

**Date:** Thursday 24<sup>th</sup> March, 2022, at 2.00pm

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

**Membership:**

Mayor Ben Houchen (Tees Valley Mayor)

Cllr Mary Lanigan (Leader, Redcar & Cleveland Borough Council)

Mayor Andy Preston (Mayor of Middlesbrough)

Graham Robb (Independent Member)

David Smith (Independent Member)

Jacob Young MP (Independent Member)

Neil Schneider (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**

Attached

**4. Minutes from previous meeting**

Attached

**5. Chair's Update**

Verbal Update

**6. Group CEO Update**

Attached

**7. Finance Update**

Attached

**8. Site Company Staff Consultation**

To follow

**9. Freeport Update**

Attached

*Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and appendix are not for publication.*

**10. Date and Time of Next Meeting**

Thursday 16<sup>th</sup> June 2022 at 2pm

### **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:

[tvagovernance@teesvalley-ca.gov.uk](mailto:tvagovernance@teesvalley-ca.gov.uk)

## **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: 16<sup>th</sup> December 2021

Time: 2pm

Location: Cavendish House, Teesdale Business Park, Stockton

<b>Attendees:</b>		<b>Apologies:</b>
Ben Houchen (Chair)	Tees Valley Mayor	Peter Judge, TVCA
Jacob Young	Member of Parliament	Mary Lannigan Leader, RCBC
Graham Robb	Recognition PR	John Sampson, MD, RCBC
Andy Preston	Mayor of Middlesbrough	David Smith - Energy Networks UK
Neil Schneider	Independent Member	
Tom Smyth	BEIS, Interim Government Representative	
Julie Gilhespie	TVCA, STDC Group	
Gary MacDonald	TVCA, STDC Group	
John McNicholas	STDC	
Chris Harrison		
Sally Henry (Secretariat)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	<b>Welcome and introductions</b>	The Chair welcomed everyone to the meeting.		
2.	<b>Apologies for Absence</b>	Apologies were given as noted above.		
3.	<b>Declarations of Interest</b>	There were no interests declared.		
4.	<b>Minutes from previous meeting</b>	The public Minutes from the meeting held on 18 <sup>th</sup> August 2021 were approved and there was an amendment to the minutes of the confidential part of the meeting.		
5.	<b>Chair's Update</b>	<p>The Chair updated the Board on activity since the last board meeting which was not covered elsewhere on the agenda.</p> <p>Freeport has been approved and is now operational – the first in the country and the largest. The Chair, on behalf of the Board expressed thanks to Nolan Gray, Julie Gilhespie, and Gary MacDonald and their teams.</p> <p>The Chair advised that the demolition work on site is on track and thanked John McNicholas and his team.</p> <p>The Chair thanked Chris Harrison and his team for assistance with the ongoing negotiations with GE.</p>		

		The Chair advised the Board that there have been over 100 Expressions of Interest from businesses – 20-30 of which are large investors.		
6.	<b>Group CEO Update</b>	A report was provided giving an update on key activity within STDC since the last meeting.  <b>Resolved that</b> the content of the report was noted.		
7.	<b>Finance Update</b>	A report was circulated providing a finance update for the 6 months to 30 September 2021 and the forecast outturn for 2021/22.  <b>Resolved that</b> the content of the report was noted.		
<p><b>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.</b></p>				
8.	<b>Site EHS Management and Keep Safe Report</b>	A report was circulated which provided the Board with an update on the key EHS activity on the site since the last meeting.  <b>Resolved that</b> the content of the report was noted.		
9.	<b>Freeport Director Report</b>	A report provided by the Freeport Director was circulated.  <b>Resolved that</b> the content of the report was noted.		



