, demolition and infrastructure to prepare the site for private investment. This will be supplemented by borrowing secured against income (rental and business rates) from early investors. An “Investment Fund” will include such grants and revenues, alongside existing TVCA funding for projects and land acquisition. Therefore the whole life cost is estimated to be around £1.7bn.
- 4.2.3 On approval of this business case the programme for the preferred option will be agreed, however due to the complex nature of the site, flexibility is required to align the development of the site with the need of investors and the devolution of funds to TVCA and local assurance of project changes will provide the flexibility required to manage these risks effectively.
- 4.2.4 This STDC Assurance Framework should be taken in conjunction with the standard TVCA Assurance Framework which applies to all Single Pot investments.

4.3 Delivery

- 4.4.1 The relationships between Government; Tees Valley Combined Authority (TVCA); South Tees Site Company (STSC); and South Tees Development Corporation (STDC) are key to how this will work.

¹ This includes £53.8m new ask and £81.7m redirected from STSC to TVCA; STSC will move into local ownership.

4.4.2 Delivery Model Overview & Responsibilities²



4.4.3 The organisations involved in delivering the government funded elements of the programme; decontamination, demolition and preparing the site for development are STSC, STDC, South Tees Developments Limited (Tata Landowner) and DC Industrial South Ltd (SSI Land Owner).

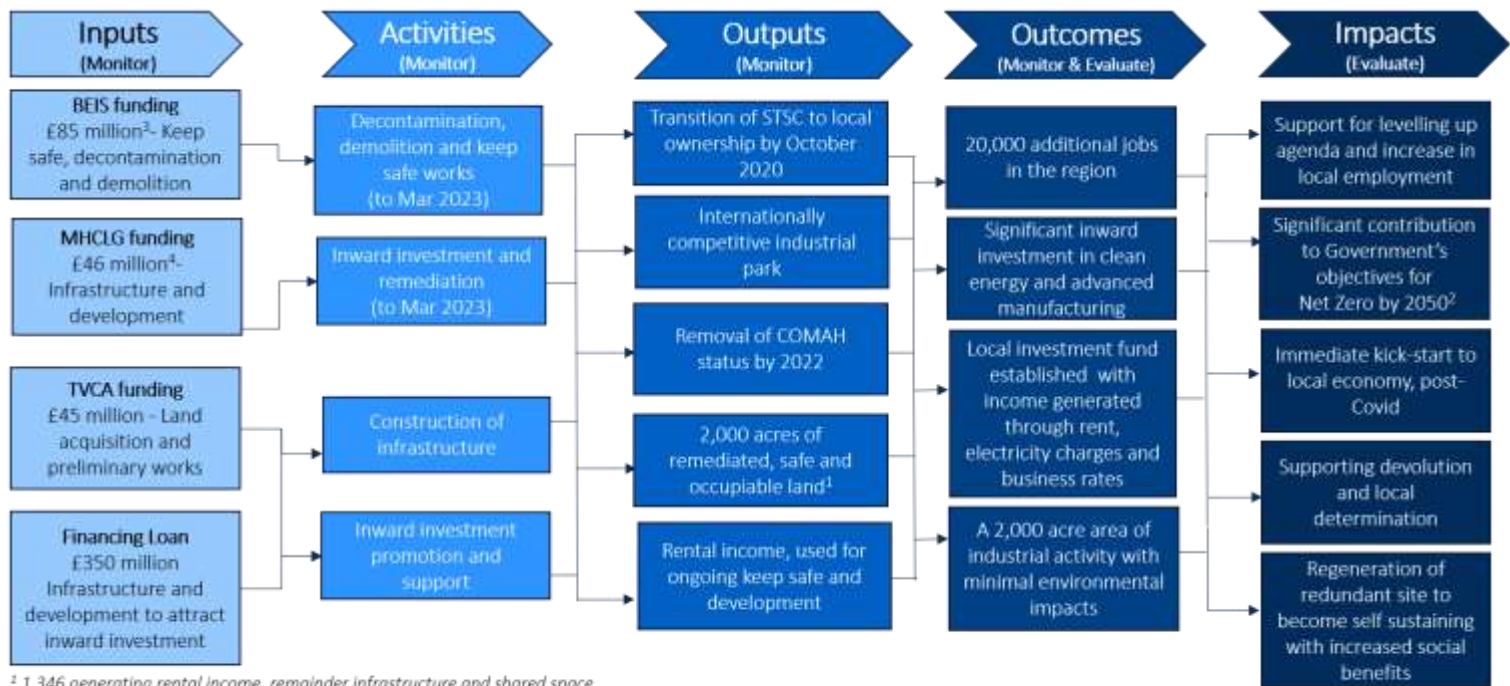
4.4.4 Once sites are ready for development the land will transfer into the JV, South Tees Enterprise Ltd (STEL) who will be responsible for the commercial development of the site to meet the needs of investors.

4.5 Monitoring & Evaluation

4.5.1 A full Monitoring and Evaluation Plan was agreed with Government (Annex 1) which will be implemented through the standard TVCA systems and claims and monitoring processes set out in the TVCA Assurance Framework.

² Full group shown for completeness, however Teesside International Airport is not linked to this business case. In April 2020, KPMG were commissioned to provide STDC / TVCA with specialist management support.

4.5.2 Logic Model for the Programme



¹ 1,346 generating rental income, remainder infrastructure and shared space.

² Tees Valley is home to a higher than average number of Energy Intensive Industries (EIIs) and as such, is one of the most carbon intense regions of the UK.

³ BEIS £85m = £14m new funding + £71m rescheduled from previously committed funding.

⁴ MHCLG £52m = £40m new funding + £6m previously committed to the Prairie Site.

4.5.3 Regular performance management information will be produced for a range of stakeholders including the STDC Board; TVCA Executive Group, TVCA Cabinet; Stakeholder Communications; and Government. Detailed dashboard reports will be used by the STDC Delivery Group at their regular meetings.

4.5.2 Information included in the quarterly monitoring reports is as follows:

- **Financial:** forecasts and actuals for expenditure, cost control update, procurement plans and leverage against agreed financial model and any rationale for changes or re-profiling;
- **Milestones:** update on progress against agreed programme (including procurement) and the rationale for any changes identifying risks to the critical path;
- **Risk:** updated risk registers;
- **Outputs & Outcomes:** as set out in the Monitoring and Evaluation Plan an update on forecasts and actuals delivered with rationale for any changes or re-profiling; and
- **General Progress:** report on progress over the quarter and summary of any changes.

4.5.3 A budget of £50,000 has been allocated by TVCA for evaluation of this programme. Projects supported through the devolved funds are also subject to independent Government Gateway evaluations as part of the Devolution Deal.

