

South Tees Development Corporation  
Audit & Risk Committee  
7<sup>th</sup> Meeting  
19th December 2018  
Teesside Management Offices, Redcar, TS10 5QW

Key Points and Actions

**Attendees:**

Chris White (CW)	Independent Chair
Bob Norton (BN)	TVCA Audit & Governance representative
John Baker (JB)	Chair of Teesside Learning Trust
Paul Booth (PB)	TVCA/STDC/STSC
John McNicholas (JM)	STDC
David Allison (DA)	STDC
[REDACTED]	STDC
[REDACTED]	STDC – secretariat

**Apologies:** Ben Houchen, Sue Jeffrey, Steve Gibson, Anand Srinivasan, Jane Turner, Julie Gilhespie and [REDACTED]

**Item 1 – Welcome and introductions – Chair**

1.1 The Chair welcomed everyone to the meeting and apologies were noted. An action was agreed for the Chair and Secretary to review the Terms of Reference ahead of the next meeting including considering the impact of invitations to the Chair and Vice-chairs of the STDC Board to each meeting.

**Action 1:** A review of the current Terms of Reference to be undertaken by the Chair and the Secretary and brought to the next meeting. CW, [REDACTED]

**Item 2 – Quorum**

2.1 It was noted that the meeting was quorate.

**Item 3 – Declaration of Conflicts of Interest - Chair**

3.1 None declared.

**Item 4 – Key Points & Actions from meeting 5 - Chair**

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4.1 The minutes were approved and all actions were complete, ongoing or on the agenda today. CW asked that for future meetings dates should be inserted against the actions.

**Action 2:** Dates to be inserted in the outstanding action records from each meeting. [REDACTED]

**Item 5 – Risk Management – Presentation – David Allison**

5.1 CW advised that he had met with DA and [REDACTED] to discuss development of the RMF and to establish a timeline for implementation. It was agreed that, in parallel with this work, it will be necessary to bring to the February meeting something that provides a list of overall objectives and timelines for 2019 which will eventually dovetail with the RMF. There was general consensus that the previous meeting had fallen short, in the Turner and Townsend (T&T) presentation, of putting the tools in place to enable us to move forwards and that it is essential that the building blocks are in place.

5.2 DA gave a presentation of the proposals from T&T which focused on using the existing documentation and adopting best practice with everything in place by end March [REDACTED]

[REDACTED] management have agreed that T&T will provide a delivery secondee, [REDACTED] to deliver the outcomes of their work with STDC resource. PB noted that it is essential we identify some initial STDC resource but also ensure that the total resource level is in place throughout and enables the knowledge transfer from T&T to take place. It is imperative that we progress the potential offer from RCBC/Middlesbrough Council to provide a secondee and then move to external recruitment if no suitable candidate is available.

5.3 DA noted that the Board risk appetite and strategic pieces have been pushed to the back end of the programme and in support of this it is essential that the senior team pull together key objectives for 2019 and use those as a point from which to move forwards. PB also noted that once this work is complete we can determine when the root and branch review of our risk structure going forwards can be delivered. Slides numbered 2 show a timeline for use in monitoring delivery of the programme.

**Action 3:** Slide 2 timeline from the T&T presentation to be used to monitor progress against the programme of work on reviewing and delivering risk. **DA**

**Action 4:** Staff workshops to be arranged with JB as the Board representative. **DA**

5.4 Slide 3, the Deliverables Plan, identifies key documentation to be reviewed and available and actions required including arranging staff workshops at which it was agreed that JB should be the Board representative to assist in engaging the Board going forwards. Slides numbered 4 share

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the gap analysis response identifying what is required to bring the process in line with best practice under ISO 31000. A resource summary and biographies at slides 5 & 6 provide details of the two T&T staff who would be engaged in the project going forwards with a focus on delivery through Gareth Brown. JM believes that 36 days is excessive for Gareth but the days will be closely managed to ensure best value from the exercise so this is more likely to be in the region of 25. It is expected that PW will be required for no more than 2/3 days. The cost of internal resource will also need to be factored in here. DA noted that GB will work remotely on the documentation whilst the internal resource will deal with delivery on the ground.

**Action 5:** Management of the proposals of Phase 2 of the contract to be agreed with T&T and closely monitored. **DA**

**5.5** In conclusion CW noted that the three key issues for the next meeting in February would be:

- RMF documentation
- 2019 Programme (major work/projects and risks)
- STDC Resource

DA confirmed that these would be in place.

**Action 6:** Information to be available ahead of the February meeting includes RMF documentation, a 2019 programme and STDC resource. **DA**

**Item 6 – Tata Land Acquisition Risk Matrix – Paper 7.3 – David Allison**

**6.1** CW felt that the purpose of today's discussion was to kick the tyres on the Tata Risk Matrix and to:

- Discuss with management how risks were completed and confirmed to gain comfort over the completeness of the risks identified by management;
- Look at the key risks and for A&RC to challenge management where necessary on these; and
- Focus on any other risks that A&RC members felt required further challenge.

JM noted that a more comprehensive report on these risks will be prepared for the Extraordinary Board meeting leading to the referral decision being submitted for the TVCA Cabinet meeting in January. CW recognised that A&RC are doing the heavy lifting to support this.

