

**South Tees Development Corporation  
9<sup>th</sup> Board Meeting  
Wednesday 28 November 2018  
TMO1, Teesside Management Offices, Redcar, TS10 5QW**

**Minutes**

**Board Members**

Ben Houchen (BH)	Chair
Sue Jeffrey (SJ)	Vice Chair, Redcar & Cleveland Council, TVCA
John Baker (JB)	Chair of Teesside Learning Trust
Paul Booth (PB)	Interim Chief Executive Officer
David Budd (DB)	Mayor of Middlesbrough
Bob Cuffe (BC)	Non- Executive Director
Philip Leech (PL)	Urban and Civic
Graham Robb (GR)	Recognition PR
Jane Turner (JT)	Teesside University (by telephone)
David Smith (DS)	Energy Networks Association

**Associate Members**

Amanda Skelton (AS)	Redcar & Cleveland Council/Chair SSI Task Force
Tom Smyth (TS)	BEIS, Interim Government representative

**Statutory Officers**

Julie Gilhespie (JG)	Interim Managing Director, TVCA
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**In Attendance**

John McNicholas (JM)	STDC, Engineering & Programme Director
David Allison (DA)	STDC, Interim Commercial Director
Andrew Nixon (AN)	Monitoring Officer/RCBC

**Apologies:** Steve Gibson (SG), Sir Alan Cockshaw (SAC) and Anand Srinivasan (ASr)

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

**1.1** The Chair welcomed everyone to the meeting and noted apologies. He welcomed DA to his first meeting of this Board.



**Agenda item 4**

**Confidential**

**Item 2 – Quorum**

**2.1** The meeting was quorate.

**Item 3 – Declarations of conflicts of interest - Chair**

**3.1** None declared.

**Item 4 – Minutes & Actions from last meeting**

**4.1** The minutes of the previous meeting were endorsed.

**4.2** Updates on the actions from the previous meeting were all achieved or on the agenda today with the exception of:

Meeting 8

Action 5 – A check to be made on whether introduction of revised EZs and a TIF would be a referral decision – AN to advise.

Action 9 – A paper on the Philadelphia Development Corporation to be shared with the Board – to be prepared ahead of the next meeting.

Meeting 6

Action 4 – A note to be issued on the number of contracts awarded to local businesses. This note was tabled at the meeting and Board members noted a number of points - concern was expressed regarding the value of some of the contracts, how these fit within the budget, how long they are running and the fact that there are a number of national consultants. It was noted that some of the issues, such as CPO and the two business cases would be concluded shortly. On being asked about how the contracts had been procured JM confirmed that most had been through competitive tendering but some had been direct awards, under relevant frameworks, due to the urgency of the requirements. DA also noted that this very issue had been discussed at the Senior Management Team meeting and it had been agreed that a full contract review would be undertaken.

**Item 5 – Chairs Update – and Paper 9.3 – Objectives for the Interim postholder agreed at S&RC Chair**

**5.1** BH thanked JT and the S&RC who pulled the objectives together for the Interim postholder.

**5.2** BH advised that there are changing timelines on ASC and some subtleties around their requirements. This will not be deliverable by December. However, BH advised OCGI Clean Gas did make their public announcement today, at the Carbon Capture Conference, identifying Teesside as their preferred location but without any specific reference to the SSI site.

**Item 6 – Priority Projects and Issues – Paper 9.4 – Paul Booth**

**6.1** PB gave an apology for the delay in circulation of the papers but stated that his ambition remains the same, which is to keep Board members up to date and fully informed and to be as transparent as possible. He confirmed that he is conscious of the complexity of what we are discussing and that everything today is



for information and not approval or for decision. This paper will allow us to get comfortable to be able to sign off on the papers on these issues in the future.

[REDACTED]

**6.3** PB showed a cash flow diagram which basically shows Keep Safe costs and revenue, the cost of the 3 key purchases (Tata, SSI land and CPO), development costs and ability to generate revenue and the funding required for the first 5 years to the point where STDC could be self supporting. The issue of funding for STDC to acquire land and develop the site is picked up again in verbal updates below and the Able UK interest under Item 7 Paper 9.5.

[REDACTED]

**6.5** PB advised that he had spoken to Nick Chism in BEIS (Director General) and Alex Tyler about the challenges presented by the announcement on the Clean Gas project and the fact that he had also previously spoken to the OR and his lawyers on an alternative option ie put simply - take the SSI assets out of liquidation, pass them to an administrator and then let the administrator put them back into liquidation. Administrators have different obligations to those governing the OR. This had been discussed with Julie Agnew (OR solicitor at DWF) and she is willing to seek a judge's direction, which this would require, but it has to be requested by the OR. BEIS are supportive of this alternative, using legal mechanisms, and a further meeting is being arranged with the OR. It was noted that this revised route would not reduce the cost of the land as there is still a requirement to pay a fair value for the asset.

[REDACTED]

6.7 SJ asked for clarification on the implications of colleagues who are wearing twin hats as members of the STDC Board and also TVCA Cabinet. AN was charged with advising on the governance arrangements for Board members who are also TVCA Cabinet members.

**Action 1:** Advice to be provided for Board members who are also TVCA Cabinet members with regard to referral decisions from STDC. AN

**Action 2:** [REDACTED] to put explore necessary dates to ensure all the relevant pre Cabinet events happen to enable a referral decision at an extraordinary Cabinet meeting [REDACTED]

**6d Business Case**

6.8 DA confirmed that we will be issuing the business case for the £14m to the appropriate government bodies by the end of the week.