10.	<b>Confidential Item re: Commercial Opportunity</b>	The Chair provided the Board with an overview of a number of potential commercial opportunities.  <b>Resolved that</b> the Board note the update.		
11.	<b>Date &amp; Time of Next Meeting</b>	<b>Thursday 24<sup>th</sup> March, 2022 at 2pm</b>		

## AGENDA ITEM 6

### REPORT TO THE STDC BOARD

THURSDAY 24<sup>th</sup> MARCH 2022

### REPORT OF THE GROUP CHIEF EXECUTIVE

## GROUP CHIEF EXECUTIVE UPDATE REPORT

### SUMMARY

The purpose of this paper is to provide an update to the Board on the key activity within South Tees Development Corporation (STDC) since the last meeting.

### RECOMMENDATIONS

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

### OVERVIEW

1. Since the last update the Freeport OBC has been approved and the FBC submitted. We are hoping for a final approval of the FBC within the next few weeks. As a large area of the proposed Freeport sits within the Teesworks Site Boundary, work is ongoing to reflect the impacts of freeports on the wider regeneration programme to ensure best advantage is taken of freeport incentives. In particular, tax zones, which offer a range of time limited tax incentives to eligible businesses.
2. STDC has continued to develop a business case for additional funding linked to development of the Tees Valley Offshore Wind Hub on the South Bank area of the site. This business case has secured a further £20m of funding to support site preparation works and ensure that the site is ready to accommodate offshore wind manufacturers at the earliest opportunity. A large part of the Offshore Wind hub also forms part of the Teesside Freeport and is expected to have tax zone status. The complementary development of South Bank Quay has also received approval from the UK Investment Bank (UKIB) for £107m funding in line with the Business Case taken to the Board on 29<sup>th</sup> July 2021. We are expecting this £20m to be approved by the end of March.
3. In February, as part of the plans for the proposed offshore wind hub, SeAH, a large Korean inward investor, announced plans to open and operate a plant for the production of offshore wind turbine monopiles on the Teesworks Site and Heads of terms have been agreed. The plant is currently in the detailed design phase and is expected to commence building in the summer.

4. Very promising conversations are underway with a number of other potential inward investors but nothing has yet reached the stage of being worth noting in this report.

## **DETAIL**

### **FREEPORT**

5. The Full Business Case (FBC) was submitted on 31st January following circulation and feedback from the Board and it is anticipated that HMG will revert with actions to be reviewed and concluded.
6. Since the launch of Teesside Freeport, there have been several hundred articles referencing the Freeport with an advertising value equivalent (AVE) of £13.45m. This is indicative of the amount of interest in the Freeport and will translate to improved awareness of the site.
7. Progress is being made in the development of the Centre for Frictionless Trade. Teesside Freeport, working in parallel with Deloitte, Plexal and TVCA have engaged with the Cabinet Office to move the project forward.
8. A plan for the operational use of the Primary Custom Zone is under review with Teesworks, and WSP have been engaged through HMG to review the remaining custom zone land and propose how access and egress could be managed in compliance with AEO(S) accreditation and smart technology.

### **UTILITIES**

9. In December 2021 STDC placed a contract for the long lead items required to upgrade the Holmebeck Substation at South Bank in order to increase the 11kV capacity to service future customers at the South Bank part of the site. A separate agreement will be required for the remaining works, including installation and commissioning. The works is expected to complete in 2023.
10. A workstream has commenced with National Grid to formally assess the viability of the High Voltage Network to accommodate generation (TV ERF, battery energy storage and wind generation) and also to assess future site demand scenarios for Teesworks. This work is in anticipation of the large electricity demand being sought by some of the site's potential customers.

### **SOUTH TEES SITE COMPANY**

11. Since the closure of the former SSI steelworks and the subsequent creation of the South Tees Development Corporation, the ultimate goal has been to make land at Teesworks ready for new investment. The purpose of the South Tees Site Company has been to ensure the keep-safe and security of the Teesworks site during this time. Demolition and remediation work has accelerated to help secure more investment on the site. This, however, has meant that the site requirements have also changed, including in respect of some roles and responsibilities overseen by Site Company staff.
12. We are consulting robustly and meaningfully on a collective and individual basis with staff and Union representatives and are doing everything we can to help affected employees secure future jobs. We are working alongside the Teesworks Skills Academy and regional providers to source and support fully funded training requests and opportunities, alongside other funding previously put aside.