**6.2** DA noted that two documents had been shared – a single sheet showing key risks and separately, the full risk register for this project. The Tata contract was the basis for much of this work and it should be noted that some risks have been removed. The risks have been considered from a legal, environmental and development perspective. JM advised that this is the first time we have been proactive and put costs to risks using a development approach. A revised full risk register was shown on screen reflecting the change from [REDACTED]

[REDACTED] this creates further financial flexibility for STDC. JM advised that the deal

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**6.3** CW was keen to understand the process of reaching the current deal. The legal process was delivered through Womble Bond Dickinson, JM delivered the environmental elements, CH2M met with Tata and scrubbed the inherited liabilities and [REDACTED] (STDC Senior Property Adviser secondee), recognised that there is a revenue stream within this eg there is a charge to BOC of [REDACTED] per annum. A management plan is being developed to cover all these issues. It is recognised that there are many operational requirements arising from this deadline additional to a resource requirement which needs to be factored in. There are also insurance requirements too. In discussion it was recognised that financial risk sits above all of these other factors alongside the reputational risk and public perception on the value of the deal. It was noted that reputational risk was not covered in the table and CW recommended this should be included. PB has discussed this with the Mayor and agreed that the deal will be for an undisclosed sum, on the grounds that this is commercially sensitive. The contract also stipulates that no figure will be disclosed. There was recognition that questions will be submitted by local politicians and other stakeholders but that the figure is unlikely to be immediately available in Tata accounts or at Land Registry. Although it could be subject to FOI it would not be disclosed due to the commercial sensitivity. Colleagues are keen to ensure that the detail of the deal is not used as a negotiating tool. It was agreed that we need a line to take on this agreement.

**Action 7:** Reputational risk needs to be added to the matrix. DA

**Action 8:** Line to take to be developed reflecting the commercial nature of the deal and agreement not to reveal the figure. [REDACTED]

**6.4** Colleagues then worked through the 8 key risks in detail and agreed a number of additions/revisions:

**General**

- It was agreed that a covering paper needs to support the key risks register when it is shared with the Board and that should include:

- A line acknowledging that this is a summation of x risk assessments all of which have been costed and profiled.
- Considerable due diligence sits behind this work, including through the data room held by the lawyers, so a sentence needs to be inserted describing this process.
- One additional risk to be captured was the need to ensure the legal and accounting structure of setting up the SPV to manage land acquisitions and other related issues.

**Risk 1** - mitigation needs to be adjusted in the document to reflect the [REDACTED]

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**Risk 2** – time is required to develop internal arrangements and have Tata dealing with issues for a transition period but the public liability insurance will be required for STDC before this can be concluded. JM noted there is a key issue with South Gare in particular. It is essential to push back beyond end March and increase the buffer zone with Tata. It was proposed that Tata should extend their contracts by 3 months beyond end March. CW suggested that the costs of the insurance may not be sufficient as noted against this risk so that needs to be reassessed by management.

**Risk 3** – this is all in hand – a comprehensive list is with STDC advisors.

**Risk 4** – this relates to the issue around the wharf. STDC is already in discussions with potential investors. If the wharf is demolished there will be no dilapidations but the Crown could lose potential revenue of £55k p.a. This could though change if STDC redevelop the wharf and the Crown could receive compensation for a period. A&RC was content with the mitigant.

**Risk 5** – there was recognition that as STDC has completed ground investigations on all SSI land that it is likely that the results will be similar for the Tata land.

**Risk 6** – it was recognised that the impact of not achieving this funding would be significant.

**Risks 7 & 8** – the financial implications of this were recognised within the agreed mitigants.

**Action 9:** An additional risk to be captured to reflect the setting up of the SPV for land acquisition etc with appropriate legal and accounting structures in place. **DA**

**Action 10:** Tata to be advised that STDC expect them to extend their contracts for insurances etc to enable STDC to put their own arrangements in place. **DA**

**Action 11:** The costs of the insurance against buildings may not be sufficient as noted in the risk so this will be reassessed by management. **DA**

**6.4** It was agreed that the records should show that A&RC had scrubbed the risks and this would be reflected in the report to the STDC Board at end January.

**Item 7 – Emerging & Horizon Risks - Chair**

**7.1** CW noted that once the RMF is in place it will be possible to lift the higher level risks from that and bring appropriate issues to the A&RC meeting. This will also be included in the list of objectives and timeline for 2019 discussed under Item 5 which will assist in identifying key risks until the RMF is ready. Senior management will need to identify how these will be dealt with in the interim. Some risks matrices do exist but for items such as CSR they are still to be developed.

**Action 12:** Identification of key risks to be completed within a list of objectives and timeline for 2019. **DA**

**Action 13:** Risk matrices to be developed for those that do not already exist eg CSR, as the RMF is developed. **DA**

**Item 8 – Items to Report to STDC Board - Chair**

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8.1 CW noted that this had been covered as the next meeting, the extraordinary meeting, will consider the Tata land acquisition and the next regular Board meeting on 30 January will receive an update on progress on the risk programme.

**Item 9 – AOB and Forward Programme - Chair**

9.1 The Forward Programme was noted and will be updated to reflect actions on issues agreed at this meeting.

9.2 Now that dates have been agreed for the STDC Board further dates will be scheduled for A&RC meetings. It was agreed that these would continue to be every other month but that, if necessary, emergency meetings could be scheduled

**Action 14:** Dates for future meetings to be scheduled and appointments issued. [REDACTED]

The meeting closed at 10.15am

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Chairperson