5. GOVERNANCE

- 5.1 Two organisations are core to the effective governance and delivery of the programme. TVCA and STDC.
- 5.1.1 TVCA Role and Responsibilities:** Accountable Body for funds and on transition, the South Tees Site Company; Project and Financial Assurance and Programme Management to ensure the delivery of this business case and its intended benefits. See TVCA Organisation Chart in Annex 2.
- 5.1.2 The assurance function at TVCA sits across the Strategy & Investment Planning (S&IP) Directorate and is responsible for the assurance and management of all projects and programmes within the investment portfolio. There are a range of projects within the investment programme including those where TVCA has limited involvement in the delivery and we play the role of a traditional funder – through to projects delivered directly by officers at TVCA and joint investments with key delivery partners.
- 5.1.3 The team has overall programme management responsibility for TVCA's £588m Investment Plan. TVCA's approach to programme management is output and outcome based, ensuring that the core benefits of projects maximise value for money through the social, environmental and economic benefit for residents and businesses in the Tees Valley. Whilst also ensuring that projects are appropriately planned, monitored, delivered and evaluated to timescales and agreed budgets.
- 5.1.4 TVCA has an established and successful track record of delivery in this regard and the team have a combined total of 40 years of experience within the Regeneration and Economic Development field in both the private and public sector spanning both the delivery and commissioning of schemes. Particular specialisms within the team include project development, planning, project management and delivery, business case preparation and appraisal and due diligence. With significant experience in land and property, infrastructure delivery, regeneration schemes, and projects involving site decontamination, remediation and re-use for alternate purposes.
- 5.1.5 The team has professional qualifications reflecting this experience and include a Chartered surveyor, CIPFA Accredited 'Better Business Cases' Practitioner and a PRINCE 2 Practitioner. They lead on all investment planning and reporting, change and risk management, appraisal and evaluation of projects within TVCA's Investment programme. They also access to a framework of consultants and professional experts for additional due diligence including but not limited to: Cost Consultants, Planning Consultants, Highways and Transport Consultants, Procurement experts, Legal and State Aid assistance and Construction and Design specialists.
- 5.1.6 STDC Role and Responsibilities:** Development of the site through delivery of the Programme and on time and budget. See STDC Organisation Chart in Annex 3.
- 5.2 The TVCA Group Governance Structure and Annual Cycle is set out in Annex 4 and the key groups are summarised below:**

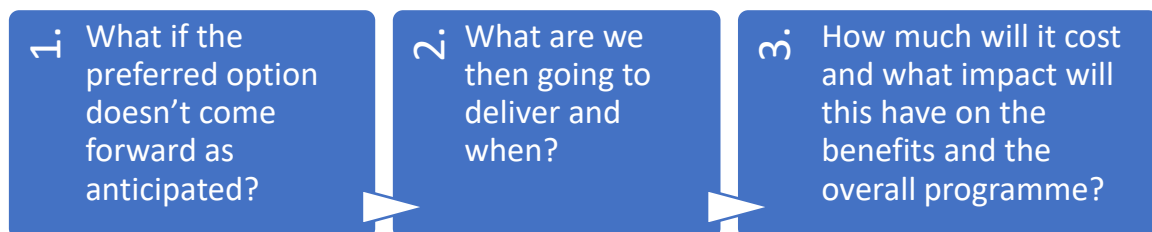
5.2.1 Tees Valley Combined Authority - The detailed governance arrangements for TVCA are set out in the TVCA Standard Assurance Framework and Constitution and are accepted by Government. Terms of Reference can be provided; a summary of the roles of groups key to delivery of this programme is provided below:

- **Overview & Scrutiny Committee:** Reviews decisions made, to ensure they meet the needs of the people of the Tees Valley and are made in line with our agreed policies, making recommendations where necessary. It has the power to “call in” and delay the implementation of decisions made by Cabinet. The membership of the Committee comprises fifteen members, three nominated from each of the Constituent Authorities. Members of the Committee appointed reflect, so far as reasonably practicable, the balance of political parties for the time being prevailing among members of the Constituent Authorities collectively.
- **Audit & Governance Committee:** Ensures we are spending public money properly and have the right systems in place to manage our finances correctly and meet our legal and regulatory responsibilities. The Committee also reviews the corporate risk register on a quarterly basis. The membership of the Committee is one member from each Constituent Authority. Members of the Committee appointed reflect, so far as reasonably practicable, the balance of political parties for the time being prevailing among members of the Constituent Authorities collectively.
- **TVCA Group Executive Team** - The primary purpose of the Tees Valley Group Executive Team is to oversee the delivery of Tees Valley Combined Authority Group objectives being undertaken by Joint Venture Partnerships and other Delivery Vehicles. In practice this means setting out lines of responsibility and accountability for the delivery of Tees Valley Combined Authority Group objectives; supporting the Joint Venture Delivery Vehicle teams by ensuring the provision of adequate resources and strategic direction; ensuring appropriate transparency and opportunity for scrutiny with regards to public finances; and managing risk. They will manage performance of all projects and programmes to ensure compliance with contractual arrangements be that through approval of this business case or Joint Venture agreements.
- **Members of the Executive Team include:**
 - Group Chief Executive – TVCA and STDC (also acts as Director representative for South Tees Developments Ltd and DCS Industrial South Ltd);
 - Group Director of Finance and Resources - TVCA and STDC (also acts as Director representative for South Tees Developments Ltd and DCS Industrial South Ltd);
 - Group Commercial Director - TVCA and STDC; supported by
 - STDC Senior Management Team.

- **South Tees Development Corporation** - STDC has a constitution, statutory framework and documented rules of procedure that detail how the Board operates. Roles and responsibilities are clearly defined with agreed powers of delegation to chief officers. This governance framework details the processes by which STDC is directed and controlled at its most senior levels, in order to achieve its objectives whilst meeting the necessary standards of accountability and probity. The framework provides STDC with the structures and processes to ensure that the organisation is managed in the most effective and efficient manner.
- **STDC Delivery Group** – 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.
- **Members of the STDC Delivery Group include:**
 - Group Chief Executive – TVCA and STDC (also acts as Director representative for South Tees Developments Ltd and DCS Industrial South Ltd);
 - Head of Finance and Resources – South Tees Development Corporation;
 - Commercial Director – South Tees Development Corporation;
 - A Director-level representative of one of each of the entities within the South Tees Development Corporation umbrella within the Tees Valley Combined Authority Group; and
 - A director-level representative of any other Joint Venture Partners associated with the delivery of the entities.

6. ASSURANCE AND APPROVALS

- 6.1 To provide Government with the necessary assurance that all options have been considered and value for money will be achieved regardless of the option and scenario that is taken forward; the Business Case was built on four options and a range of scenarios. We have limited control over these scenarios as they are investor driven; such as delays in projects coming forward and reduced occupancy.
- 6.2 There are two distinct projects that are delivered in all options which is the site safety and decontamination to reduce the upper tier CoMAH status of the site.
- 6.3 On approval of the business case and commitment of Government funding, the agreed option will be taken forward. We are therefore left with three questions in terms of any potential changes to the programme post approval of this business case:



