






**South Tees Development Corporation
Audit & Risk Committee
Meeting 10
15th May 2019
Teesside Management Offices, Redcar, TS10 5QW**

Key Points and Actions

Attendees:

Chris White (CW)	Independent Chair
John Baker (JB)	Chair of Teesside Learning Trust
Paul Booth (PB)	STDC/TVCA/STSC
Sue Jeffrey (SJ)	RCBC/STDC/STSC
Jane Turner (JT)	Teesside University – by telephone
David Allison (DA)	STDC
	STDC
	STDC
	STDC
	STDC – secretariat
	Mazars

Apologies: Ben Houchen, Steve Gibson, Anand Srinivasan, John McNicholas and Julie Gilhespie.

Item 1 – Welcome and introductions – Chair

1.1 The Chair welcomed everyone to the meeting and apologies were noted.

Item 2 – Quorum

2.1 It was noted that the meeting was quorate.


Item 3 – Declaration of Conflicts of Interest - Chair

3.1 There were no interests declared.

Item 4 – Key Points & Actions from meeting 10 on 15th May – Chair

4.1 The minutes were approved, following some minor grammatical changes, and all actions were complete, ongoing or on the agenda today.

Item 5 – Post Tata Acquisition – Paper 10.3 – David Allison

5.1 DA presented the paper noting that there continues to be a range of work in train with  especially around regulatory requirements. One point noted was that STDC does not have its own Environment, Health and Safety (EHS) Committee so one is being formed and a preliminary meeting


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was held on 13 May. Appropriate governance will be established around the Committee which will require endorsement by the Board, may have JB as the Chair (providing continuity with the STSC Committee) and will in due course be able to provide assurance to A&RC. A wide range of issues were discussed including the monies [REDACTED] against which items can be drawn on for 2 years and access to documents for a period of 5 years. It was noted that the risk register for the Tata land is being enhanced through work by [REDACTED]. It was also recognised that further progress needs to be made, at pace, on the insurance issues. CW asked management to reassess the timelines and bring an update on the Risk Register and Environmental Plan to the next A&RC.

Action 1: An EHS Committee will be formally established by STDC and endorsed by the Board. DA/[REDACTED]

Action 2: A revised timeline to be brought to the next A&RC with the updated Risk Register and Environmental Plan. DA

5.2 It was noted that the legal issues for the SPV eg final Articles of Association, governance arrangements etc will be in place for the July Board. PB asked if the SPV (STDL) needs to be a going concern and this issue is being addressed with [REDACTED] there are a number of scenarios where STDC has stepped into Tata shoes and others where this has not been the case eg with the OR (an issue that is not yet closed off). [REDACTED]

[REDACTED] A series of meetings has been arranged with them and legal teams.

5.3 The loan agreement with TVCA (for purchase of Tata land) is still under discussion and technical issues are being resolved this week as part of the structure of the TVCA Group. RL confirmed that this needs to be in place ahead of the draft accounts for end May. The sticking point has been getting it written within TVCA as an inter-company loan. It was noted that we need to identify cash flows, that we can defer repayment and that we can repay on the basis of revenue streams such as [REDACTED]

Action 3: The loan agreement with TVCA for purchase of the Tata land needs to be finalised for end May accounts. DA

5.4 [REDACTED]

[REDACTED]

Action 4: The situation regarding the OR invoicing STDC for electricity costs of others to be reviewed urgently with [REDACTED] at STSC. DA

Action 5: All risks related to the Tata land acquisition and subsequent issues need to be clearly articulated in the Risk Register with actions and mitigations. DA

Item 6 – Report on resolution of issue under External Audit Report – Paper 10.4 – [REDACTED]

6.1 [REDACTED]

Action 6: [REDACTED]

Action 7: [REDACTED]

Action 8: Once the revised remit of the Search & Remuneration Committee is endorsed by the Board to include approval of unusual payments this will be reflected in the Scheme of Delegation (Appendix V to the Constitution). [REDACTED]

Item 7 – 2018/19 Audit Strategy – Paper 10.5 – [REDACTED] Mazars

7.1 [REDACTED] advised that this was the first full year of operation for STDC and the focus has been on key changes. He noted that Mazars are auditors for both STDC and the TVCA Group. Their statement will therefore cover TVCA, STDC and the SPV (although Mazars are not the auditors of the SPV). Fieldwork will commence on 3 June following issue of various letters regarding the accounts. [REDACTED] noted

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Agenda Item 4

Confidential

Paper 11.1

that there had been a change of engagement lead within Mazars and [REDACTED] has taken on this responsibility from [REDACTED]

7.2 [REDACTED] talked the Committee through the Audit Strategy Memorandum and highlighted that the overall audit risks can be found on page 10 in Section 4. [REDACTED]

[REDACTED] A report on this issue is on the agenda for the STDC Board on 22 May.