## PROGRAMME DEVELOPMENT

### 13. Dorman Point (150-acre site)

- (a) we are close to agreeing a lease with the Councils' ERF facility on this site.
- (b) In addition the Eston Road Highway Access scheme is close to completion.
- (c) The Teesworks Academy building is similarly close to completion.

### 14. South Bank (c. 500-acre site)

- (a) Construction of the main quay is well underway. All is currently being undertaken on the landside as we build the quay. Riverside work will commence soon once we obtain the River Works License. The work is currently running on time but there is contingency in the timescale anyway so it's not considered to be a significant risk.
- (b) Site Preparation and Ground Remediation Works for the Offshore Wind Hub is on schedule with SeAH likely to be the first factory to commence construction in the summer.
- (c) South Bank Link Road which will form a strategic route of access to South Bank commences construction in the summer and should be complete early in 2023.

### 15. Demolition Works Programme

- (a) Demolition of assets at the South Bank end of the site is substantially complete with the exception of the coke oven by products plant which will be complete within the next three months.
- (b) Demolition of assets in the Redcar side of the site is well underway and we expect all assets to be on the ground by the summer as expected.
- (c) Work on the decontamination / demolition of the COGM is very advanced and being expedited to bring it in line with the demolition programme.
- (d) On this basis we are looking for COMAH status on the site to be removed in the summer.

### 16. Net Zero Teesside Site (97 acres plus 66 acres construction laydown)

- (a) Negotiations continue with BP on the various commercial and contractual terms and conditions of the option agreement and agreement for lease.
- (b) The contract for the ground remediation works is now out to tender, with a contractor to be appointed in the next few weeks and planning permission expected within a similar timeframe.
- (c) The NZT DCO application is in deferral, with a 3-month extension being sought by BP. Our dialogue with BP continues in connection with their project proposals and related impacts and implications for Teesworks, with a view to resolving as many of these as possible before the DCO Inquiry.

### 17. Park and Ride Facility – Steel House

- (d) Concept design work is now underway on the development of a 1500-space park and ride facility on land adjacent to Steel House and the Trunk Road, where a new highway access will be required.
- (e) The facility is needed in order to accommodate the significant ramping up in workforce numbers that will occur when the construction of projects such as the NZT facility commences. NZT alone is estimated to peak at around 1500 construction operatives.
- (f) The facility will enable workforce members to park their vehicles outside of the secure Teesworks site and be security cleared within the park and ride zone, before boarding buses that will take them to their construction site destination, so expediting security

clearance protocols and processes, and mitigating traffic impacts on the neighbouring highway network.

## 18. Key Risks to Delivery

As noted, STDC is working on a number of significant projects all of which carry deliver risks. These are actively in mitigation through our project management arrangements, with plans in place and measures being taken to address potential impacts to programme.

## EQUALITY & DIVERSITY

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

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**REPORT OF DIRECTOR OF FINANCE AND RESOURCES**

**FINANCE UPDATE**

**SUMMARY**

The purpose of this paper is to update the Board on financial performance for the 9 months to 31 December 2021 and the forecast outturn for 2021/22 and 2022/23.

**RECOMMENDATIONS**

It is recommended that the STDC Board notes the content of this report.

**FINANCIAL PERFORMANCE STDC GROUP 2021/ 2022**

1. The financial information below for STDC, STDL and STDC covers:
  - Actual financial performance for the 9 months to 31 December 2021;
  - Forecast outturn for 2021/22; and
  - Forecast financial position for 2022/23.