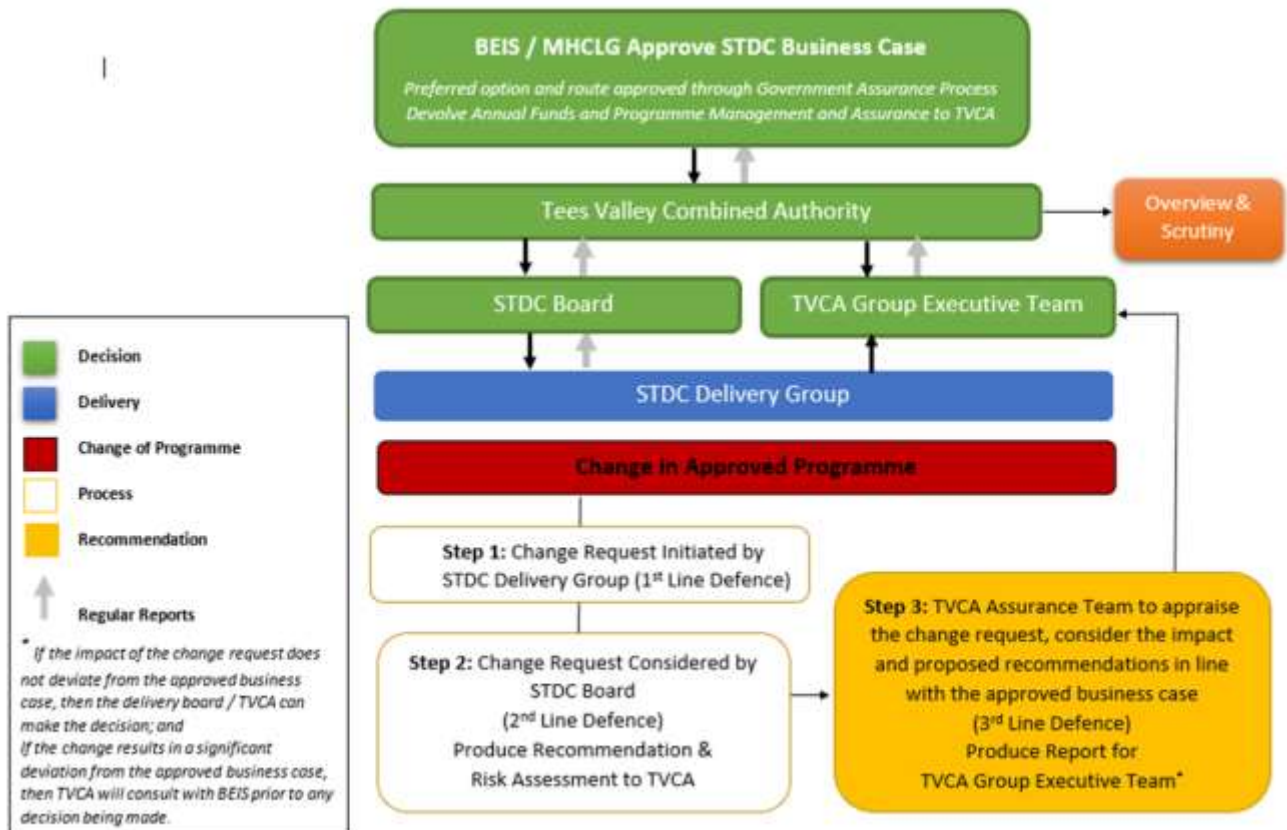
- 6.4 This section sets out how the programme will be managed and how any changes will be considered and assured as more certainty comes forth. This applies to the Government funded elements of the programme and Section 7 of this document sets out how the private and public funded investment fund will work.
- 6.5 The following assumptions have been made on approval of the business case:
- Government devolves the agreed funds annually by Section 31 Grant to TVCA who becomes accountable for the management and assurance of those funds through its Investment Fund. This includes funds for Keep Safe and Decontamination (STSC) Demolition and Development (STDC);
 - TVCA becomes accountable for STSC³ to ensure the keep safe and decontamination projects are completed as required;
 - Government devolves the management for the development of the site in line with the approved business case to STDC;
 - STSC and STDC makes monthly claims to TVCA to include progress and financial information to release payments (monthly in arrears);
 - TVCA will submit a monitoring report to Government quarterly and a performance report annually; and

³ dependent on successful transition

f) If STDC requires a change to the programme or does not deliver against the programme then TVCA is responsible for the assurance and risk management of this.

6.6 The TVCA Standard Assurance Framework sets out how decisions and changes to projects within the investment programme are managed through the governance arrangements.

6.7 **Decision Making Process:** the following diagram sets out the decision making process for changes to the programme.



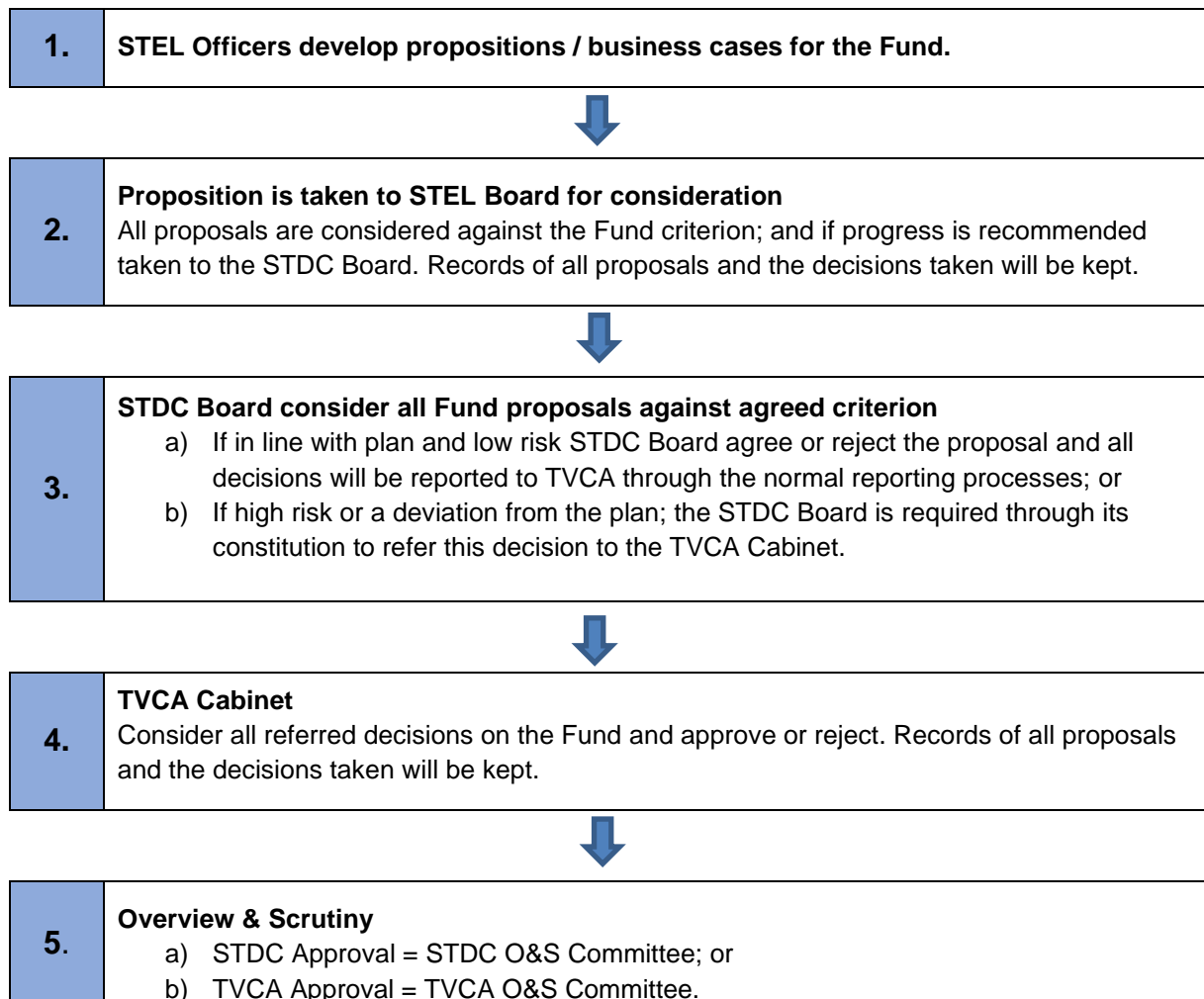
- **First Line:** STDC Delivery Group;
- **Second Line:** STDC Board; and
- **Third Line:** TVCA Assurance Team (independent from STDC).

6.9 The decision is devolved from Government to TVCA (delegated to TVCA Group Executive Team) and if the impact of the change request does not deviate from the approved business case the decision can be made locally and reported to Government; if the change results in a significant deviation from the approved business case, then TVCA will consult with Government prior to any decision being made.

7. INVESTMENT FUND

- 7.1 The Investment Fund Model is predicated on initial remediation/regeneration capital investment to facilitate development activity and a development strategy linked to achieving successful leaseholders (strong covenants), that would generate competitive rental income streams. These strong rental streams secure appropriate finance and funding to ensure continuous development and growth. This approach creates what is referred to as the “Investment Fund” in my Proof of Evidence and in the Model
- 7.2 The establishment of an investment fund (the Fund) will enable plots of land within the site, once acquired, to be prepared for development. Clear criterion will be agreed for the Fund that all proposals must meet, to ensure they are aligned with the plan for the site.
- 7.3 As part of this programme the Fund will be administered by TVCA through its existing TVCA Assurance Framework which includes consideration by Overview and Scrutiny Committee in all cases. Details on performance of the Fund will be provided in the regular reporting and evaluation processes throughout the TVCA/STDC Governance Structure.