Item 8 – Risk Management – update on how assurance will be reported - [REDACTED]

8.1 [REDACTED] noted that this issue is for information rather than decision and that a report will come to the June meeting. Information was provided on the frequencies and parties involved and A&RC advised that mechanisms were being put in place. Strategic and Programme risks will be brought to the June meeting. Daily monitoring of the risks is undertaken by [REDACTED] with reports also to SMT. The Risk Register needs to be aligned with the Forward Programme.

Action 9: Strategic and Programme Risks will be brought to the A&RC meeting in June [REDACTED]

Action 10: The Risk Register needs to be aligned with the Forward Programme. [REDACTED]

Item 9 – Annual Budget details for STDC – Paper 10.7 – [REDACTED]

9.1 [REDACTED] presented the paper which had been prepared to share more detail of the actual budget as requested at the last STDC Board. He talked the A&RC through the elements of the budget showing a split between capital and revenue in the following areas:

- Income
- [REDACTED] for the Prairie site
- SPV
- SIZ Roundabout
- STDC funding
- Contingency

9.2 During discussion colleagues noted the significant risk of capital on the Prairie site especially as we are aware that the reprofiling of the [REDACTED] is not straight forward. A question was also raised regarding adequacy of staff costs allocated to capital projects. [REDACTED] is reviewing this with a view to capitalising staff costs to identify some funds that could be utilised to employ additional staff. A point was raised about the funding for CPO and it was noted that this was covered in the 10 year Investment Plan from TVCA.

Item 10 – Insurance update – Paper 10.8 - [REDACTED]

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10.1 [REDACTED] advised that this paper responds to the points from the last meeting. There is a meeting with the main broker tomorrow about taking the policy to market so there is, as yet, no update on costs. Environmental insurance is not required for statutory purposes and as noted many private firms do not take this. The SSIs policies have been viewed and the caveats in those are very broad. It is hoped that a timescale and more information regarding potential excesses can be provided after the meeting tomorrow. An update will be provided next month, or in advance if anything material arises.

Action 11: An update on the insurance position will be brought to the next A&RC. [REDACTED]

Item 11 – Project Review – [REDACTED] David Allison

11.1 DA noted that there have been significant discussions with this company including this morning. Internal stakeholders (BH/PB/PL/SG/DA) are now aligned over the latest set of Heads of Terms which protects the STDC position and are clearly not for negotiation. PB noted thanks to Philip Leech for all his support in this. Key issues that remain are the company structure and the funding to deliver the project. [REDACTED] will deliver a presentation, with their bank, to a B&IC meeting in around 2 months time. PB noted that contracting will be onerous but that [REDACTED] and the lawyers will work through the new CEO and STDC lawyers to bring this to B&IC and A&RC.

11.2 PB noted that STDC had met with [REDACTED] Northern Offshore Federation (NoF) and he had confirmed that there is a two year bidding process with government for this type of activity and that we have already had a request for a meeting on 22 May with another investor with similar interests (Orsted).

Item 12 – Anti-Fraud & Corruption Strategy – Paper 10.9 – [REDACTED]

12.1 [REDACTED] presented this paper which was based on the TVCA strategy and has been significantly enhanced through discussion with STDC Internal Auditors, RSM. It was noted that this should be a policy rather than a strategy and should be included within the proposed staff handbook and policies which are to be endorsed by STDC Board (following review by the S&RC). It was suggested that Gifts and Hospitality and Whistleblowing (referenced in the Policy Framework in section 12) have not been covered by new policies for STDC but in fact these are covered (in the Code of Conduct and Confidential Reporting policies respectively) in those reviewed at S&RC and awaiting endorsement by the Board. In terms of progressing this policy it was agreed that [REDACTED] is advised of the policy once management has completed the XXXX in the policy and that it is included in those submitted to the Board for endorsement.

Action 12: Management to complete the XXXX and advise HR of this policy for inclusion with those that are to be endorsed by the STDC Board [REDACTED]

Item 13 – Performance Review – Paper 10.10 – [REDACTED]

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13.1 [REDACTED] noted that the S&R Committee had been the first to trial this mechanism and had agreed that rather than scoring of 1-10 the responses should be yes or no. They also agreed that completing the proforma collectively at the meeting was the mechanism to be adopted with the completed form then shared with the whole Committee/Group to enable people to verify the views and those not at the meeting to contribute. CW asked for input also to be sought from Committee members via e-mail to collate feedback that members were not comfortable to discuss within the meeting or wanted to provide anonymously.

13.2 The secretary completed the form with responses from the Committee and will circulate to all members for verification and further input.

Action 13: The completed performance review form would be circulated to the Committee/Group for verification and further input. [REDACTED]

Item 14 – Items to Report to the Board – Chair

14.1 A number of points were made during the meeting and will be reflected in discussion at the Board including revised policies.

Item 15 – AOB including Forward Programme – Paper 10.11 – [REDACTED]

15.1 There was no other business and the updated Forward Programme was noted.

The meeting closed at 17.30pm

[REDACTED]

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Chairperson