**Table 1**

Performance overview	Actual to Dec 21	21/22 Forecast	22/23 Forecast
Demolition	24,744	49,717	63,287
Dorman Point	21,382	27,662	11,508
South Bank	18,208	26,791	34,724
Utilities	790	1,367	5,133
Steel House	378	524	976
South Bank Quay	3,713	26,746	71,450
<b>TOTAL Demolition, Construction &amp; Site Remediation Works</b>	<b>69,215</b>	<b>132,807</b>	<b>187,078</b>
Land Purchases	1,300	1,500	0
Enabling Studies & Other Fees (incl commitments c/f from 20/21)	6,080	8,145	3,815
Primary Customs Zone Set Up	0	650	4,350
Running Costs	3,375	4,007	9,993
<b>TOTAL Other Costs</b>	<b>10,755</b>	<b>14,302</b>	<b>18,158</b>
Keep Safe	10,389	14,340	5,787
Invest To Save	9,262	13,150	0
Tier 3 / Safety Led Demolition	1,246	2,224	0
<b>TOTAL STSC Costs</b>	<b>20,897</b>	<b>29,714</b>	<b>5,787</b>
<b>TOTAL COSTS</b>	<b>100,867</b>	<b>176,823</b>	<b>211,023</b>

## Actual Financial performance for the 9 months to 31 December 2021 Group and STDC

2. The financial performance for the nine months to 31 December 2021 shows a delivered spend of £100.8m and is in line with previous forecast expectations for accelerated delivery.
3. **Running costs** – Running costs are tracking in line with budget at **£3.3m**.
4. **Project expenditure** –
  - South Bank – the demolition of assets is substantially complete with the exception of the coke oven byproducts plant which will be complete within the next three months. The site remediation and ground works has a spend to date of 88% of budget with the remainder forecast to be spent in Q4.
  - South Bank Quay – Construction of the main Quay is progressing well with a spend in Q3 of £3.7m and a further spend forecast for Q4 of £23m with the Riverside work expected to commence.
  - Dorman Point – The Eastern Road Highway scheme had spend to December of £1.7m with the remainder forecast for Q4 as the scheme nears completion. The Teesworks Academy is nearing completion with spend to date of £2.1m and the remainder forecast for Q4. Prairie Site phases 1 and 2 have seen continued spend.

5. **Land acquisition costs** – land acquisition costs have predominantly completed following the Compulsory Purchase Order (CPO) vesting process. There is a forecast

underspend of £1.6m.

6. **Financial commitments pipeline** – Since the previous meeting where we reported the successful procurement and awarding of the South Bank Quay Design and build spend of £3.7m has incurred with £26m forecast for the remainder of 2021/22.

## Actual Financial performance for the 9 months to 31 December 2021- South Tees Site Company

7. At South Tees Site company, the costs of core keep safe operations since transition are in line with the levels anticipated in STDC’s Medium term financial plan. Although for the 9-month period to December 2021 overall spend is **£3.2m** below the planned spend, it is forecast that spend for the full year will be within 6% of the business plan.
8. The following update relates to the financial performance of STSC versus the plan set by BEIS for the nine-month period to 31 December 2021.

	Actual to Dec	Business plan	Variance
	£'000	£'000	£'000
Keep Safe	10,389	10,764	375
Invest to Safe	9,262	10,642	1,380
Tier 3 / Safety Led Demolition	1,246	2,770	1,524
<b>TOTAL FUNDING</b>	<b>20,897</b>	<b>24,176</b>	<b>3,279</b>