INVESTMENT FUND DECISION PROCESS



a) and b) have five working days to consider all decisions taken at the Board and call in if deemed necessary.



6. Joint Director of Finance and Resources for both STDC/TVCA to sign off final approvals and funding agreements (S.73 Officer).

8. POLICIES

8.1 Equality and Diversity

8.1.1 TVCA is committed to the promotion of equality and diversity and ensuring that all its policies and procedures are fully accessible and that TVCA's focus on improving the economy will help address economic equalities in the Tees Valley. A copy of TVCA's Equality Framework can be found on the TVCA website – www.teesvalley-ca.gov.uk

8.2 Conflicts of Interest

8.2.1 TVCA has a conflict of interest policy, which is available within its Constitution. This policy applies to all members of TVCA (incorporating the Local Enterprise Partnership) and all members of the Combined Authority governance mechanisms, including the Tees Valley Management Group and Thematic Advisory Groups.

9. REVIEW OF ASSURANCE FRAMEWORK

9.1 The STDC Assurance Framework will be reviewed annually in line with the TVCA Assurance Framework and will be approved by the STDC Board.

10. ANNEXES

Annex 1: South Tees Regeneration Programme: Monitoring & Evaluation Plan

Annex 2: TVCA Organisation Chart

Annex 3: STDC Organisation Chart

Annex 4: TVCA Group Governance Structure and Cycle



TEES VALLEY
COMBINED
AUTHORITY

TEES VALLEY MAYOR

www.teesvalley-ca.gov.uk

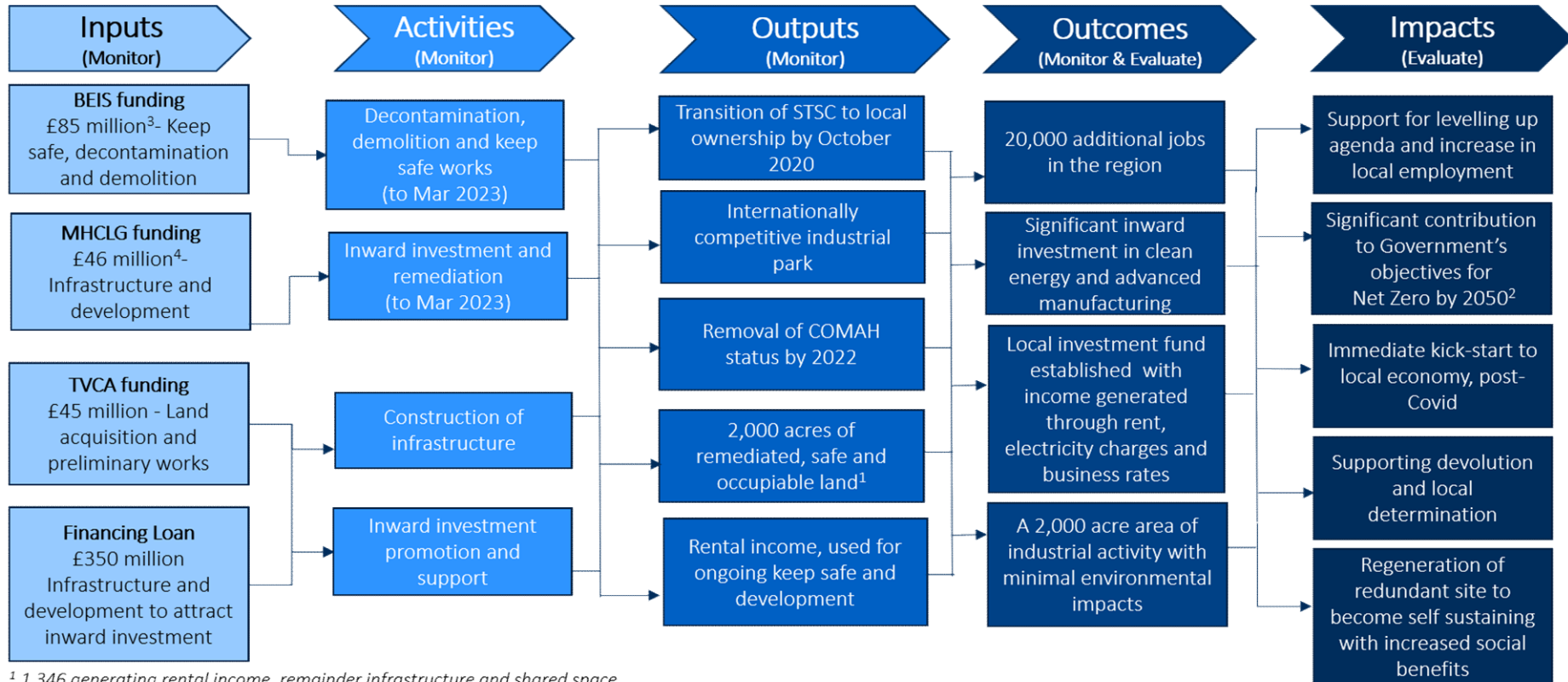
info@teesvalley-ca.gov.uk



@TeesValleyCA



STDC Assurance Framework: Annex 1 Monitoring & Evaluation Plan



¹ 1,346 generating rental income, remainder infrastructure and shared space.

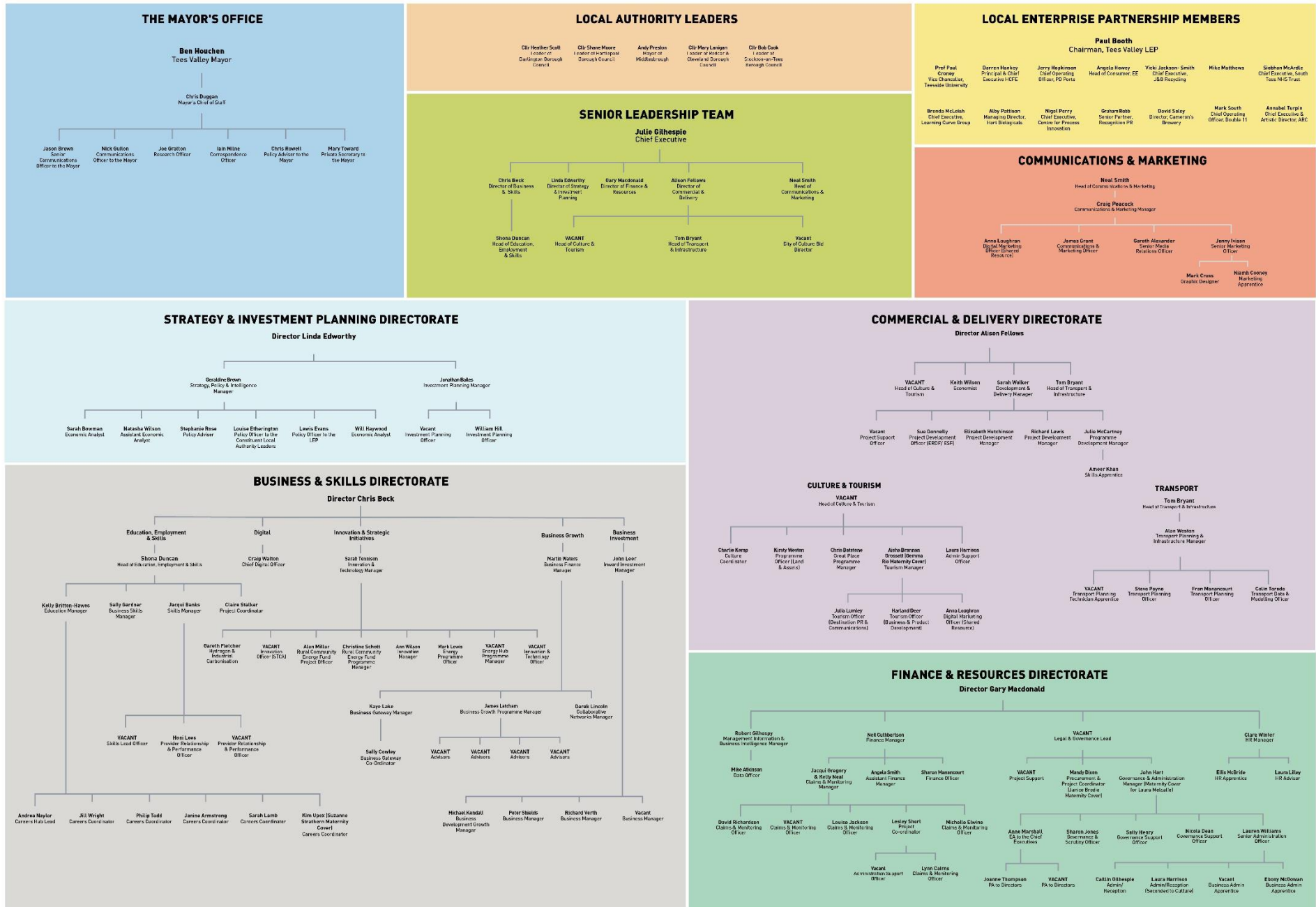
² Tees Valley is home to a higher than average number of Energy Intensive Industries (EIIs) and as such, is one of the most carbon intense regions of the UK.

