

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & RISK COMMITTEE (EXTRAORDINARY MEETING)

CONFIDENTIAL

Date: Friday November 22nd 2019

Time: 8.30am

Venue: Tees Valley Combined Authority (TVCA), Cavendish House

Attendees:		Apologies:
Chris White (Chair, CW)	Darlington Building Society	Ben Houchen (Tees Valley Mayor)
David Allison (DA)	STDC	Professor Jane Turner (Teesside University)
Neil Burgess (NB)	STDC	Paul Booth (STDC)
John McNicholas (JM)	STDC	
██████████	STDC	
Gary MacDonald (GM)	TVCA	
██████████	TVCA	
John Baker (JB)	STDC Board Member	
Anand Srinivasan (AS)	STDC Board Member	
██████████	Womble Bond Dickinson LLP	
Cllr Sandra Smith (SS)	Redcar & Cleveland Borough Council	
Cllr Peter Berry (PB)	Redcar & Cleveland Borough Council	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome and introductions	<p>The Chair opened the meeting and introductions were given.</p> <p>JH introduced Councillors Sandra Smith (member) and Peter Berry (substitute member) who have been nominated to represent the TVCA Audit & Governance Committee on the committee. As their appointments have yet to be ratified by TVCA Cabinet, JH reported to the committee that the members were attending as observers, with the agreement of the Chair.</p> <p>Apologies were noted as detailed above.</p>		
3.	Quorum	The meeting was noted as being quorate.		
4.	Declarations of Conflict of Interest	None were received.		
5.	██████████	<p>DA updated members on progress being made with regards to the proposed offshore wind development by ██████████ stating that the firm had been set a deadline of December 20th 2019 to provide proof of finance. He continued by stating that current exclusivity arrangements restricted the ability of STDC to engage with alternative firms with an interest in the offshore sector but suggested that given the risk of the project not proceeding he would be proposing to the STDC board that the Development Corporation should prepare to make alternative arrangements.</p> <p>CW requested DA outline associated risks. DA detailed:</p> <ul style="list-style-type: none"> • Potential risk of litigation/cost recovery claims from ██████████ • Risk that STDC is not able to capitalise on future offshore opportunities. 	STDC Risk Register to be updated.	DA/NB

		RESOLVED that members were supportive of broadening engagement with the wider offshore sector, but that the associated risks should be reported to the full STDC board.		
6.		<p>DA introduced papers detailing a proposal from [REDACTED] to repurpose the Coke Ovens on the former SSI site in order to commence methanol production and to subsequently rent the site. DA stated that the STDC board would shortly be asked to agree to sign a Deed of Confirmation agreeing in principle to the project, allowing the firm to commence on-site due diligence. DA continued by outlining that [REDACTED] is a UK entity established in order to mitigate risk to STDC.</p> <p>DA drew members attention to a favourable due diligence report commissioned from Price Waterhouse Coopers, and legal advice that such a proposed development would be helpful to the ongoing Compulsory Purchase Order process. DA also highlighted the symbolic significance of bringing the coke ovens back into use.</p> <p>DA stated that no other approach had been received for these assets and given the technological desirability of alternative methods of steel production such an approach was viewed as unlikely. DA continued that the project also met government expectations for private sector funding being maximised detailed in draft funding proposals.</p> <p>The Chair noted that the previous item on the agenda had related to the diversification of risk from reliance upon one firm, but that this proposal carried similar risks.</p> <p>NB highlighted potential savings from the coke ovens no longer requiring demolition. JM noted that these saving may be offset by increased decontamination costs associated with development of the site. DA stated that the proposed legal agreement set out measures aimed at mitigating against this risk.</p>	Project Risk Register be updated in line with issues raised by the committee and in the due diligence reports, to be tabled at the forthcoming STDC Board meeting.	NB/DA

		<p>JB stated that a guarantor had not yet been identified by [REDACTED] and that [REDACTED] was also still to specify what services it expected from STDC as landlord.</p> <p>Summing up, the Chair noted:</p> <ul style="list-style-type: none"> • High risks were associated with the project, particularly financial and environmental. • Significant due diligence had been undertaken. • Terms in the deal gave optionality to STDC to mitigate against future risk. • Legal assurance had been provided. <p>RESOLVED that the committee would report to the Board that this was a complex and high-risk proposition, and that not all risks could be fully mitigated. Nonetheless members recognised as detailed due diligence as possible had been undertaken and that the risks detailed should be considered against alternative risks of not proceeding with the project relating to the Compulsory Purchase Order process, future funding, low likelihood of alternative use of the asset and associated costs, and stakeholder and public perception of progress.</p>		
8.	Date of next meeting	<ul style="list-style-type: none"> • Wednesday December 18th, 		