9. Overall spend reported is **£3.2m** below the STDC planned level, the variance has been analysed by project below.
  - a. **Keep safe** – Costs are in line with plan.
  - b. **Invest to save** - costs on the decontamination project are running at a **£1.3m** underspend. The descope RCO and SBCO are the key drivers behind this.
  - c. **Tier 3** – This budget is for reactive safety led works, with an underspend to date of **£1.5m**. Tier 3 spend programmed into the Medium-Term plan was a high-level estimate for unforeseen costs of a reactive nature. In the year these costs have been limited to those related to the demolition of the Ammonia washers on site. Funding earmarked for these reactive costs can be diverted if overspends occur on other areas.
10. Note that overall, the planned spend on I2S is £36.2m including all costs incurred from inception in 2018/19, this is after the two bi-product coke ovens were removed from scope. This is based on latest Altrad cost model, with further review still ongoing.
11. Overall, the planned spend on I2S is £48.9m including all costs incurred to date from inception in 2018/19. This includes c£40m of costs relating to the post transition period, which aligns with expectations and funding parameters set out in STDC Group’s business case to government.
12. As a result of plans to accelerate demolition activity across the Teesworks site. The Keep Safe spend position is under detailed review. A detailed manpower plan has been completed, considering the future requirements of Keep Safe activities in line with asset decommissioning. Financial plans drawn up following completion of this review and are in the final stages of review.



## **Total expected outturn for 2021/22**

13. The forecast spend for the remaining 3 months is £75.9m, taking the total expected delivery spend for 2021/22 to £176.8m as per Table 1.  
Due to finalisation of STSC forecasts, £4.5m has been reprofiled to 2022/23 from 2021/22. Following successful contracting of the South bank Quay and commencement of work, £4.2m has been reprofiled to 2022/23.
14. While spend for the final quarter is 43% of total spend, director and delivery leads have a high level of confidence that the forecasts presented in the business case to Government would be exceeded ensuring delivery targets are met for government funding and ensuring that significant proportions of the revised budget/MTFP target for the year would be met.
15. In terms of procurement for Q4, the Utility diversion contracts are underway and the scope is being developed for an appointment of a Management Contractor for the site management company (TEMCo).
16. The total expected delivery spend for 2021/22 to £176.8m is £46m lower than original budget for the year. This is attributable to:
  - Secondary customs zone early Freeport cost estimates that are linked to future inward investment proposals and are not required at this time and have therefore been descoped £39m along with any associated funding requirement;
  - Land acquisition cost savings of £1.6m;
  - Invest to save cost savings of £1.3m
  - Project/capitalizable strategic underspend of £1.4m
17. A site management budget review has been performed and has resulted in initial savings of £1.9m.
18. A number of zones/projects are expected to conclude in 2021/22:
  - The required remediation obligations to enable the ERF site and initial remediation activity across Dorman Point are all envisaged to be completed by the end of 2021-22 financial year. Therefore, the STDC obligations in all respects would be discharged at this point.

## **GROUP FUNDING POSITION MARCH 2021**

19. Considering the reported performance noted above the Group is forecast to fully utilise all Government funding streams allocated to 2021/22. Following engagement with Government, STDC has assessed the likelihood of accelerating eligible expenditure in respect of 2022/23 MHCLG allocation (£25.7m) as deliverable. The change request was approved via the Regional Government office to bring forward all of 2022/23 MHCLG allocation to the current year. This has the effect of reducing the sums required from other funding streams in 2021/22. A summary table is provided below for information.

**Table 2**

	Actual to Dec	21/22 Forecast	22/23 Forecast
BEIS RDEL	26,454	34,412	21,819
BEIS CDEL	11,688	11,688	4,979
MHCLG CDEL	36,669	36,669	
BEIS WIND		20,000	
Freeport Funding			21,500
Quay Funding	2,163	38,700	68,300
Other	23,893	35,354	94,425
<b>TOTAL FUNDING</b>	<b>100,867</b>	<b>176,823</b>	<b>211,023</b>

## FINANCIAL IMPLICATIONS

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

## LEGAL IMPLICATIONS

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

## RISK ASSESSMENT

22. This is an update report and as such is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.”

## CONSULTATION & COMMUNICATION

23. Data reported in this paper has been considered by the STDC operational performance group and delivery group before being collated into this Board report
24. No specific impacts on groups of people with protected characteristics have been identified

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