³ BEIS £85m = £14m new funding + £71m rescheduled from previously committed funding.

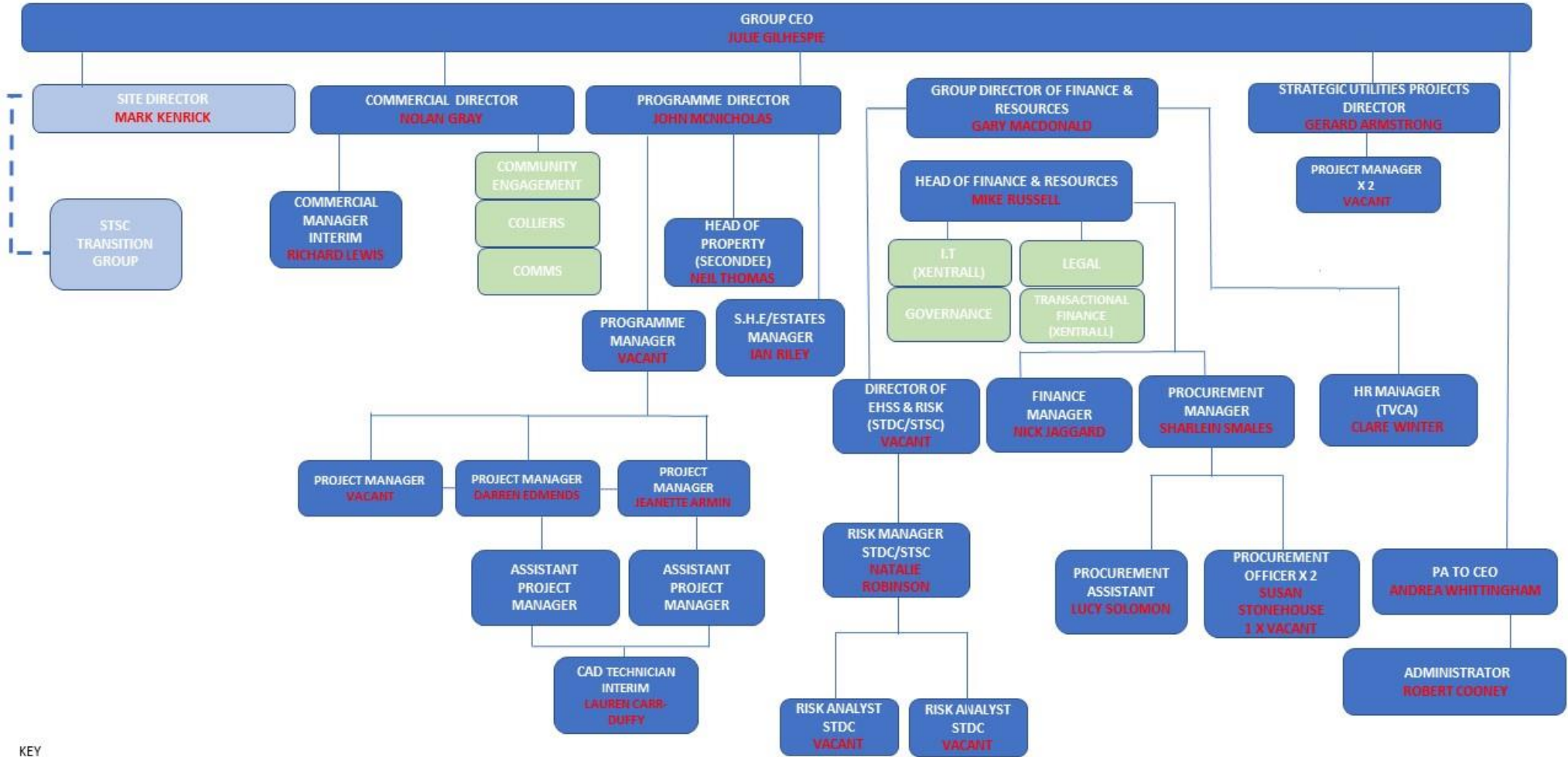
⁴ MHCLG £52m = £40m new funding + £6m previously committed to the Prairie Site.

Senior Responsible Officer	Source	Output/Outcome/Impact	Method of Measurement	Frequency
Head of Finance & Resources	STDC	Input	Cost variations	Quarterly
Programme Director	STDC	Activity	Demolition programme completed	Quarterly
Programme Director	STDC	Activity	Total time overruns	Quarterly
Programme Director	STDC	Activity	Transport infrastructure installed	Quarterly
Marketing & Communications	STDC	Activity	Development of Promotional Materials and Investment prospectus	Quarterly
Programme Director	STDC	Output	Land ready for development	Quarterly
Head of Finance & Resources	STDC	Output	Income from scrap	Quarterly
Head of Finance & Resources	STDC	Output	Revenues from HV electrical infrastructure	Quarterly
Strategic Utilities Director	STDC	Output	Volume of electricity delivered	Quarterly
Head of Finance & Resources	STDC	Output	Average rent per acre	Quarterly
Commercial Director	STDC	Output	New businesses on site (inc. supply chain) and type / sector / size	Annually
Programme Director	STDC	Output	Area of natural habitat maintained, loss-mitigated and/or compensated for	Quarterly
Programme Director	STDC	Output	Total area of open spaces created in line with Strategy	Quarterly
Programme Director	STDC	Output	% of site served by foul and surface water drainage networks	Annually
Programme Director	STDC	Output	% of site served by potable water infrastructure	Annually
Commercial Director	STDC	Output	Number of enquiries	Quarterly
Commercial Director	STDC	Outcome	Land developed	Quarterly
Head of Finance & Resources	STDC	Outcome	Balance of external liabilities (outside of group structure)	Quarterly
Commercial Director	STDC	Outcome	Total rental income	Quarterly
Commercial Director	STDC	Outcome	Business rates income retained by STDC	Quarterly
Site Director	STDC	Outcome	Income from service charge	Quarterly
Commercial Director	STDC	Outcome	Land occupied / generating rent	Quarterly
Programme Director	STDC	Outcome	Investment in carbon mitigating activities	Quarterly
Commercial Director	STDC	Outcome	Translation rate of enquiries to investment opportunities	Quarterly
Commercial Director / Head of Finance & Resources	Business Survey	Outcome	Total private sector capital investment (disaggregated by sector)	Annually
Commercial Director	Business Survey	Outcome	Skills profiles of jobs on site	Annually
Commercial Director	Business Survey	Outcome	Average jobs per acre for occupied land	Annually
Commercial Director	Business Survey	Outcome	Average wage per on-site worker	Annually
Commercial Director	Business Survey	Outcome	Purchases from other businesses on site (£ or contracts or no. of businesses)	Annually
Commercial Director	Business Survey	Outcome	Purchases from other businesses in Tees Valley (£ or contracts or no. of businesses)	Annually
Commercial Director	Business Survey	Outcome	Expenditure on R&D	Annually
Commercial Director	Business Survey	Outcome	Total imports	Annually
Commercial Director	Business Survey	Outcome	Total exports	Annually
Head of Finance & Resources	External data collection	Outcome	Additional business rates income	Annually
Commercial Director	Business Survey	Impact	Employment on site	Quarterly
Commercial Director	Business Survey	Impact	Total wages paid by on site businesses	Annually
Commercial Director	Business Survey	Impact	Increase in property prices within 5km radius	Annually
TVCA Strategy & Intelligence Team	Evaluation & National Data	Outcome	Ratio of direct : indirect jobs	Evaluations
TVCA Strategy & Intelligence Team	Evaluation & National Data	Outcome	Average GVA per job on site	Evaluations
TVCA Strategy & Intelligence Team	Evaluation & National Data	Impact	GVA on site	Evaluations
TVCA Strategy & Intelligence Team	Evaluation & National Data	Impact	Estimated indirect jobs	Evaluations
TVCA Strategy & Intelligence Team	Evaluation & National Data	Impact	Estimated indirect wages	Evaluations
TVCA Strategy & Intelligence Team	Evaluation & National Data	Impact	Estimated indirect GVA	Evaluations