**Action 3:** A copy of the business case to be circulated to the Board. DA

**6e M&G – verbal update – Julie Gilhespie**

6.9 JG advised that M&G are a group of international funders that STDC/TVCA have been engaging with. Another is Estates and Infrastructure Exchange (EiEx). There are two different structures which can be considered under the heading of non-recourse financing ie that does not have to come back to TVCA and places the risk onto other organisations.

a) Rental Strip

An example of this would be that CI (Clean Gas) sign their lease requiring a rental payment over a specific period. The quality of their covenant enables us to borrow against that lease. The funders recourse, if CI default, is back to CI. We can then use this on a rolling basis as investors sign up and that allows us to fund each stage of the development. Tenants would of course be required to enable delivery here.

b) M&G take a charge over some land and lend in advance on that.

The security is the land so the advantage of this model is that we do not require a tenant. There are 2 key risks i) valuation of the land and ii) they would roll up the interest, if we do not develop within a set period, which then provides risk.

PB noted that we need to get to a point where we are developing the site and bringing in investors.

**6.10** During discussion PL noted that if we adopt the rental strip model then CI would pay rent to DC which would then wash through to M&G. The capital receipt (loan) would go to the SPV, hence the need for an SPV to deliver this model. JG recognised that this model also only works if the covenant of the tenant is sufficiently strong otherwise it is cheaper for us to borrow. BH noted the benefit of securing against tenants and frontloading. JG noted that this also supports the position for the CPO funding strategy and the plan is that we will have the business case to Government in December and a further meeting with the QC in January.

**Item 7 – Key Investors – Paper 9.5 – John McNicholas/David Allison**

[Redacted content]

[REDACTED]

**Item 8 – Committee & Group Reports**

**8a – Audit & Risk – Paper 9.6 - John Baker**

8.1 A report has been circulated since the last A&RC meeting. DA has taken on responsibility for risk within STDC. There has been a review with Turner & Townsend, resulting in a number of actions in progress, which will ultimately lead to a presentation at Board level. PB noted that there will eventually be a root and branch review but that we continue to work on the risk register and project risks. SJ would like to record thanks to CF for all of his input in a letter from the Board.

**Action 4** – Letter of thanks to be sent to Colin Fyfe [REDACTED]

**8b –Business & Innovation – Paper 9.7 - Paul Booth**

8.2 PB advised that there was nothing to add to the paper that has not already been covered on the agenda.

**8c – Planning & Infrastructure – Philip Leech**

8.3 PL advised that the Master Plan is being tweaked to get it into the right shape for CPO. Once the work is completed it will be available for information for anyone who wishes to see it – with changes highlighted. On infrastructure projects we will shortly be commencing work on the South Industrial Zone roundabout. SJ ensure asked that we ensure any press release notes that this started as a RCBC project which STDC is now delivering.

**8d – Energy & Utilities – Paper 9.8 - David Smith**

8.4 DS noted that this group will inform development of the Energy & Utilities strategy to support the Master Plan and the paper today focuses on the electricity networks. There is a major issue with telecoms on site, as it is copper based, so will need to address this in the very near future. We have a private wire network on site, through the 66kv ring, which has assets which are virtually redundant but can be sweated for a period. [REDACTED]

[REDACTED]

It was noted that STSC are involved in

this group. The Board noted the paper and endorsed the recommendation for work to commence on developing the tender pack for phase 1.

**8e – Search & Remuneration – Jane Turner**

**8.5** The next meeting will be held on 3.12.18. The CEO job description has been agreed by both STSC and STDC Boards. There will be one contract, with STSC, and the postholder will have a secondment agreement to STDC. JG advised that we are going out to tender today for local / national suppliers and are confident that the job description provides what is actually required for the role. Thanks were expressed to everyone who contributed to it.

**Item 9 – Any other Business**

**9a – Report on South Gare – Paper 9.9 – Amanda Skelton**

**9.1** This report highlights the work of the partnership that is the South Gare Group. It's vision is in line with the Master Plan and there has been one public consultation in which 578 people participated. The outcome report was circulated with the papers. People are very passionate about the area and want to see it improve, but not too much. We have succeeded in a bid to receive £50K from the Coastal Revival Fund which will now enable the group to start on delivery.

**9b – Communications Update – Paper 9.10 – Graham Robb**

**9.2** In addition to the paper circulated GR advised that the Clean Gas project had received a lot of coverage with local and national news.

**9c – Forward Programme – Paper 9.11 – [REDACTED]**

**9.3** [REDACTED] will add the risk register to the programme and noted the need for consideration to be given to the RSA's for the Tata land as part of that project. One other issue highlighted was the review, due in summer 2019, of Board membership due partly to the fact that there are currently too many Board members but also the fact that all will have served two years of a three year term of office at that point.

**Action 5 – Risk register to be added to the Forward Programme. [REDACTED]**

**9.4** PL said it was good to see a reinvigorated Senior Management Team and complimented the team on ensuring more transparency and keeping the Board informed to the extent that he can actually measure the progress on a regular basis.

**The meeting closed at 16.30**

  
Chairperson

30.1.2019<sub>7</sub>