STDC Assurance Framework Annex 2: TVCA Organisation Execution Chart



STDC Assurance Framework Annex 3: STDC Organisation Chart



- KEY
- Site Company
 - Functions
 - Roles

Current Pre-Transition Organisation Chart

Annex 4: Tees Valley Combined Authority Group Governance Structure



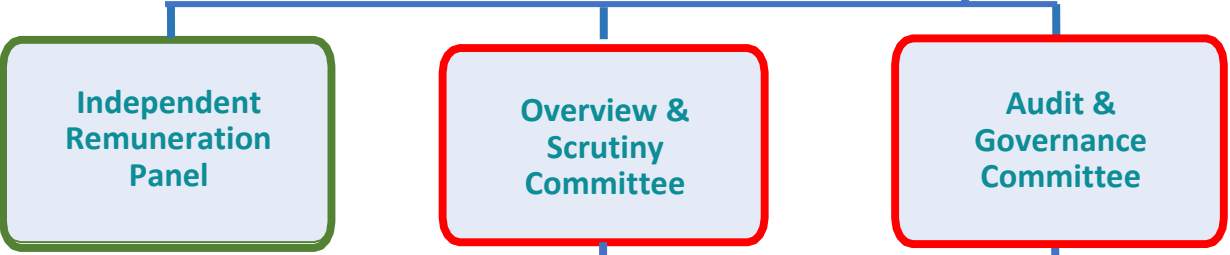
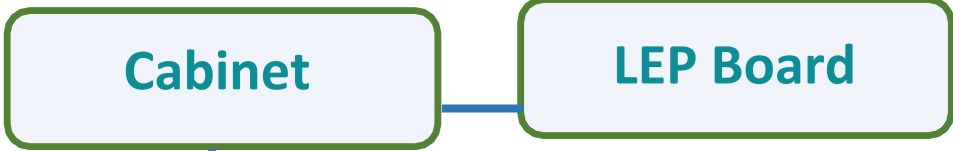
TEES VALLEY MAYOR



TVCA Governance

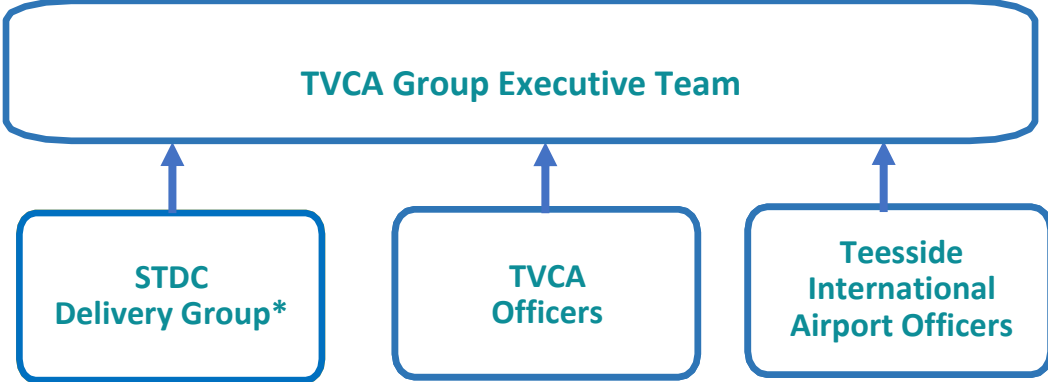
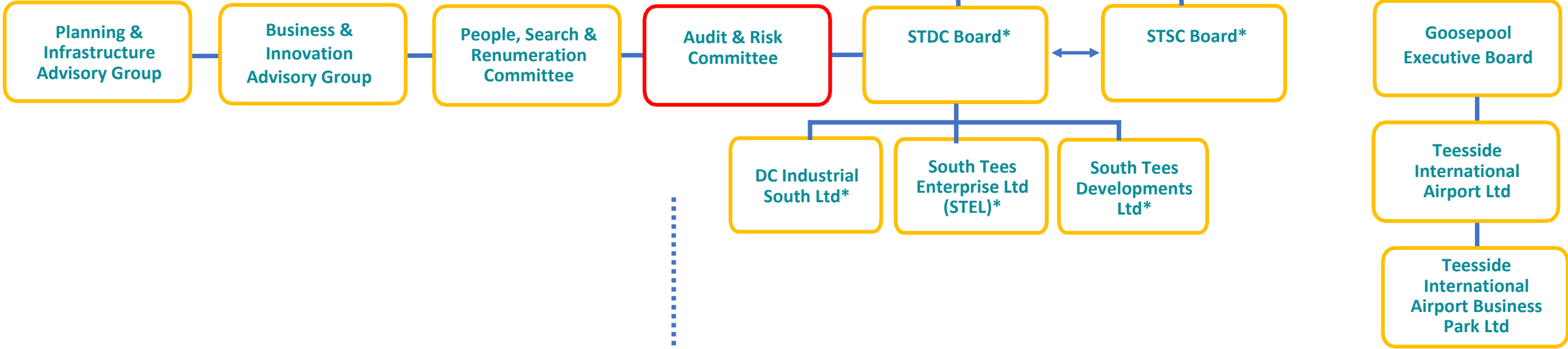
Group Entities Governance

Delivery

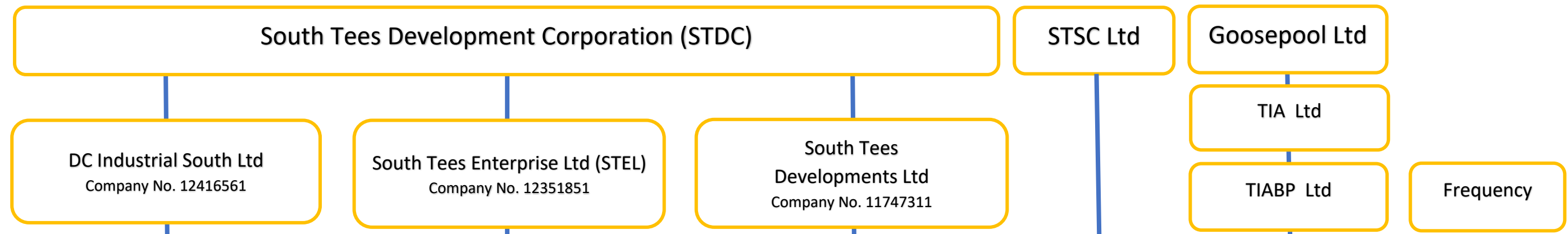


KEY

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



Tees Valley Combined Authority Group Governance – Annual Cycle



	DC Industrial South Ltd Company No. 12416561	South Tees Enterprise Ltd (STEL) Company No. 12351851	South Tees Developments Ltd Company No. 11747311	STSC Ltd	Goosepool Ltd	Frequency
Annual Planning	Business Plan Update Annual Budgets STDC Directors Only	Business Plan Update Annual Budgets JV Board	Business Plan Update Annual Budgets JV/DC Director Only	Business Plan Update Annual Budgets STSC Board	Business Plan Update Annual Budgets JV Board(s)	Q1 2020/21 Plans Q4 Preceding Year
Monitoring	Quarterly Performance Updates (£) & Milestones	Quarterly Performance Updates	Quarterly Performance Updates	Quarterly Performance Updates	Quarterly Performance Updates	Q1 in Q2 Q2 in Q3 Q3 in Q4 Q4 in Q1
Evaluation	Annual Review Commissioned Report Format TBC GVA Added, Jobs Added, Benefits in Economic Case					Annually
Decision Making	STDC Directors OR Matters reserved for Board	Operational JV Partner JV Board Decision for matters reserved for Board STDC discharged either by STDC Board decision OR STDC Board delegated Representative	STDC Directors OR Matters reserved for Board	STSC Board	Operational JV Partner JV Board Decision for matters reserved for Board TIAL discharged either by TIAL Board decision OR TIAL Board delegated Representative	

AGENDA ITEM 8

REPORT TO THE STDC BOARD

30th SEPTEMBER 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 original budget and MTFP were prepared.

In particular, the original budget report was approved subject to completion of the SSI land deal and enactment of arrangements with delivery partners. Whilst delivery partner arrangements have been enacted, the SSI land deal that was envisaged at that time was subsequently amended to encompass acquisition of an increased land area for a revised consideration. Accordingly, this paper reflects the revised arrangements.

The STDC Group comprises South Tees Development Corporation and its wholly owned subsidiary company South Tees Developments Limited (“STDL”), which holds and manages the former TATA land assets. The activity and funding of South Tees Site Company are not within the scope of this report. Appropriate analysis and updates will be provided in this regard post-transition.

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. Notes the finance update provided in this report
- ii. Approves an increase in the budget for the year to 31 March 2021 from £40.7m to £60.4m to align with the revised forecast for the year reflecting accelerated delivery activity on the site
- iii. Endorses the updated medium-term plan for the three years to 31 March 2023, subject to any activities requiring external finance being fully funded prior to commitment.
- iv. Delegates authority to the Group Chief Executive and Group Director of Finance of STDC to allow virement of budgets between projects within the funding envelope identified to accommodate changing operational priorities and potential future investor demand.

FINANCIAL PERFORMANCE UPDATE -JULY 2020

1. In the four-month period to July 2020 STDC Group has spent £18.9m against an overall annual budget of £40.7m:

	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	596	552	(44)	2,102
STDL site management costs	393	410	17	1,296
Enabling expenditure and projects	929	4,040	3,111	9,161
Capital works projects	1,953	3,123	1,171	13,672
Land purchase costs	15,000	10,000	(5,000)	11,000
Net Expenditure	18,871	18,126	(745)	37,231
HV Capital expenditure (end user funded)			-	3,448
Gross expenditure	18,871	18,126	(745)	40,679

2. Operating expenditure and site management costs have remained in line with budgeted levels. Project works were tracking c£4.3m behind the phased budget target, however delivery activity is accelerating substantially, and it is expected that this variance will reverse in coming months. Detailed project plans have been produced and significant progress has been made in delivery and procurement activity and further detail is covered within the CEO update paper.
3. Land purchase costs are within the original business case financial model estimated values. The values to July are £5m more than the level budgeted for the year as a result of the amended land acquisition strategy.
4. Specific variances are explained as follows:
 - **Enabling expenditure and projects** - Are underspent v's the phased budget by £3.1m. This relates principally to professional fees linked to development of the offshore wind proposition and site wide multi-disciplinary studies. Operational staff have confirmed that delivery is in line with expectations and works/services are in the process of being reviewed and receipted. This will accelerate to align with the budget in the coming months.
 - **Capital works projects** - - Management updates confirm that the £1.2m underspend v's profile relate either to budget phasing differences that will reverse later in the year or planned changes to programme priorities.
 - **Land purchase costs** – Include agreed compensation paid to land-owners displaced in the first General Vesting Declaration which will be enacted in October and other negotiated settlements. A second GVD is imminent and will lead to further costs which are considered in the budget analysis below. The overall increase in cost for

the year is driven by the revised land acquisition arrangements noted in the summary above.

(Note performance is compared to the original budget of £40.7m for the year and not the updated proposal presented later in this report)

UPDATE TO BUDGET FOR THE YEAR ENDED 31 MARCH 2021

5. Since the original budget was prepared in May 2020 the operational programme has been developed in line with commercial priorities. This has resulted in an acceleration of activity alongside the revised land acquisition costs previously noted.
6. A revised current-year forecast, which shows an increase in planned expenditure of £19.7m for the year is presented alongside the original budget below:

	Year	Year	Year
	Mar-21	Mar-21	Mar-21
	Budget	Forecast	Var
Budget expenditure overview	£'000	£'000	£'000
Operations and running costs	2,102	2,713	611
STDL site management costs	1,296	1,153	(143)
Enabling expenditure and projects	4,170	6,234	2,064
Capital projects	22,111	32,350	10,239
Land purchase costs	11,000	17,970	6,970
Budget expenditure	40,679	60,420	19,741
Funded by:			
MHCLG operations funding	1,849	207	(1,642)
MHCLG Prairie Grant	5,764	10,017	4,253
TVCA ringfenced funding	244	253	9
TVCA site operations funding	1,297	7,874	6,577
TVCA other funding	20,705	30,286	9,581
New Ask BEIS	2,308	2,308	-
New Ask MHCLG	5,063	4,435	(628)
End user contributions/ advance rentals	3,449	940	(2,509)
MHCLG Site entrance funding	-	4,100	4,100
External borrowing/funding			-
	40,679	60,420	19,741

7. **Funding considerations** - The revised forecast remains funded within the envelope of existing funding, and the additional funding secured via STDC's business case. No borrowing is required. New funding streams secured in the year are shown in red text.
8. **Overhead costs** – comprising Operations and Running costs and STDL Site Management costs are forecast to increase by a combined £0.4m compared to the

original budget plan. This increase is principally a result of planned additional resourcing of key senior programme and operational management roles to support accelerated programme delivery in the second half of the year (as the former SSI land assets are acquired).

9. The new roles include senior resource in operations programme management, risk, and technical planning support. Where appropriate resource will be accessed through contractors to allow capacity to be flexed alongside activity.
10. **Enabling expenditure and projects** – The £2m planned increase in the year is principally because of a £1.8m advance commitment to developing the demolition strategy across the site. These costs reflect procurement of a site wide demolition framework and professional fees for development of demolition and tender specifications for all key assets across the site. The previous assumption was that demolitions would be specified and tendered individually across the life of the programme.
11. The remaining £0.3m of the cost increase comes as a result of the need to relocate office staff from TMO as a result of the NZT programme and provide modular facilities to hold displaced staff and accommodate potential investors coming to site.

Capital projects

12. Proposed revisions to the programme of capital projects for the year accelerate expenditure by £10.2m compared to the original budget, this should in turn accelerate commercialisation of the site:

	Year	Year	Year
	Mar-21	Mar-21	Mar-21
	Budget	Forecast	Var
Capital projects	£'000	£'000	£'000
Prairie (Dorman point)	5,495	10,017	4,522
South Bank (Enabling of offshore wind development)	9,515	12,212	2,697
HV Electrical infrastructure	3,425	2,083	(1,342)
Steel House	1,650	900	(750)
Redcar (Including NZT)	720	1,033	313
Teardrop (Longacres)	-	985	985
Gatehouse/entrances	-	4,100	4,100
Other	1,306	1,021	(285)
	22,111	32,350	10,239

13. Planned expenditure is accelerated in the following areas:

- **Prairie (Dorman Point)** – Planned delivery of £10m for the year is accommodated within the ring- fenced envelope allocated by MHCLG for the site
- **South Bank works-** are accelerated to prepare the site in advance of planned development of a further business case to fund a new Quay on the site to facilitate offshore wind operations and manufacturing. The year on year expenditure increase of £2.7m is principally because of accelerated demolition activity.

- **Redcar** – the year on year increase is driven by additional advance demolition activity in the Foundry area.
- **Teardrop (Longacres)** – Site preparation work on this site will commence in the current year, this has been brought forward in the programme.
- **Gatehouses/ entrances** – STDC was recently granted an additional £4.1m of MHCLG funding to improve the quality and look of site access. The first scheme in to utilise this funding is a planned upgrade to the Redcar gatehouse which is likely to be complete by the end of the calendar year

14. Other project areas where cost reductions are planned in the year principally reflect proposed reprioritisation of the activity into later years

15. **Land purchase costs** – reflect known and anticipated costs of CPO compensation payments and agreed settlements to displaced landowners because of STDC enacting its compulsory purchase order. The costs shown are within the original business case financial model estimated values. The values to forecast for the year are as a result of the amended land acquisition strategy. . A further provision for the acquisition of remaining land parcels is made in the refreshed medium-term financial plan (discussed below).

MEDIUM TERM PLAN REFRESH – THREE YEARS ENDED 31 MARCH 2023

16. Alongside the budget review processes the medium-term plan for the three years to March 2023 has been revised to capture all proposed and pipeline activity which is currently being planned into the operational programme

Including this activity increases overall net expenditure over the period by £68m from £140m to £208m. The revised profile (reflecting the proposed budget changes discussed above) is presented below:

	Year	Year	Year	2020-
	Mar-21	Mar-22	Mar-23	2023
	Forecast	Plan	Plan	Plan
Budget expenditure overview	£'000	£'000	£'000	£'000
Operations and running costs	2,713	4,731	5,846	13,290
STDL site management costs	1,153	1,127	1,161	3,441
Enabling expenditure and projects	6,234	3,000	3,000	12,234
Capital projects	32,350	65,495	56,384	154,229
Land purchase costs	17,970	7,030	-	25,000
Budget expenditure	60,420	81,383	66,391	208,194
Funded by:				
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
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		23,031	42,290	65,321
	60,420	81,383	66,391	208,194

Note: the revised MTFP excludes plans to construct a new Quay at South bank which will be progressed as a separate business/funding case.

17. **Funding considerations** - The increase in activity leads to a broadly corresponding financing requirement of £65m as existing and new government funding is exhausted during the year ended March 2022. Accordingly, the activity reflected reflects a “maximum activity” case and endorsement of the plan is sought subject to all activity, particularly that requiring external finance, being fully funded before any commitments are made. Finance secured may take the form of borrowings or through early realisation of value inherent in commercial arrangements with tenants (such as income strip arrangements). Finance costs of £1.7m have been prudently included in overheads to reflect a scenario where all external funding is borrowed.

18. **Operations and running costs:** - are expected to increase by £2m in the year to March 2022 and a further £1.1m in the year to March 2023. These increases reflect £1.7m of finance costs (see paragraph 16 above). The remainder of the increase arises due to the full year cost impact of new staff hires in the second half of the current year, alongside a £1m annual cost allowance for an outsourced Project Management Office to complement in-house project management resource and support overall project and programme delivery.

19. **STDL Site management costs** – Are assumed to stay broadly consistent with current levels throughout the plan period. Whilst STDL will acquire the former SSI site and other land assets following CPO, no additional management cost is assumed, as this activity is covered by the activities of STSC which is separately funded and excluded from this medium-term financial plan until transition takes place.

20. **Enabling expenditure and projects** – reduce to £3m per annum from the year to March 2022, reflecting up-front costs planned in the current year for the benefit of the future programme that will not recur moving forward. These include development of the site-wide procurement framework and specifications (£1.8m) and site wide studies (£1.3m). The £3m annual allowance retained in years two and three of the plan is allocated to cover future external consultancy and professional support required, such as legal fees, further site studies, ground investigations, planning requirements, permits and consents etc.

Capital projects

21. The revised MTFP assumes an additional £41m of accelerated capital project delivery:

	Original	Updated	
	MTFP	MTFP	MTFP
	2020-23	2020-23	Var
Capital projects	£'000	£'000	£'000
Prairie (Dorman point)	18,493	23,057	4,564
South Bank (Enabling of offshore wind development)	8,554	29,575	21,021
HV Electrical infrastructure	36,045	37,981	1,936
Steel House	2,019	1,650	(369)
Redcar (Including NZT)	16,391	17,177	786
Teardrop (Longacres)	-	16,785	16,785
Gatehouse/entrances	-	4,100	4,100
Infrastructure Corridor	5,645	5,645	0
COGM/HOFM Demolition	2,732	2,730	(2)
LFZ (High Tip) remediation	7,920	7,920	-
Redcar Coke Ovens demolition	5,900	5,900	-
Other	9,481	1,709	(7,772)
	113,179	154,229	41,050

22. Key areas where cost is planned to increase are:

- **Prairie (Dorman Point)** – Costs will increase by £4.5m over the life of the project due to a different approach. This is a planned increase (not due to accelerated phasing) and is considered necessary to achieve full area remediation to provide a fully prepared development platform to accelerate commercial interest (rather than reacting to demand and undertaking tailored remediation which was the initial assumption).
- **South Bank** – Site preparation and demolition costs have been brought forward into the MTFP period from 2023/4 and 2024/5 to continue preparations for the potential South Bank Quay development. The specific costs of the quay and associated funding are being considered as part of a separate business case and will only be included in the MTFP once approved by Board.
- **Teardrop** – Costs are accelerated from beyond the 3-year CSR period to allow more rapid commercialisation
- **Gatehouse/ entrances** – Have been added to the latest version of the plan as a new element. Cost are directly funded by a new MHCLG grant

23. C £7.8m of “other” previously unspecified activity that was included in the plan has been reallocated to partly offset the above specific project cost increases. This reflects the original intention to refine cost estimates further during 2020/21 whilst securing the successful approval by Government of the business case.

End user contributions/advance rentals

24. Revised planning assumptions show a £3.4m reduction in advance rental income due to slippage in a major investor’s programme of works:

	Original	Updated	
	MTFP	MTFP	MTFP
	2020-23	2020-23	Var
End User contributions/ advance rentals	£'000	£'000	£'000
Advance rentals	5718	2,280	(3,438)
HV works - Capital Contributions	25929	27,685	1,756
	31,647	29,965	(1,682)

25. Increased HV works capital contributions reflect an increase in anticipated connection activity. This income is matched to cost with no margin assumed to STDC. Ultimately it is anticipated that HV electrical works will be delivered and funded by a future joint venture partner. This arrangement is currently in procurement.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

28. 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

29. 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

30. 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

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

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